Questions for Lenders

When you're shopping for a mortgage, these are some questions to ask each lender.
Check them off as you go.

	How much do I qualify to borrow?
Remember to borrow only what you can afford.	
	What's the interest rate?
The interest rate for mortgage loans is determined by your level of risk as a borrower and by the market. As the interest rate goes up, what you can afford to pay for a home goes down. Homebuyers usually look for the lowest interest rate, but it's not the only factor to consider.	
	What's the annual percentage rate (APR)?
One way to compare the cost of mortgage loans is with the APR. The APR is the annual cost of the loan, stated as a percentage of the loan. It combines the interest rate, loan fees, and other costs.	
	Do you charge points for a lower interest rate?
Some lenders charge you discount points to reduce the interest rate. Although this saves money over the life of the loan, paying for a lower rate is expensive. One point equals 1% of the loan, and you'll pay that charge at closing. So most first-time homebuyers choose not to pay discount points.	
	Which type of loan do you recommend for me?
Generally, the best type of loan for first-time homebuyers is a 30-year fixed-rate loan. (We cover the different types of loans in Lesson 3, Topic 3.)	
	What's the loan-to-value ratio (LTV)?
The LTV is the relationship between the loan amount and the value of the home. It's described as a percentage and determines how much of a down payment you need. If you apply for a mortgage loan with a 95% LTV, then you can borrow up to 95% of the purchase price. The remaining 5% is the down payment.	
	Will I pay mortgage insurance?
Depending on the loan, you might be required to pay private mortgage insurance (PMI). An FHA loan would require a mortgage insurance premium (MIP) instead. If you have to pay mortgage insurance, ask for an estimate of the monthly cost. High premiums lower the amount you can borrow.	

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	Are there prepayment penalties?
Prepayment penalties are fees that may apply if you mean that if you pay off the mortgage in the first three years (including if you sell your home). Most loans have no or very low prepayment penalties.	
	Do you offer an interest-rate lock?
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. If you lock in the interest rate, the lender decides how long the rate is available. Most first-time homebuyer loans require a signed purchase agreement before they can guarantee the interest rate.	
	What are the closing costs and other fees?
When you're shopping for a loan, most lenders will give you a worksheet or summary estimating your closing costs so you can compare and find the best loan. This is different from the loan estimate, which is issued after you find a property and complete your final application.	
	How long does it take to close the loan?
Ask how much time it will take to schedule the loan closing once you find a home and sign the purchase agreement. It usually takes a few weeks, but it can take longer.	
	What will my monthly payment be?
Lenders will estimate your monthly payment. The estimate should include PITI: principal, interest, taxes, and insurance (both homeowners insurance and, if applicable, mortgage insurance).	
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