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MORTGAGE BASICS

When you consider that most mortgages are a 30-year loan, it's important that you understand exactly what a mortgage is.

A mortgage is generally made up of three parts: Down Payment, Monthly Payment, and Fees.

A review of these terms will help you understand the basics of mortgage options, and help you identify which type of mortgage you may qualify for.

Down Payment: Usually a percentage of the price of the house. Different banks require different down payment amounts. Determine the approximate total you want to spend on a home, then check mortgage programs to find out what percent of that total you will need for a down payment.

Monthly Payment: Your mortgage will have a monthly payment required to pay off the loan. This will change depending on the amount you finance, the interest rate, and the number of months your loan is for.

Typical Mortgage Fees: There are a variety of fees that may be required when you purchase your home. Some will be a percentage of the loan amount, others may be a flat rate. Some typical fees include: Application Fee, Loan Origination Fee, Points, Appraisal Fee, Private Mortgage Insurance, FHA/VA/RHS Fees, Recording Fees, and more.

Fixed Rate: A fixed rate mortgage will have monthly payments that are the same throughout the term of the loan because your interest rate never changes. This is the best type of loan if interest rates are low when you get your mortgage.



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Adjustable Rate: An adjustable rate mortgage allows the bank to change the interest rate on your loan. If interest rates go up, so will your mortgage rate and monthly payment. If interest rates drop, so will your mortgage rate and monthly payment. Often, adjustable rate mortgages have a low initial cost, so they are appealing to budget-conscious buyers. Make sure you weigh the pros and cons based on current interest rates and trends.

Mortgage Help Programs: There are programs that will help you get a mortgage. Check with your real estate agent to learn which programs you may qualify for.

Veteran's Administration (VA) Loans: The Veterans Administration offers loans to veterans who served in the armed forces on active duty during times of conflict. Eligibility requirements are available at: www.benefits.va.gov/homeloans/purchaseco_eligibility.asp

Federal Housing Administration (FHA) Loans: FHA loans are made by a lending institution, such as a bank, but the federal government insures the loan. Learn about the lending limits and qualifications by visiting the FHA website:

https://www.fha.com/lending_limits_state?state=FLORIDA

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