



# Loan Shopping List

## In the Market for a Loan? Make Sure You Shop Around!

Use this handy shopper's guide in order to determine which lender is giving you the best loan. Fill in the blank spaces below for each lender you contact. If you're not sure about the information you should put in each space, ask your loan officer or mortgage broker. After you've filled in the spaces below, use this information as a tool to help decide which lender you want to use. If you don't understand something, ask your lender to explain!

	LOAN #1	LOAN #2	LOAN #3
<b>NAME OF LENDER:</b> Place the name of each lender you contact in this box.			
<b>SALE PRICE:</b> Indicate the purchase price of your home only if you are buying a home. If you are refinancing your loan or if you're getting an installment loan, leave this section blank.			
<b>LOAN AMOUNT:</b> How much are you borrowing?			
<b>DOWN PAYMENT:</b> How much money are you putting down?			
<b>MONTHLY PAYMENT:</b> What will your monthly principal and interest payment be?			
<b>INTEREST RATE:</b> What did the lender tell you your interest rate would be?			
<b>APR:</b> What is your annual percentage rate for this loan? Use this rate to compare the overall cost of your loan.			
<b>TYPE OF PRODUCT:</b> What kind of loan are you getting — Balloon, Fixed Rate, Adjustable Rate, etc.?			
<b>TERM:</b> How many months will you be paying on your loan?			
<b>ESCROW (taxes &amp; insurance):</b> What did the lender estimate your taxes and insurance would be? To be comparable, use the same amount for all the loans.			
<b>MANDATORY ARBITRATION:</b> Is there a mandatory arbitration clause included in this loan?			
<b>PRE-PAYMENT PENALTY:</b> If you pay off early, is there a penalty? What is the penalty?			
<b>CREDIT LIFE OR DISABILITY INSURANCE:</b> Are you purchasing Credit Life or Disability Insurance? What is the term? How much does it cost?			
<b>BALLOON LOAN:</b> Does this loan include a balloon note feature? If so, when is the balloon payment due and how much is it?			
<b>CLOSING COSTS:</b> Be sure to get a Truth In Lending Statement (Good Faith Estimate) from your lender or mortgage broker after you have applied for the loan.			
<b>ORIGINATION FEE:</b> What is the origination fee you'll be paying?			
<b>POINTS:</b> How many points are you paying if any? Are the points you're paying bringing down the interest rate on the loan?			
<b>APPRAISAL FEE:</b> How much are you paying for the appraisal fee?			
<b>APPLICATION FEE:</b> How much are you paying for the application fee?			
<b>BROKERS' FEES:</b> What are the broker's fees you'll be paying?			
<b>OTHER CLOSING COSTS:</b> List the other closing costs the lender will charge you.			
<b>MORTGAGE INSURANCE:</b> If you are required to have PMI, what will your premium be?			

# LENDER LINGO

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- ▶ **Adjustable Rate Mortgage (ARM):** A mortgage in which the interest rate is adjusted periodically based on a designated financial index. Also known as variable rate mortgage.
- ▶ **Amortization:** The gradual payment of a mortgage loan, by making regular payments, over a specific period of time. To be “fully amortizing” the regular payments must cover both the principal and interest due for the given time period.
- ▶ **Annual Percentage Rate (APR):** An interest rate reflecting the cost of a loan as a yearly rate. This rate is likely to be higher than the interest rate on the mortgage, because it includes points and other credit costs. The APR allows borrowers to compare different types of mortgages based on the annual cost for each loan.
- ▶ **Balloon Mortgage (Payment):** Usually a short-term loan involving small payments for a set period of time and one large payment for the remaining principal balance.
- ▶ **Broker:** An individual in the business of assisting, arranging, funding or negotiating loans for a client. Brokers receive a commission from the lender and/or the borrower for their services.
- ▶ **Closing Costs:** Usually include an origination fee, appraisal fee, title search and insurance, taxes, deed recording fee, credit report charge and other costs associated with making the loan.
- ▶ **Equity:** The difference between the market appraisal value of your home and the amount of money you still owe on your home.
- ▶ **Fixed Rate Mortgage:** Loan in which the interest rate remains the same for the term of the loan.
- ▶ **Lien:** A claim upon property for payment to satisfy a debt or obligation.
- ▶ **Mortgage Insurance:** Insurance that protects the lender against default when the down payment is less than 20 percent.
- ▶ **Origination Fee:** Fee charged by lender to prepare loan documents, credit checks, etc.; usually computed as a percentage of the face value of the loan.
- ▶ **PITI:** Principal, interest, taxes, and insurance. Also called monthly housing expense.
- ▶ **Points (Loan Discount Points):** Money paid by the borrower to the lender. Each point is equal to one percent of the loan amount. A point is considered a discount point when it lowers the interest rate.
- ▶ **Prepays:** Expenses necessary to create an escrow account or to adjust an existing account. Can include taxes, hazard insurance, private mortgage insurance and special assessments.
- ▶ **Prepayment Penalty:** Fee charged for the early repayment of some types of loans.
- ▶ **Principal:** The balance, not including interest, left on the loan.
- ▶ **Recision:** Law that gives the borrower three days after signing to cancel the loan if the transaction uses home equity as security. (This does not apply to home purchase.)
- ▶ **RESPA (Real Estate Settlement Procedures Act):** Federal law allowing consumers to receive and review information on known or estimated settlement costs after applying for a loan and again at closing. Requires the lender to furnish this information after an application has been made.
- ▶ **Truth-In-Lending Act (TILA):** A federal law requiring disclosure of the Annual Percentage Rate to homebuyers shortly after they apply for the loan.

## Q&A

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### **Q After you make all the payments to the lender, will you still have a balance?**

**A** Beware of this situation, it is called a balloon loan. You make monthly payments for the term of the loan until the last payment which is the remaining principal that you still owe. This payment is usually very large and you may have to take out another loan to make this last payment.

### **Q Will your interest rate and monthly payments remain the same throughout the life of the loan?**

**A** If not, you may have an Adjustable Rate Mortgage (ARM). This means that your payment can change. Be sure to ask the lender how high your payments can go, and how often the rate can be raised.

### **Q Do your closing costs seem high? Are they over \$2,500?**

**A** If your closing costs are this high and they don't include points that will lower your interest rate, make sure you know why. You may want to shop around for a better deal.

### **Q Were you told that you had to get credit life/disability insurance in order to get the loan?**

**A** Be especially careful when these costs are “paid in full” at closing as only a small percentage may be refundable even if you sell your house. Also, make sure that you know how long the coverage lasts. You may have a 30 year mortgage with only 10 years of life/disability insurance.

### **Q Do you know what is on your credit report?**

**A** Make sure that your information is correct.