

Your Monthly Mortgage Breakdown: Know This Before You Buy

What's Included in a Mortgage Payment?



Your monthly payment usually includes four main components:

Principal

The amount that goes toward paying down the loan balance.

Interest

The cost of borrowing money from the lender.

Taxes

Property taxes required by your local county or municipality. These are often collected monthly and placed into escrow so they can be paid on your behalf when due.

Homeowners Insurance

Insurance that protects your home from damage or loss (fire, weather, theft, etc.). This is also commonly collected through escrow and paid out yearly by the lender.

Together, these are often referred to as PITI (Principal, Interest, Taxes, Insurance).



Other Homeownership Costs That May Be Rolled Into Your Payment

Depending on your loan structure and the property, there may be additional expenses:

Private Mortgage Insurance (PMI)

Required if your down payment is less than 20% on a conventional loan. It protects the lender - not the buyer - but allows you to buy sooner with less down upfront.

Mortgage Insurance Premium (MIP)

Similar to PMI but specific to FHA loans.

HOA Dues

If the property is in a community with a homeowner's association, monthly or quarterly dues may apply. Some lenders allow these to be included in escrows, but often they're paid separately - something to confirm upfront.

Flood Insurance

Required for homes in FEMA-designated flood zones. Can be escrowed.

Other Special Assessments or Local Fees

Some communities have additional charges (like CDD fees or special improvement districts).

What to Understand BEFORE Making an Offer

You don't want any surprises after you fall in love with a home. Before writing an offer, make sure you know:

- ✓ The estimated monthly payment for that specific home
- ✓ Property tax amount for the exact address
- ✓ HOA fees (and what they cover)
- ✓ Whether PMI applies
- ✓ If flood insurance is required
- ✓ Insurance estimate based on property specifics (age, roof type, location)
- ✓ Upfront cash needed (earnest money, down payment, inspection, appraisal)

Even the same price home can have a very different monthly payment based on these factors.

How Escrow Works

Think of **escrow** like a bundled savings account built into your mortgage.

You pay a portion of your taxes and insurance **each month**, and your mortgage servicer holds that money. When those bills come due:

Your lender pays **property taxes** to the county

Your lender pays **homeowners insurance** to the insurance company

You don't have to remember deadlines - it's done for you.

Why lenders require escrow:

- Ensures taxes and insurance are always paid on time
- Protects both buyer and lender
- Keeps budgeting predictable throughout the year

You will receive an **annual escrow review** to adjust amounts if taxes or insurance increase or decrease.



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