

# HOME BUYERS COMPANION LIBRARY

## Home Financing Tips

### Find Out What You Want in a Home Mortgage

You've finally found the home you want, but aren't sure if you can afford it? Or perhaps you want to reduce the rate on your existing mortgage. Here are some tips to help.

### What Will My Monthly Payment Be?

Your monthly payment depends upon the loan amount, the interest rate and the term of your mortgage loan. You can reduce your payment by reducing the amount of your mortgage or getting a lower interest rate. You can also lower your payment by choosing a 30-year term instead of a 15-year term.

### What Term Should I Choose?

A 30-year mortgage has a lower monthly payment, but you will build equity faster and save on interest payments with a 15-year mortgage. For example a 8.00%, 15-year mortgage for \$200,000 has a monthly payment of about \$1,912, while the monthly payment for the same 30-year mortgage is about \$1,468.

### How Much Can I Afford per Month?

This depends on your financial situation. Many people spend between 25% to 50% of after-tax income on monthly mortgage payments. Under this rule, a person with after-tax monthly income of \$2,000 could afford to spend between \$500 and \$1000 monthly.

### How Much Can I Borrow?

This depends upon the amount of a down payment you can make, the equity in your home, the monthly payment you can afford, and current mortgage terms available.

### How Much Should I Put Down?

The more money that you are able to put down, the lower your monthly payments will be. However, Sanwa has loan programs with low down payment requirements to make it easier to afford your first home.

### Should I Get a Fixed or Adjustable Rate Mortgage (ARM)?

A fixed rate mortgage helps you plan your finances by ensuring that your monthly payment will stay the same. ARMs typically have a lower interest rate to start with, and are good for people who would rather pay less at the start of the term knowing that they will be able to afford more in the future. With an ARM, your rate may rise or fall over the term of the loan depending on market conditions.

### About Mortgage Fees

Most mortgage lenders charge "points." A "point" equals 1% of your total loan amount. Generally the more points you pay up front the lower your interest rate will be. However, to limit your out-of-pocket expenses, all of Sanwa Bank California's mortgages come with a "zero point" option. With a zero point loan, you pay only the closing costs. Closing costs include (but are not limited to) such charges as credit reports, loan document preparation fees, and appraisals.