

A MORTGAGE??

The *mortgage note*, sometimes called the *promissory note*, is the document that contains a promise to repay the loan. It indicates the terms and conditions of your loan, and how it will be repaid. It specifies the amount of the monthly payment, when it is due, and the number of payments you must make.

The actual *mortgage* is a separate document that you sign at closing. It pledges your home as security for the loan.

Mortgage Classifications - two primary classifications of mortgages:

Conventional Mortgage

FHA - Government-Insured/Guaranteed Mortgage - FHA loans require that the property being purchased meets certain minimum standards.

Mortgage lenders usually require borrowers to make an initial payment toward the price of the home — the *down payment*. The amount of the down payment depends on the type of mortgage that you get.

It is possible to obtain a mortgage loan with as little as 3% to 5% down, if you qualify and meet certain conditions, such as the purchase of *private mortgage insurance (PMI)*. The cost of the private mortgage insurance is added to your monthly mortgage payments and closing costs. There are also 100% and 103% loan programs available to qualified buyers.

PMI protects the lender in case the buyer fails to repay the loan, or "defaults" on the loan. If this happens, the lender goes through the process known as foreclosure and acquires title to the mortgaged property.

Mortgage insurance is a separate insurance from *mortgage life* or *homeowners hazard insurance*.

According to the Homeowner's Protection Act of 1998, mortgage insurance must be automatically cancelled when the loan-to-value ratio reaches 78% or less of the original value of the property. Borrowers with good payment histories may initiate cancellation with their individual lenders when the loan-to-value ratio reaches 80% of the original value.



The road to home ownership!!

918.284.5539

E-mail me at dinahsue@dinahfuller.com