Allegiance TITLE COMPANY

Home Financing Choices

In today's fast-paced real estate environment, home buyers need every possible advantage. Allegiance Title has made home buying simpler by helping buyers get "*preapproved*" and not merely "*prequalified*". What is the difference?

Preapproval vs. Prequalification

What could be more comforting than the peace of mind that goes with knowing your mortgage is fully approved?

You will have a greatly improved negotiating position when you are preapproved for a mortgage. Sellers are more apt to negotiate with someone who already has a mortgage approval in hand. The preapproval letter lets the seller know they are working with a serious buyer. A preapproved buyer can also close on a property more quickly - another major consideration for a motivated seller. Obtaining a preapproved mortgage is essential in a "seller's market" or where supply is limited.

Preapproval uses basic information as well as electronic credit reporting. It is a true mortgage commitment. Which means a commitment to financing your home and an indication of the total mortgage amount available to you. Most mortgage lenders, can help you through the preapproval process. In most cases, there is no charge for this service.

Prequalification, on the other hand, is not a full mortgage approval, but an estimate of what you can afford. When you prequalify for a mortgage, the lender collects basic information regarding your income, monthly debts, credit history and assets, and then uses this information to calculate an estimated mortgage amount.

Of the over 50 different mortgage types available, the two largest categories are fixed and adjustable rate mortgages, each with advantages to consider.

Fixed Rate Mortgage

The fixed rate mortgage is a traditional method of financing a home. The interest rate stays the same for the entire term of the loan—usually 15 or 30 years—so the interest and principal portions of your monthly payment remain the same.

Your payments are stable and predictable, but initial interest rates tend to be higher on a fixed rate mortgage than on adjustable rate loans. Many fixed rate mortgages cannot be assumed by a subsequent buyer.

Adjustable Rate Mortgage (ARM)

The interest on an adjustable rate mortgage is linked to a financial index, such as a Treasury security, so your monthly payments can vary over the life of the loan - usually 25 to 30 years. Most adjustable rate mortgages have a lifetime cap on the interest rate increase to protect the borrower.

The lower initial payments on ARMs make it easier for buyers to qualify. Some ARMs may be converted to fixed rate mortgages at specified times, usually within the first five years.

This information is provided for educational purposes only and does not constitute legal advice, and no person should act or refrain from acting on the basis of any information contained here without first seeking appropriate legal or other professional advice. The information provided is not intended for any viewer to accept and/or rely on as legal advice. Consult a licensed attorney or other qualified professional with questions.

To find an Allegiance Title branch location near you visit **www.allegiancetitle.com**