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# MORTGAGE NEWS

## Good news for spring home buying season

### Spring Home Maintenance Tips

Below are a few tips to make sure you are taking care of your home this spring! Inspecting your home now may help eliminate costly problems later.

- Check for loose or leaky gutters and make sure downspouts drain away from the foundation and are clear and free of debris.
- Low areas in the yard or next to the foundation should be filled with compacted soil. Spring rains can cause yard flooding, which can lead to foundation flooding and damage.
- Use a screwdriver to probe the wood trim around windows, doors, railings and decks. Make repairs now before the spring rains do more damage to the exposed wood.
- From the ground, examine roof shingles to see if any were lost or damaged during winter. Examine the exterior of the chimney for signs of damage. Have the flue cleaned and inspected by a certified chimney sweep.
- Inspect concrete slabs for signs of cracks or movement. Fill cracks with a concrete crack filler or silicone caulk.
- Have a qualified heating and cooling contractor clean and service the outside unit of the air conditioning system.

Good news! According to the February U.S. Economic and Housing Market Outlook, mortgage originations are expected to exceed Freddie Mac's original forecasts, thanks to lower mortgage rates and an improving jobs picture.

Freddie raised its 2015 originations forecast to $1.3 trillion, while the forecast for the refinance share of originations in 2015 was also revised up to 40%.

However, the home sales expectation of 5.6 million in 2015 and housing starts expectation of 1.18 million in 2015 are unchanged from last month. Due to continued strong growth in home prices and relatively low inventories, Freddie is expecting house prices to increase 3.9% in 2015.

The Federal Reserve is still expected to begin raising the fed funds target and short-term rates will rise accordingly, but long-term interest rates will only rise slowly. The average 30-year fixed-rate mortgage rate forecast for 2015 was revised down to 3.9% for the year (compared to 4.2% last month).

| Forecast Summary | 2015 | 2016 |
|---|---|---|
| Real GDP Growth (%) | 2.9 | 2.7 |
| 30-Year Fixed Mtg. Rate (%) | 3.9 | 4.8 |
| FMHPI House Price Appreciation (%) | 3.9 | 3.4 |
| 1-4 Family Mortgage Originations ($Billions) | $1,300 | $1,275 |

Source: Freddie Mac

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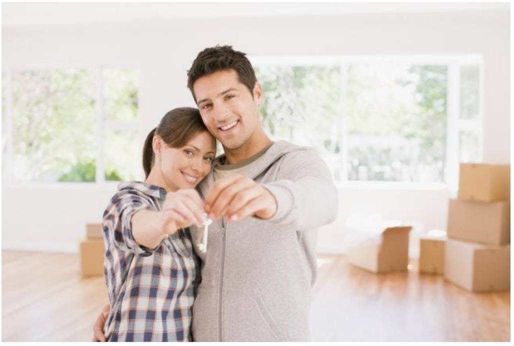
# 10 Terms First-Time Homebuyers Should Know

***Applying for a mortgage is easier when you learn how to talk to lenders.***



It’s time for home selling and buying!  Soon you'll start seeing the “For Sale” signs posted in yards as well as online advertisements beckoning prospective homebuyers.

**1. Fixed-rate mortgage.** This means the interest rate you pay on your home loan won't change. Over the years, your mortgage payment will likely change some – property taxes will likely rise, your homeowners insurance might climb or fall, or you might shed your PMI (a term we’ll come back to).  But generally, if you have a fixed-rate mortgage, your monthly mortgage payment won't change much over the years.

**2. Adjustable-rate mortgage.** Also known as an ARM, this is essentially the opposite of a fixed-rate mortgage. You'll have a fixed rate for several years, maybe five or 10, and then the interest rate adjusts according to the fully indexed interest rate, often the prime rate, which is what banks charge their most creditworthy customers. So while your interest rate and payments will likely be lower in the beginning than those of the homeowner with the fixed-rate mortgage, hope that interest rates remain low throughout the life of your loan. As interest rates climb, so too will your own interest rate and monthly payments.

**3. Prequalified.**  If your lender tells you that you're prequalified for a house, that's a good start – but you're still a long way from being a homeowner.  Prequalification requires less documentation. It provides a general idea of the loan amount in which a homebuyer might qualify. This way, you can start looking for a home and have a sense of what type of house you can afford.

**4. Conventional loans.** These are the typical loans that many people, but not all, apply for when they want a mortgage.  Those with low credit scores usually won’t qualify for these types of loans.  Conventional loans generally require a credit score of above 650.

**5. Federal Housing Administration loan.** Have poor credit? You'll probably get one of these, also known as FHA loans.  These are excellent for first-time homebuyers with subprime credit scores.

**6. Appraisal.** This is an estimate that determines what your property is worth. Banks need homes to be appraised, in part, so they don't lend you more than what the house is worth.

**7. Private mortgage insurance.** This is a monthly insurance payment you'll have to pay if the down payment on your house is less than 20 percent of the appraised value or sale price.  Usually, PMI insurance isn't something you pay forever. Typically, after your payments reach 20% of the value of your home, you stop paying PMI.

**8. Closing costs.** These are fees related to buying a house that your lender charges you, or you rack up from various third parties, such as a home inspector. You can normally expect your closing costs to be 2 to 5 percent of the purchase price of your home. That may sound like a lot, but there are many costs involved in closing the deal, from buying title insurance to paying for points and attorney and surveyor fees.

**9. Points**. One point is a charge equal to 1 percent of the loan amount. So if you're buying a $200,000 house, and a lender is charging you 2 points, that's $4,000. Three points, $6,000. And why do you care? Because points are prepaid interest. The more points you pay, the lower your interest rate will be.   Ask your lender to do the math.

**10. Escrow.** When you hear your real estate agent throw this word around, you'll know you're probably near the end of the home buying process. When you think escrow, think of a third, neutral party. For instance, you may have looked at a house, loved it, made an offer and offered a deposit – which would then be put in escrow.  That is, it'll be put in a third-party account, probably set up by your real estate agent. The escrow account keeps your deposit safe so the homeowners don't inadvertently spend your money. You might also hear your lender talking about an escrow account where your property taxes and homeowners insurance go until they're paid.