



Attention Homebuyers: Avoid Costly Financial Surprises in the Buying and Closing Processes

FAIRFAX, Va. (February 4, 2018)—Despite increases in mortgage rates, they are still historically low. According to experts at Apple Federal Credit Union, homebuyers just need to know the right questions to ask mortgage lenders to take advantage of the low rates. A new list of questions released by Apple today helps homebuyers navigate the process without any surprises.

“It’s still a good time to buy a house. Housing prices have increased moderately over the last year,” explains Jeffery Long, Chief Lending Officer at Apple Federal Credit Union. “But with the spring market around the corner, low unemployment and the Amazon effect, demand and prices will likely rise soon. Asking lenders the right questions can help consumers understand the process and take advantage of the low rates and stable prices.”

According to bestplaces.com, a leading provider of data and research on cities, median home values are at \$684,000 in Arlington, \$518,800 in Alexandria, \$535,200 in Fairfax, \$870,000 in Bethesda, \$485,000 in Loudoun County, \$363,000 in Prince William County, \$329,000 in Stafford, and \$566,000 in Washington, DC. Overall, home prices in the DC metro have increased slower than the other top 20 markets, up only 2.9 percent according to the S&P/Case-Shiller Home Price Index.

To help get the best deal and avoid common pitfalls, Apple FCU put together a list of questions to ask lenders, starting with these: What type of loans do you offer, what is the interest rate and Annual Percentage Rate, how large of a down payment do I need? Other important questions to ask that can surprise buyers and affect the total cost include:

What fees and costs will I have to pay? Can you estimate and explain them?

Every lender will charge differently for closing costs but they generally include an appraisal, credit report, title policy, pest inspection, escrow if applicable, recording fees, and taxes. Some lenders also require buyers to pay points (for example, 1 percent of the total loan) or origination fees. Buyers can ask the lender to waive paying those points in exchange for a higher interest rate. All this information should be presented in a Good Faith Estimate, which must be provided to the buyer within three days of the application, as required by law.

Do you offer loan rate locks? If so, how much do you charge for them?

With loan rates changing hourly, buyers may want to consider asking for the loan rate to be locked to minimize surprises. However, if the rates go down, buyers will pay the higher locked amount. Some lenders charge zero to one point for the lock.

What is mortgage or discount points and how do they affect my loan?

Mortgage or discount points are fees the borrower can pay the lender in exchange for a reduced

interest rate, leading to lower monthly mortgage payments. One point costs one percent of a mortgage amount (or \$1,000 for every \$100,000). This could be a good option for buyers planning to be in their home long-term. Buyers should compare savings each month against how much it costs to pay the points.

What is earnest money and how much will it cost me?

Once a homebuyer decides to buy the home, the contract will ask for a deposit (called earnest money) as a guarantee that the buyer will fulfill the contract. The home's price and the terms of the agreement dictate the amount and is used to cover the buyer's down payment, purchase price, and closing fees as long as the transaction completes. If the transaction cannot be closed because the buyer fails to fulfill his part of the contract, the seller retains the earnest money deposit.

What is escrow?

Homeowners putting down less than 20 percent may be required to put additional money at closing into an escrow account with the lender. The lender will use this money, plus an additional amount in each monthly mortgage payment, to pay for property taxes and specific types of insurance directly on behalf of the borrower. The amount of escrow required will be included in the Good Faith Estimate of closing costs provided by your lender. The amount of taxes and insurance required vary, depending on the property.

What are the closing costs? How much will mine be?

Closing costs are paid when ownership of the home is ready to be transferred. These costs can be paid by the seller, the buyer, or shared by both. Often, closing costs can be as much as 2 to 5 percent of the home's purchase price. It's important to ask the lender for an estimate of closing costs up front, as many of the fees associated with closing the transaction vary by lender. Although the final bill might differ from the lender's estimate, there are limitations to how much fees can change. Major discrepancies should be discussed with the lender prior to closing.

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About Apple Federal Credit Union

Established in 1956, Apple FCU is ranked as a top 100 credit union nationwide, serving nearly 210,000 members with \$2.7 billion in assets. As a not-for-profit, member-owned financial cooperative, Apple FCU serves a diverse community of local education systems and anyone who lives or works in Fairfax, Frederick (VA) and Prince William counties. Members enjoy competitive rates, as well as fair and honest products and services, within a trusted environment. The Credit Union is fully committed to making a positive impact within the region, not only in financial services, but also in community involvement, financial literacy and charitable giving. To learn more, visit AppleFCU.org. Federally insured by NCUA. Equal Opportunity Lender.