Waterstone MORTGAGE

FAQs

Q: Why work with Waterstone Mortgage?

Answer: When you choose us as your mortgage lender, you'll receive:

- Local, quick service—In-house processing, funding, and underwriting ensure mortgages will be ready in weeks, not months
- Competitive pricing—Our large volumes result in outstanding rates
- More Program Options—Our lender relationships allow us to offer the most program flexibility, helping you stay competitive
- Approved FNMA/FHLMC Direct—Our ability to sell loans directly to Fannie Mae and Freddie Mac eliminates the cumbersome overlays and restrictions of secondary market investors
- Stable Ownership—We are a wholly owned subsidiary of WaterStone Bank SSB, backed by assets of $1.6 billion

Q: What sales price should I be looking at during my home search?

Answer: Most likely, you will have a sales price range rather than an exact amount. This range is based on either the maximum payment for which you qualify or your maximum comfortable payment, whichever is less. The total payment is a combination of several things:

- Principal and Interest
- Real Estate Taxes
- Homeowner's Insurance
- Mortgage or Flood Insurance (where applicable)
- Home Owner Association (HOA) dues (where applicable)

Because taxes and HOA dues will vary drastically from property to property, zeroing in on a specific sales price is difficult. Be sure to keep in touch with your Waterstone Mortgage loan professional—he or she will help you determine the maximum amount you can offer when you are ready to buy.

Q: What are closing costs and how much are they?

Answer: Closing costs consist of various charges associated with the mortgage transaction that are above and beyond the purchase price of the property or loan amount. These costs may be paid by the buyer or the seller and are typically paid at the time of loan closing. Some examples of closing costs include title work, appraisals, inspections, credit reports, recording fees, origination fees and points, and reserves for taxes and insurance. Total closing costs will vary depending on your situation. You will receive a Good Faith Estimate of your closing costs within three days of application to help you plan. Additionally, prior to closing, you will receive a final statement of closing costs.

Q: What is an APR?

Answer: APR stands for Annual Percentage Rate, and is usually associated with the interest rate for your mortgage loan. The APR is the cost of credit expressed as an annual rate. Because there are closing fees associated with obtaining a mortgage loan, the APR almost always will be higher than the actual interest rate. APR takes into account some of the borrower's costs for getting the loan, including points, most loan fees and mortgage insurance, and can be used as an accurate tool for comparing rates from different lenders.

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Q: What is your rate?

Answer: This is a simple yet difficult question to answer. First, mortgage rates change on a daily basis and sometimes multiple times a day. Mortgage rates are typically determined by bond activity, specifically Mortgage Backed Securities. The daily trading and movement of Mortgage Backed Securities is one of the reasons quoting an interest rate can be difficult.

Additionally, there are more than 20 criteria that will affect an interest rate. Items such as credit score, loan amount, lender credits, occupancy type, loan to value, and other factors determine a person's interest rate. An accurate interest rate quote comes after the mortgage consultation and pre-approval are completed, but may be subject to change if you do not lock your rate immediately.

Q: Why do I see lower rates in the newspaper and on the internet?

Answer: Simply put, mortgage interest rates quoted in newspapers or on websites are nothing more than advertisements. They usually come with some sort of asterisk (*) or disclaimers, and are designed to get potential clients to call. Many times, these companies are only able to offer their advertised rates to specific consumers, and charge additional fees to do so.

Q: When do I lock in my interest rate?

Answer: For purchase transactions, the interest rate will not be locked in until the property is under contract. The sales contract will let us know how long we need to lock in the rate and the specific dollar amount of the loan. However, an interest rate does not have to be locked as soon as one goes under contract. You are allowed to float a rate for up to eight days before the closing date. When a rate is not locked, it is considered "floating", and there is risk that the rate will increase due to changing market conditions. Conversely, the risk pays off if rates drop due to a market rally.

For refinance transactions, rates should always be locked as soon as you are ready to move forward with the transaction.

Q: Is there a fee to lock in my interest rate?

Answer: No. Waterstone Mortgage does not charge you a fee to lock in your interest rate.

Q: Can I lower my rate after I have already locked in if rates drop?

Answer: In most cases, the answer is "no". By locking in a rate, you are protecting yourself from rising rates. However, there are special circumstances to "renegotiate" a rate if there is substantial movement in the market. These opportunities are rare but available if needed.

Q: What are discount points and should I pay them?

Answer: One discount point equals 1% of the loan amount. Normally you should only pay discount points in exchange for a lower interest rate. The IRS deems a discount point to be pre-paid mortgage interest, which may be tax deductible. Before deciding to pay points, you should ask a Waterstone Mortgage loan professional to run a "cost-to-break-even," which is the time it will take to recoup the initial investment.

In some cases, you may pay a loan origination fee in exchange for a lower rate, much like a discount point. Additionally, certain niche or portfolio products are priced with mandatory discount points.

Q: What is an escrow account? Do I need to have one?

Answer: Your escrow account is a small reserve account held by the lender from which the yearly real estate taxes and homeowner's and other insurance renewals are paid. When you obtain a new mortgage, a portion of money is set aside to establish the escrow account. For a purchase transaction, this is usually 2 to 3 months of insurance and 3 to 4 months of taxes. Refinance transactions vary based on time of year and the insurance renewal date.

Each month, a portion of the mortgage payment is deposited in the escrow account to ensure there is enough money set aside when the tax bill and insurance renewal(s) are due. The lender will use the money to pay these items on your behalf.

Escrow accounts are required on all FHA, VA and USDA loans. Conventional loans will sometimes allow you to waive an escrow account if there is a 20% or more down payment on the transaction. For refinance transactions, you will need to have at least 20% equity in your home to waive escrow. Often, there is a one-time fee to waive an escrow account, which varies from .25% to .375% of the loan amount. Specialty and niche products have varying rules for waiving escrows.

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Q: Who is responsible for my homeowner's insurance and when is it selected?

Answer: You get to choose your own homeowner's insurance provider. Insurance decisions are made after you are under contract and your loan application is completed, but should be done at least 10 days before your closing date. Your Waterstone Mortgage loan professional can refer an insurance agent to you if you would like a recommendation. With most purchase transactions, the homeowner's insurance premium is paid at closing as a part of your total closing costs.

Q: When will I receive my final figure needed for closing?

Answer: The final figure (or cash needed to close) is typically given to you 48 hours prior to closing. The figure comes from the closing agent (either attorney or title company) after the lender's closing package is received. The final figure is disclosed on the HUD-1 settlement statement. The closing agent prepares the HUD-1 and then sends it to the lender to approve. Once approved, the lender sends the HUD-1 to you to review. You must get a cashier's check made out to the closing agent for the amount needed, as stated on the HUD-1. You may be required or may choose to have the funds wired to the closing agent instead of getting a cashier's check.

Q: What items will I need for my formal loan application?

Answer: Exact items will vary from transaction to transaction. You will receive a specific list of documents needed from your Waterstone Mortgage loan professional at the time of your formal loan application.

Standard Required Documentation:

- Social Security card
- Driver's license
- 30 days' worth of pay stubs
- Last 2 years of W-2s/1099s and tax returns
- 60 days of bank/asset statements
- Fully executed sales contract
- Copy of Earnest Money deposit check

If the borrower is self-employed, the previous two years' worth of business tax returns will be required as well. There is additional documentation if the borrower(s) is not a U.S. citizen, gift money is being used for down payment, or the borrower(s) own multiple properties.

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