

DETROIT

NATIVE SUN

A beginner's guide to home loans



(StatePoint) Buying a home is one of the largest purchases most people will make in their lives, and taking out a home loan is a common way to finance the purchase. This primer on home loans explains the mortgage basics, including what a mortgage is, typical types of loans, and the concept of shopping for a lender.

What is a Mortgage?

A mortgage is a loan used to purchase a home or other real estate. The term mortgage may also be used to indicate the amount of money you borrow, with interest, to purchase your house. The mortgage amount is usually the purchase price of the home minus your down payment.

Before taking out a mortgage, it's important to understand the upfront and ongoing costs of homeownership, including closing costs, property taxes, insurance, and maintenance. If you fall behind on your mortgage payments and can't resolve the delinquency, your lender may begin foreclosure proceedings, which could result in losing your home.

Choosing a Loan Term

Consider the loan term, which is the length of time it will take you to repay your loan. Your loan term will affect your interest rate, monthly payment and the total amount of interest you will pay over the life of the loan.

Long-term mortgages, such as the most common 30-year term, typically have:

- Smaller monthly payments than short-term mortgages, making your mortgage more affordable month by month.
- Higher mortgage rates, meaning you'll pay more in interest over the life of the loan.

Short-term mortgages, which typically come in the form of 10, 15 or 20 years, generally have:

- Lower interest rates than long-term mortgages, meaning you'll pay less interest over the life of the loan.
- Higher monthly payments than long-term mortgages.

Deciding on a Loan Type

There are two basic types of mortgages: Fixed-rate mortgages (FRM) lock in one interest rate for the life of the loan. This means your monthly mortgage payment will remain the same for the entire loan term.

Adjustable-rate mortgages (ARM) have an interest rate that will change over the life of the loan, and rates typically start off lower than those of a fixed-rate mortgage. After an initial hold period, ranging from six months to 10 years, your interest rate will change based on market conditions.

Finding a Lender

Once you determine which mortgage best fits your financial situation and goals, it's time to shop for a lender. Your lender is an important part of your homebuying team, and will help guide you through the rest of the mortgage process.

You can obtain estimates from many types of lenders, including loan officers at banks and credit unions, mortgage brokers and non-bank lenders. Different lenders will offer different terms and interest rates and charge different fees. That's why it's important to explore your options. Freddie Mac research shows that getting just one additional rate quote could save homebuyers an average of \$1,500 over the life of the loan, and getting five more quotes saved an average of about \$3,000.

Because mortgage rates change frequently, be sure to compare loans on the same day to accurately judge loan estimates. It's also best to do your mortgage shopping swiftly, as multiple credit inquiries outside a 45-day period could lower your credit score.

Crunching the Numbers

Freddie Mac's personalized tools and resources include a loan term calculator for exploring whether a short-term or long-term mortgage may be better for you; a loan type calculator for understanding whether a fixed- or adjustable-rate mortgage better meets your needs; and a loan comparison calculator to help you determine the differences between multiple loan estimates. To access these calculators, along with other free resources and information, visit <https://myhome.freddie.mac.com>.

A mortgage is a long-term commitment and a legally binding contract. Before borrowing, be sure to understand the ins and outs of how home loans work, and your financial responsibilities in the years ahead.

Beat the heat with the cost-cutting home prep list

(StatePoint) As the country braces for a predicted "hotter-than-normal" summer, homeowners will face financial pressure from higher cooling costs compared to last year. The good news? This easy and affordable DIY checklist contains money-saving upgrades that boost energy efficiency around the home, keeping summer bills in check.

1. Give Your HVAC System Room to Breathe: Clogged HVAC filters are a common yet overlooked problem that restricts airflow, forces air conditioner units to work harder and can cause uneven temperatures throughout the home. Check filters regularly to clean or replace them.
2. Don't Let Cool Air Slip Out the Window—Seal Up Sneaky Leaks: Tiny, hidden gaps around windows and doors let cool air escape, leading to large spikes in energy bills. Installing easy-to-use weatherstrip seals, such as the Duck Brand Heavy-Duty Weatherstrip Seal, is an affordable solution to replace worn-out seals, forming a barrier against the hot, humid outdoor air as well as dust, pollen and insects. Simply apply the self-adhesive seal to the perimeter of doors and window sashes to increase comfort and energy efficiency.
3. Take Advantage of the Cooler Hours: On crisp mornings and evenings, leverage

natural airflow to give your AC a break. Simply open your windows and doors to let the fresh air in, then seal them tight before the peak afternoon heat hits. To make the most of these outdoor breezes, try installing a product like the Duck Brand Hands-Free Magnetic Screen Door. Its mesh construction keeps the heat out.

4. Bring the Shade, Block the Heat: A substantial amount of summer heat enters your home through uncovered windows facing the sun. You can say farewell to that unwanted warmth with blackout curtains, reflective window films, or just by keeping your blinds closed during the hottest parts of the day. This creates an invisible barrier against rising temperatures, working alongside your DIY home weatherization efforts to keep refreshingly chilled air inside and your electricity bills down.
5. Optimize Ceiling Fan Rotation for Summer Cooling: Ceiling fans can make a room feel several degrees cooler when spinning in the proper direction. Try setting your ceiling fan to rotate counterclockwise during the summer. This direction pushes colder air downward and creates a wind-chill effect, so you can depend more on your fans and less on your conditioning unit to maintain a cost-saving home.



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