

FREQUENTLY ASKED QUESTIONS

Q: How do I know how much house I can afford?

A: Generally speaking, you can purchase a home with a value of two or three times your annual household income. However, the amount that you can borrow will also depend upon your employment history, credit history, current savings and debts, and the amount of down payment you are willing to make. You may also be able to take advantage of special loan programs for first time buyers to purchase a home with a higher value. Give us a call, and we can help you determine exactly how much you can afford.

Q: What is the difference between a fixed-rate loan and an adjustable-rate loan?

A: With a fixed-rate mortgage, the interest rate stays the same during the life of the loan. With an adjustable-rate mortgage (ARM), the interest changes periodically, typically in relation to an index. While the monthly payments that you make with a fixed-rate mortgage are relatively stable, payments on an ARM loan will likely change. There are advantages and disadvantages to each type of mortgage, and the best way to select a loan product is by talking to us.

Q: Why is a realtor helpful?

A: Realtors are trained in the area of real estate. They have expertise in the area market, contractual agreements, contract negotiation and can offer advice on any potential purchase. Realtors provide a service which offers convenience for home buyers.

Q: Why should I have a home or building inspection?

A: Home inspections are not required by lenders, but they do offer you protection. Realtors recommend that you have a home inspection on any potential purchase. Home inspectors have expertise in areas that home buyers often do not. They evaluate the condition of the home or building and its structure and features.

Q: How do I know which type of mortgage is best for me?

A: There is no simple formula to determine the type of mortgage that is best for you. This choice depends on a number of factors, including your current financial picture and how long you intend to keep your house. Spruce Mortgage can help you evaluate your choices and help you make the most appropriate decision.

Q: What does my mortgage payment include?

A: For most homeowners, the monthly mortgage payments include three separate parts: 1) Principal – repayment on the amount borrowed; 2) Interest – payment to the lender for the amount borrowed; 3) Taxes and Insurance – monthly payments are normally made into a special escrow account for items like hazard insurance and property taxes. This feature is sometimes optional, in which case the fees will be paid by you directly to the County Tax Assessor and property insurance company.

Q: How much cash will I need to purchase a home?

A: The amount of cash that is necessary depends on a number of items. Generally speaking, though, you will need to supply: 1) Earnest Money – the deposit that is supplied when you make an offer on the house; 2) Down Payment – a percentage of the cost of the home that is due at settlement; and 3) Closing Costs – costs associated with processing paperwork to purchase or refinance a house.



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