

# Finding the Right Loan for You

## How do I choose the best loan - Program for me?

Your personal situation will determine the best kind of loan for you. By asking yourself a few questions, you can help narrow your search among the many options available and discover which loan suits you best.

- Do you expect your finances to change over the next few years?
- Are you planning to live in this home for a long period of time?
- Are you comfortable with the idea of a changing mortgage payment amount?
- Do you wish to be free of mortgage debt as your children approach college age or as you prepare for retirement?

Your lender can help you use your answers to questions such as these to decide which loan best fits your needs.

## What is the best way to compare loan terms between lenders?

First, devise a checklist for the information from each lending institution. You should include the company's name and basic information, the type of mortgage, minimum down payment required, interest rate and points, closing costs, loan processing time, and whether prepayment is allowed.

Speak with companies by phone or in person. Be sure to call every lender on the list the same day, as interest rates can fluctuate daily. In addition to doing your own research, your real estate agent may have access to a database of lender and mortgage options. Though your agent may primarily be affiliated with a particular lending institution, he or she may also be able to suggest a variety of different lender options to you. However, remember a referral is the absolute best way to find an experienced professional.

## Are there any costs or fees associated with the loan origination process?

Yes. When you turn in your application, you'll be required to pay a loan application fee to cover the costs of underwriting the loan. This fee pays for the home appraisal and a copy of your credit report. The application fee is generally non-refundable.

## What is RESPA?

RESPA stands for Real Estate Settlement Procedures Act. It requires lenders to disclose information to potential customers throughout the mortgage process, by doing so; it protects borrowers from abuses by lending institutions. RESPA mandates that lenders fully inform borrowers about all closing costs, lender servicing and escrow account practices, and business relationships between closing service providers and other parties to the transaction.

## What is a good faith estimate, and how does it help me?

It's an estimate that lists all fees paid before closing, all closing costs, and any escrow costs you will encounter when purchasing a home. The lender must supply it within three days of your application so that you can make accurate judgments when shopping for a loan.

## Besides RESPA, does the lender have any additional responsibilities?



Lenders are not allowed to discriminate in any way against potential borrowers. If you believe a lender is refusing to provide his or her services to you on the basis of race, color, nationality, religion, sex, familial status, or disability, contact HUD's Office of Fair Housing at 1-800-669-9777 (or 1-800-927-9275 for the hearing impaired).

### **What responsibilities do I have during the lending process?**

To ensure you won't fall victim to loan fraud, be sure to follow all of these steps as you apply for a loan:

- Be sure to read and understand everything before you sign.
- Refuse to sign any blank documents.
- Do not buy property for someone else.
- Do not overstate your income.
- Do not overstate how long you have been employed.
- Do not overstate your assets.
- Accurately report your debts.
- Do not change your income tax returns for any reason. Tell the whole truth about gifts. Do not list fake co-borrowers on your loan application.
- Be truthful about your credit problems, past and present.
- Be honest about your intention to occupy the house
- Do not provide false supporting documents.

