

Guest Column,

Home Financing- My Interview with an Expert

By Ronnie Godfrey, CGB, president, R Godfrey Homes

Today's article is an interview with Tammie Harding, Executive Vice President of Intrust Mortgage. She has been in the mortgage business for more than 20 years and is highly qualified to answer our questions about the mortgage process.

First, some terms used in new home mortgages:

Interest Rate- Is the amount, expressed in a percentage, the lender charges to loan you the money you need.

Debt Ratio- this is the amount of income compared to the monthly payment.

P&I or Principle and interest- This is the amount of monthly payment you must make to pay back the loan.

Mortgage- This is a term for the document that spells out the loan.

Term- Is the length of the loan, such as 15 years, 30 years---

Closing costs- are those cost associated with creating the loan. These may be legal fees for drawing up the documents, filing fees to make these become permanent records at the court house.

Ronnie: Good morning Tammie. Thanks for taking the time to talk to us today. Let's get started. What is the most popular mortgage today?

Tammie: The 30 year fixed payment is still the most used mortgage. You know today, tomorrow and next year what your monthly principle and interest will be. It doesn't change with the economy.

Ronnie: How much more does it cost, say for a \$100,000 mortgage per month in P&I for 15 yrs instead of 30?

Tammie: At today's interest rate the payment for 30 years would be \$649 and for 15 years \$865. So you see, for an additional \$216 per month you can pay off your mortgage 15 years sooner.

Ronnie: Where do you see interest rates heading?

Tammie: I think we will see the low 7's which historically is still very good.

Ronnie: Are there any new and exotic mortgages out there?

Tammie: Yes there are several non-traditional mortgage instruments out there. There is stated income, no ratio, no documents, interest only, 105% financing etc... However it should be noted that due to the amount of delinquencies and foreclosures many of these programs will be going away. This is a normal cycle- the market gets too aggressive and offers risky loan types. The public sometimes takes out these risky loans and has difficulty with them when there is a downturn in the economy. This causes the market to rethink and tighten the rules and guidelines for acquiring a loan and so on.

Ronnie: Briefly what is the process to obtain a loan for new home?

Tammie: 1) Contact a reputable mortgage professional to pre-qualify; this takes only a few moments over the telephone and gives you an idea of price range, payments and the process;

2) Contact a reputable builder and get a construction or sales contract;

3) Go back to the mortgage professional for a full loan application and they will give you the details on what to expect, what to do and when;

4) Closing will be at the title company of the builder's choice;

5) Enjoy your new home

Ronnie: Talk about down payments and closing costs.

Tammie: There are many loans available with no down payment, or even ways to incorporate your closing costs and pre-paid taxes and insurance into your new mortgage. The best thing to do is to get on the phone with a

mortgage professional and they can explain the ins and outs and run several scenarios for you.

Ronnie: Are there any special mortgages for energy efficient homes or higher allowable ratios?

Tammie: Yes. FHA (a loan designed for first time home buyers, but available to anyone who qualifies) allows a higher debt ratio if the home is energy efficient.

Ronnie: Thanks again Tammie for taking the time for this interview.

When I first got into the building business, mortgages were a simple thing. Over the years they have come up with many ways to help folks buy a new home. It has become so complicated that I find doing business with someone knowledgeable like Tammie to be essential. It's possible that you have questions that we didn't have room to cover. Feel free to call the mortgage lender of your choice or you can reach Tammie at 817-377-4905 or email her at tharding@intrustmortgage.com.

For comments about this article contact Ronnie Godfrey at Ronnie@RGodfreyHomes.com or call 817 988 0149.