

Q&A

Helpful answers to your clients' most pressing questions.

1. Q: I want to buy a home, but with the current high prices, I'm worried. How will I be able to meet my other financial obligations?

A: The Pick-a-Payment Loan is a great new option that gives buyers the power to choose a lower initial monthly payment in order to improve their cash flow.

2. Q: What is my interest rate? What will be my payment?

A: Based on a loan amount of \$220,000, with current interest rate at 4.569%, the usual monthly payment would be \$1,124. But with the Pick-a-Payment Loan, that amount can range from \$808 to \$1,124. Choosing the lowest payment would result in a \$316 monthly cash flow increase.

3. Q: How did you come up with a minimum payment of \$808 if my rate is 4.569%?

A: We used a minimum payment factor set by the lender, expressed as a percentage, to calculate your lowest payment of \$808.

4. Q: Are there other benefits to this loan?

A: Yes. In addition to allowing customers to set their initial monthly payment for the first year, the Pick-a-Payment Loan provides up to 4 payment options each month: minimum amount, interest only, principal and interest, or a 15-year plan. This allows customers to change what they pay on a monthly basis, depending on cash flow needs and financial priorities.

5. Q: Why is this better than a fixed rate loan?

A: A fixed rate loan today would carry a higher interest rate and require a higher payment than the Pick-a-Payment Loan. The increased cash flow provided by the Pick-a-Payment Loan helps customers take care of other, more pressing financial needs. This type of flexibility is not available with a traditional fixed rate mortgage. Savvy homeowners use their mortgage to help them achieve multiple financial goals. It's more than just debt; it's a home financing tool that provides control and flexibility.

6. Q: I don't feel comfortable with an adjustable rate loan. It seems so unpredictable. What will happen to my interest rate? And what if my payments go through the roof?

A: The interest rate will adjust monthly, but the set minimum monthly payment remains fixed for one year. As an additional protection from sudden increases, the Pick-a-Payment Loan carries a 7.5% annual payment change cap.

For example, a payment of \$808 could not increase more than \$61, to \$869 total, in the second year. In the third year, the payment could not go up over \$65, or to \$934 total. In this way, the Pick-a-Payment Loan allows borrowers to anticipate potential changes and to plan accordingly.*

In addition, Pick-a-Payment Loans are tied to stable indexes, so borrowers will experience less rate fluctuation than some of the other indexes in the marketplace. And when rates drop, there is no limit to how low payments can go, so borrowers benefit automatically from lower rates without having to incur refinancing costs.

7. Q: Anything else I need to know?

A: Interest rates could potentially increase to the point that the minimum monthly payment does not cover the monthly interest. That unpaid interest, called deferred interest, will be added to the loan balance.

Keep in mind, however, that borrowers can always pay more if they don't wish to incur deferred interest, and if they do incur deferred interest, they can write off that interest the year it is paid.

A home is your clients' largest asset, and it's a smart source of low-interest cash. With a Pick-a-Payment Loan, your clients can lower their monthly payments to increase cash flow and use the funds for other financial priorities.

The example used in this document is for illustration purposes only.

*To ensure that the loan gets paid off within a specified term, it will re-amortize in the 10th, 15th, 20th, and 25th years, regardless of the annual 7.5% cap on payment increases.

