

Mortgage Points | Should You Pay Points on Your Mortgage?

If you're evaluating mortgage options for a MA home purchase, you may be presented with a few different loan options. One common option is to pay points for a lower interest rate. Should you pay points on your mortgage? Before deciding, here are a few things that you should know.

What Are Mortgage Points?

Points are pre-paid interest. You are essentially paying interest up-front on a mortgage in order to receive a lower interest rate over the life of your loan. Why would lenders offer this? Well, on a 30-year loan, there's no guarantee that you would actually keep the loan for the full term. Most people refinance or sell every 7-10 years. Plus, they receive interest in smaller increments over time. So, lenders welcome the opportunity to get paid a lump sum of interest up-front.

From a buyer's perspective, you may reduce your mortgage payments each month by paying points. However, you're not necessarily saving money yet. You're paying some of that interest up-front rather than over time.

Should You Pay Points on Your Mortgage?

Whether paying points is a good idea depends on your plans. Do you intend to keep the loan for an extended period of time? Is it possible that you may sell or refinance before it actually saves you money? For example, you may pay \$4,000 in points to reduce your monthly mortgage payment by \$110. If you opted instead to pay that extra \$110 per month in interest, it would take you over 3 years to spend the same \$4,000. Therefore, paying points doesn't save you any money until 3 years later. If you end up selling your home in 2 years, you've lost money in that deal. It would have been less expensive to pay higher interest each month ($\$110 \times 24 = \2640) rather than paying points.

A lower interest rate is certainly appealing when you multiply the savings over the 30 year life of a loan. However, take a realistic look at how long you may keep your mortgage or stay in a certain home before deciding to pay points. In some cases, it can be a great decision that will save you significant money. In other cases, it may be an unnecessary added expense.

Changes to the HomeReady Mortgage Program in MA

The HomeReady mortgage program in MA is a Fannie Mae program servicing low to moderate income families. Some recent changes to the program will allow more home buyers to qualify for this home loan. Here are a few highlights of the changes.

Homebuyer Education Requirements Relaxed

Taking homebuyer education courses is a requirement of this program. Previously, only in-person classes offered by a company called Framework satisfied the requirement. In some cases, class offerings were limited and made it difficult for buyers to attend. Now, homebuyers may receive one-on-one education directly from their loan officer. Buyers can therefore quickly start their home buying process.

Two additional education requirements have changed. First, landlords purchasing smaller unit building (up to 4 units) are no longer required to complete landlord education (although they must still satisfy the standard education requirements). Secondly, buyers refinancing into a HomeReady mortgage and not receiving a big cashout are not required to complete any courses.

Other Important Changes to the HomeReady Mortgage Program in MA

- **Higher Income Requirements**

The income limits for HomeReady loans are now higher. Limits match the median income of the area. This higher limit allows more home buyers to use the program.

- **Multi-property Ownership Limits Removed**

In the past, home buyers looking to use this program were not allowed to own any other residential properties. This condition has now been removed.

If you are interested in the HomeReady Mortgage Program in MA for your next purchase, contact us. We can refer you to a lender that is authorized to provide this type of financing.

Rate Lock Expirations and Why They Are Important

Locking in your interest rate is an important step in the mortgage process. But, did you know that your rate lock expires? Knowing rate lock expiration dates is very important, and here's why...

Closing Delays

During a real estate transaction, there may be causes for a delay in the closing date. For example, there may be issues with your loan paperwork, the lender may need more time to process your loan, or the seller may ask for an extension to accommodate their move. In some cases, such as the seller requesting an extension, you may have control over whether to allow the change. Knowing the extension date will give you a sense of how much cushion you have in the closing date. You will not want to delay it any further than the rate

expiration.

Impact of Rate Lock Expirations

If your rate lock expires, it may cost you more money! Most lenders will charge a fee to extend your rate. The amount of that fee is typically calculated based on the interest rate at the time the extension is requested. It may cost you thousands of dollars to extend.

Why Can't I Simply Get the Current Rate If My Rate Lock Expires?

Rate lock expirations don't simply cause a new interest rate to apply to your loan. Your loan is evaluated by underwriting based on certain exact figures, such as your interest rate and monthly payment. If any of that information changes, the loan must go back through processing and underwriting, which could cause a lengthy delay. Some lenders don't even allow you to change to the current rate, but rather mandate a rate extension.

MA Loan Specialists

Obtaining a home loan may be a difficult process because of the different loan options, the paperwork involved, and the qualification process. Getting help from local MA loan specialists will minimize some of the difficulty. In this blog is advice on the benefits of utilizing MA loan specialists.

Benefits of MA Loan Specialists

MA Financing Programs

MA loan specialists stay up to date on community financing programs and grants. They can offer guidance on unique programs and qualification criteria. This is most important for first time home buyers as many of these programs are geared specifically toward them. Some of these programs provide more flexible lending criteria or can save money on closing expenses or interest.

Involvement In The MA Market

Every local market routinely changes and includes unique characteristics. MA loan specialists process loans in the area monthly and may know about some of the patterns and challenges. That knowledge can minimize the possibility of closing delays. Not all issues can be avoided, but local loan specialists will definitely be a benefit.

Level of Service

Even though many business transactions are completed via telephone and email, in some cases a face-to-face meeting is helpful.

Utilizing local loan specialists gives you the opportunity to meet and address vital issues. Time zones are also less of a headache. Lastly, local professionals have an image and reputation to maintain and will, as a result, work hard to ensure the satisfaction of local customers

MA Loan Specialists

Purchasing real estate is a huge investment. Local real estate brokers and loan specialists will play a role your home buying experience. MA loan specialists are also a informational resource that you should tap in to. For a list of local **MA loan specialists**, contact Peter DaMore with Law Offices of Peter T. DaMore Jr., at 781-229-7900 or pdamore@ptdlaw.com.

MA USDA Home Financing Information

**MA USDA home financing information provided by
Peter Damore at Law Offices of Peter T. Damore
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New FHA Loan Limits For MA

**New FHA loan limits for MA – published by
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97

Percent

Conventional Mortgages In MA

97 percent conventional mortgages in MA provided by Peter Damore at Law Offices of Peter T. Damore Jr.

Assistance Programs For MA Home Purchases

Assistance programs for MA home purchases and where to find them – written by Peter Damore at Law Offices of Peter T. Damore Jr.

Methods To Pay For Home Additions In MA

Methods to pay for home additions in MA – home equity loan, mortgage refinancing, unsecured loans – published by Peter Damore at Law Offices of Peter T. Damore Jr.

Decreased FHA PMI Premiums For MA Loans starting January 26, 2015

Decreased FHA PMI premiums for MA loans starting January 26, 2015 – Impact of the Decreased PMI Premiums – written by Peter Damore at Law Offices of Peter T. Damore Jr.