

10 questions

you should ask mortgage lenders



1

What's the interest rate?

Right off the bat, you should ask your lender for a direct interest rate quote as well as the corresponding annual percentage rate (APR) for the loan. Since the APR accounts for fees and other loan-related charges, it gives you an apples-to-apples comparison among lenders. Don't be afraid to shop around until you find one you're comfortable with.

2

How many points does that include?

A point is a fee paid to the lender at closing in exchange for a reduced interest rate. (1 point = 1% of your total mortgage amount.) Be sure to ask your lender how many points are included in the quoted interest rate and what the benefits might be to buying more or fewer points.

3

How much money do I need to put down?

To get the best rate and terms for your loan, it's usually best to put down at least 20% if possible, although a lower down payment doesn't necessarily disqualify you. There is a chance that a monthly PMI (private mortgage insurance) payment will be added if your down payment is lower than 20%. Your down payment will affect other variables as well, such as your rate, terms and monthly payments. Ask your lender for more information on the minimum down payment required for your loan, and decide what's right for you.

4

When can I lock down the interest rate?

Interest rates always fluctuate. Sometimes locking in a low rate can really pay off. Ask your lender when you can lock down a particular rate, and for how long. Keep in mind, lenders will usually offer lower interest rates for shorter-term locks and higher interest rates for longer-term locks.

5

What are my estimated closing costs?

Remember to factor in the various costs and fees associated with buying a home. Particularly closing costs. Closing costs include loan-origination fees, appraisal fees and attorney fees (if any), to name a few. Ask your lender to estimate what your closing costs might be so you can budget accordingly.

6

Are there any other costs or fees I should know about?

Be sure to ask your lender for a detailed list of all the costs and fees you might encounter during the homebuying process. The more information you can collect up front, the more prepared you'll be should you run into any unexpected expenses along the way.

7

What's the difference between a fixed-rate and an adjustable-rate mortgage?

A fixed-rate mortgage keeps the same interest rate for the life of the loan, typically 15- or 30-year terms. This keeps your monthly payment for principal and interest steady and predictable over time. Adjustable-rate mortgages, or ARMs, have interest rates that change based on the market, so your payment will go up and down. Most ARMs are based on a 30-year term and typically start with an initial fixed interest rate for a specific period of time, usually 5, 7 or 10 years.

8

Are there any special requirements I should be aware of?

There are all sorts of qualification guidelines for homebuyers applying for a mortgage. Typical requirements relate to income level compared to debt, employment status and credit history. But, if you're a military veteran or first-time homebuyer, you may also be eligible for special government-sponsored mortgage programs. Talk to your lender to see what you might qualify for.

9

Can you estimate when the closing will be?

A lot of factors help determine when your exact closing date will be—many of which are completely out of your control. Ask your lender for a ballpark estimate of when you might expect to close. That way you'll at least have a rough idea of the timetable you're working with.

10

Is there anything that could cause a delay?

The best way to avoid delays in your closing is to stay in touch with your lender and always provide the most up-to-date and accurate documentation in a timely fashion.