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MORTGAGES- HELPFUL INFORMATION

1. **ARMS:** An ARM is an adjustable rate mortgage. Many ARMs have a fixed interest rate for a specific period of time- often five or seven years. At the end of this period, the interest rate will start adjusting up or down based upon a specific financial index. Since interest rates have been rising over the last few years, your monthly mortgage payment may go up substantially once your rate starts adjusting. If you have an ARM loan that will start adjusting in the next year or so, it may be time to consider refinancing your loan to lock in a fixed rate.
2. **Pre-Qualification, Pre-Approval:** Being pre-qualified for a loan means that a lender has taken a general look at your financial picture based on information you have provided and given you an idea of the type and size of loan for which you may be approved. It is not a firm commitment for financing and may change substantially once you submit a complete loan application, and the lender has checked your credit and done an appraisal. A pre-approval means that a lender has looked more carefully at your financial picture, but it is still not a guarantee that the lender will finally approve the loan.
3. **Mortgage Loan Commitment:** The mortgage loan commitment is issued only after the lender has approved you and the property for a loan, by reviewing your credit report, the complete loan application and an appraisal of the property. It is important that you and your attorney review the mortgage commitment carefully, including any outstanding conditions listed. We are available to review the commitment with you and to speak to your lender on your behalf.
4. **Mortgage Loan Contingency:** If you are buying real estate contingent upon the obtaining of a mortgage loan commitment, it is a good idea to have your attorney review the mortgage contingency clause to be sure it gives you enough protection. The mortgage contingency clause in the Purchase and Sale Agreement should state that the mortgage loan commitment shall be subject to no conditions which are beyond the buyer's reasonable control. Otherwise, if your financing has fallen through due to matters beyond your control, such as the appraisal, you may not be able to terminate the Purchase and Sale Agreement and you will be at risk of losing your deposit if you cannot arrange other financing.