



Your Complete Mortgage Guide

Everything you need to know about home financing — from first steps to closing day. Brought to you by a licensed Orlando realtor and attorney committed to making your homeownership journey smooth, informed, and stress-free.

David Dowell | Realtor & Attorney

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What Is a Mortgage?

The Simple Definition

A mortgage is a loan used to purchase real estate, where the property itself serves as collateral. You borrow money from a lender, agree to repay it over time with interest, and the lender holds a lien on the home until the loan is fully paid off.

Most mortgages in the U.S. are repaid over **15 or 30 years** through monthly payments that include principal, interest, taxes, and insurance — commonly referred to as **PITI**.

Why Mortgages Matter

Very few buyers can purchase a home with cash. A mortgage makes homeownership accessible by allowing you to pay for your home over time. Understanding how mortgages work gives you the power to choose the right loan, negotiate better terms, and avoid costly surprises at closing.



In Florida, working with a realtor who is also a licensed attorney gives you an unparalleled layer of legal protection throughout the transaction.

Key Mortgage Terms You Need to Know

Before you shop for a home or lender, familiarize yourself with these essential mortgage terms.

Principal

The original loan amount borrowed. Your monthly payments gradually reduce this balance over time through a process called **amortization**.

Interest Rate

The cost of borrowing money, expressed as a percentage. Even a fraction of a point difference can mean thousands of dollars over the life of a loan.

APR

Annual Percentage Rate — the true cost of borrowing, including interest plus fees. Always compare APRs when evaluating lender offers, not just the interest rate.

Amortization

The schedule of payments that gradually pay off your loan. Early payments are mostly interest; later payments are mostly principal.

LTV Ratio

Loan-to-Value ratio — your loan amount divided by the home's value. Lower LTV means better rates and no PMI requirement above 80%.

DTI Ratio

Debt-to-Income ratio — your monthly debt payments divided by gross income. Most lenders prefer a DTI below 43% for approval.

Pre-Qualification vs. Pre-Approval

These two terms are often confused — but they are very different, and the distinction can make or break your offer in a competitive Orlando market.

Pre-Qualification

A quick, informal estimate of how much you *might* be able to borrow. Based on self-reported income and debt with **no credit check** and no document verification. Takes minutes to complete and carries little weight with sellers.

- No hard credit inquiry
- Based on unverified info
- Good starting point only

Pre-Approval

A formal, lender-verified commitment to lend up to a specific amount. Requires full documentation, credit check, and underwriter review. Sellers and agents take this seriously — it signals you are a **qualified, ready buyer**.

- Hard credit pull required
- Income and assets verified
- Strengthens your offer significantly

 In today's Orlando market, a pre-approval letter is essentially a requirement before touring homes. Always get pre-approved before you start your search.

Types of Mortgage Loans

Not all mortgages are created equal. The right loan type depends on your credit, down payment, military status, and financial goals.



Conventional Loan

Not government-backed. Requires good credit (typically 620+) and a down payment as low as 3%. Best for buyers with strong financial profiles. PMI required if down payment is under 20%.



FHA Loan

Backed by the Federal Housing Administration. Down payments as low as 3.5% with a 580+ credit score. Great for first-time buyers. Requires both upfront and annual mortgage insurance premiums.



VA Loan

Exclusively for eligible veterans, active-duty service members, and surviving spouses. No down payment, no PMI, and competitive rates — one of the best mortgage products available.



USDA Loan

For rural and suburban buyers who meet income limits. Offers 100% financing with no down payment required. Certain areas around Orlando qualify — ask your lender to check eligibility.

Fixed-Rate vs. Adjustable-Rate Mortgages

Fixed-Rate Mortgage (FRM)

Your interest rate stays the same for the entire life of the loan — typically 15 or 30 years. Your principal and interest payment never changes, making budgeting predictable and simple. Best for buyers who plan to stay in the home long-term or when rates are historically low.

- Payment stability and predictability
- Protection against rising interest rates
- 30-year terms keep monthly payments lower
- 15-year terms build equity faster

Adjustable-Rate Mortgage (ARM)

Starts with a lower fixed rate for an introductory period (e.g., 5, 7, or 10 years), then adjusts periodically based on a market index. Can save money short-term but carries rate risk. Common notation: a **7/1 ARM** is fixed for 7 years, then adjusts annually.

- Lower initial payments than fixed-rate
- Smart if you plan to sell or refinance soon
- Rate caps limit how much it can increase
- Less predictable over the long term

Typical Mortgage Costs & Fees

Understanding what you'll pay upfront — and over time — helps you budget accurately and avoid surprises at the closing table.



Down Payment

Ranges from 0% (VA/USDA) to 3–3.5% (FHA/conventional) to 20%+. A larger down payment lowers your monthly payment and eliminates PMI.



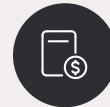
Closing Costs

Typically 2–5% of the loan amount. In Florida, this often ranges from \$5,000–\$15,000+ and covers lender fees, title insurance, recording fees, and more.



PMI

Private Mortgage Insurance — required on conventional loans when your down payment is less than 20%. Typically 0.5–1.5% of the loan amount annually, added to your monthly payment.



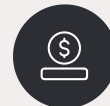
Origination Fees

Charged by the lender to process your loan. Usually 0.5–1% of the loan amount. Can sometimes be negotiated or rolled into the loan.



Appraisal Fee

Lenders require a professional appraisal to confirm the home's market value. Typically \$400–\$600 in the Orlando area, paid upfront.

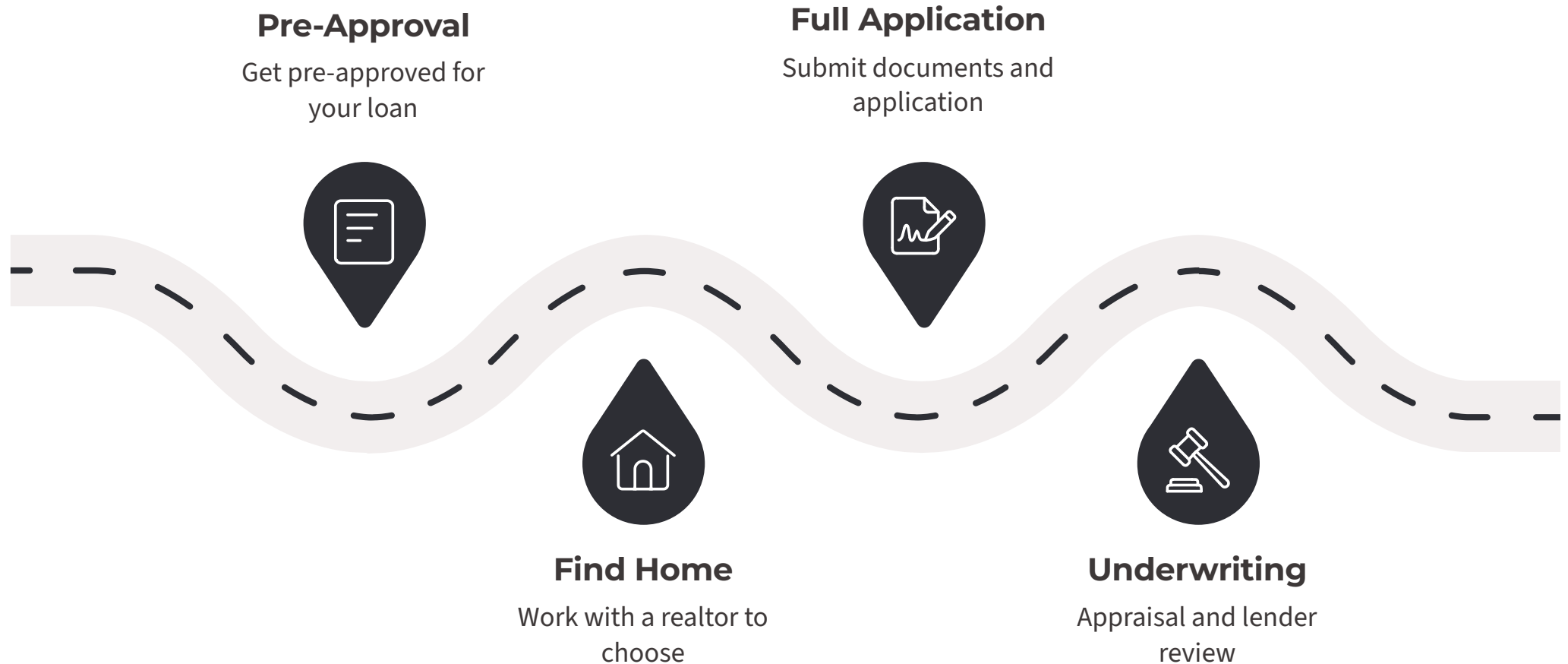


Escrow Deposits

At closing, lenders often collect 2–3 months of property taxes and homeowners insurance upfront to fund your escrow account.

The Mortgage Application Process

Knowing what to expect at each stage reduces stress and helps you move faster than competing buyers.



From pre-approval to closing day in Florida typically takes **30–45 days**. Working with an experienced local realtor and attorney ensures every step is handled correctly — protecting your interests, your timeline, and your investment from contract to keys.

What Lenders Look At

Lenders evaluate several key factors when deciding whether to approve your mortgage and at what rate. Understanding these helps you put your best foot forward.

→ **Credit Score**

The most critical factor. A score of 740+ unlocks the best rates. FHA allows scores as low as 580; most conventional lenders prefer 620+. Pull your credit early and dispute any errors before applying.

→ **Income & Employment History**

Lenders want 2+ years of stable employment. Self-employed borrowers will need 2 years of tax returns. Recent job changes in the same field are generally acceptable.

→ **Debt-to-Income Ratio (DTI)**

Your total monthly debt obligations divided by gross monthly income. Keep your DTI below 43% — ideally below 36% — to maximize your loan options and rate.

→ **Assets & Reserves**

Lenders verify your down payment and closing cost funds are legitimate. They may also require 2–3 months of mortgage payments in reserve to prove financial stability.

Florida-Specific Mortgage Considerations

What Makes Florida Unique

Buying a home in Orlando comes with some state-specific financial factors that directly impact your mortgage and monthly costs. Being aware of these upfront prevents surprises.

- **No state income tax** — a major financial advantage for Florida residents
- **Homestead Exemption** — reduces your taxable property value by up to \$50,000 if it's your primary residence
- **Save Our Homes Cap** — limits annual property tax increases to 3% for homesteaded properties
- **Flood insurance** — may be required depending on FEMA flood zone designation
- **Hurricane/wind insurance** — standard homeowners policies often exclude wind; a separate policy may be needed

Florida Down Payment Assistance

Florida offers several programs to help qualified buyers reduce upfront costs:

- **Florida Hometown Heroes** — up to \$35,000 in assistance for first-time buyers in community professions
- **FL HFA Preferred Loan** — low interest rates paired with down payment grants
- **Orange County Programs** — local assistance available for Orlando-area buyers

Ask me about which programs you may qualify for — these can save you thousands at closing.

Common Mortgage Mistakes to Avoid

Small missteps during the mortgage process can delay your closing — or cost you the home entirely. Here's what to watch out for.

Making Large Purchases Before Closing

Don't buy a car, furniture, or appliances on credit before closing. New debt changes your DTI and can trigger a loan denial — even after pre-approval.

Changing Jobs Mid-Process

Switching employers during underwriting raises red flags. If a career move is unavoidable, notify your lender and realtor immediately so they can advise accordingly.

Moving Money Around

Lenders will scrutinize your bank statements. Unexplained large deposits or transfers can delay approval. Document all significant transactions in advance.

Not Comparing Lenders

The first lender you speak with may not offer the best rate. Comparing 3–5 lenders can save thousands over the life of your loan. Multiple inquiries within 14–45 days count as one credit pull.

Ready to Take the Next Step?

Let's Make Your Homeownership Dream a Reality

As both a licensed Florida realtor and attorney, I offer a unique combination of market expertise and legal protection that you won't find anywhere else. Whether you're just starting to explore your options or ready to make an offer, I'm here to guide you every step of the way — at no cost to buyers.

Call or Text

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Available 7 days a week for your questions

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ddowell500@gmail.com

Expect a response within 24 hours

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