SHELTER MORTGAGE – FREQUENTLY ASKED QUESTIONS

1. **What is Pre-Qualification?**
   A pre-qualification is a free process of determining how much money a potential homebuyer will be qualified to borrow before applying for the loan.

   After a quick analysis of your income, assets, and credit, your Loan Officer will be able to tell you what loan amount you are most likely to qualify for and what the best loan program for you will be.

2. **What is Pre-Approval?**
   Once you know your maximum loan amount and begin your home search it's time to get pre-approved! A pre-approval is a free in-depth assessment that gives you a conditional approval from the lender for a specific loan amount prior to purchasing a home. It also shows the seller and their representative that you are serious about purchasing a home and gives you an advantage if someone else is interested in the same property.

3. **What Loan is Best for Me?**
   Your Loan Officer will build the best loan program for your situation, and may ask these questions when helping you choose a loan:
   - *How long do you plan on residing in the home?*
   - *Do you expect to have a significant increase in income in the near future?*
   - *Is a stable monthly payment or a low initial interest rate most important?*
   - *How much do you have for a down payment?*
   - *Are you self-employed or on commission?*

4. **Can I Qualify to Buy a Home if I Recently Changed Jobs?**
   Yes! When you apply for a loan, you are evaluated on your employment history and stability of income.

5. **What's In a Mortgage Payment?**
   Typically: principal, interest, property taxes, mortgage insurance and home insurance.

6. **Fixed Rate vs. Adjustable Rate**
   The interest and payment in a fixed rate loan remain constant over the life of the loan. Interest and monthly payment in an adjustable rate loan may increase or decrease over time.

7. **What are Closing Costs?**
   Closing costs are fees that both the buyer and the seller must pay for services performed to process and close the loan. In addition to the purchase cost, some closing costs may include:
   - *Appraisal fees*
   - *Title and recording fees*
   - *Pre-paid interest*
   - *Loan discount points*
   - *Title insurance*

8. **What is Hazard Insurance?**
   Hazard insurance is a contract that protects you from any financial losses on your property that might result because of fire, wind, or other hazards. In some cases, you will have to purchase additional flood insurance if you live in a flood risk area as determined by FEMA.

   Tip: *If purchasing an existing home, make sure you get an insurance quote and declaration page early in the purchase process to avoid closing delays.*

9. **What is PMI?**
   PMI stands for Private Mortgage Insurance. PMI is additional insurance for homebuyers who have less than a 20% down payment. This protects the bank against loss if a borrower defaults on the loan.