

# the Mortgage Bulletin

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Your name

## How to avoid surprises

Home buyers and refinance borrowers who arrive at the loan signoff and are surprised at the total cost of obtaining their mortgage loan have used the wrong loan agent. It's that simple. Unfortunately there are a few unscrupulous people in the mortgage business. Fortunately it is a fairly simple matter to avoid these unscrupulous people and unhappy surprises. Here's how.

Deal only with a loan agent who will guarantee the costs set forth on their Good Faith Estimate of Closing Costs (GFE). Loan agents are required to prepare a GFE within three days of formal loan application. The GFE is specifically designed to inform the borrower of all costs associated with the loan.

However, since the GFE is by definition an estimate, there is no law or built in enforceable guarantee that the final settlement costs will exactly match those on the GFE. That's why you need to rely on the individual loan agent's guarantee. And you are not out of line to ask for a signed written guarantee.

There is another aspect of GFEs that deserves discussion: when potential borrowers use them to "shop lenders." They get a GFE from a few lenders, compare them and see whose fees are lowest. This exercise can be helpful but it can also be confusing. The reason is that not every lender includes the same line items as others.

Ironically, the most competent and thorough loan agent might be judged the most expensive simply because the GFE prepared by this individual frequently contains items not included by others who are not so thorough.

For example, a thorough loan agent researches the city and/or county in which the purchase will occur, knowing that cities levy property transfer fees of different amounts and some don't levy any. They

also know that certain costs borne by sellers in some counties are borne by buyers in another, and in yet another, they are split. All these costs will be accurately reflected on the GFE when prepared by a thorough loan agent.

A transfer tax is not a lender fee, nor is it a title fee, nor is it, (to use the nasty term), a junk fee. But it is a cost and a buyer whose lender failed to put it on a GFE is likely to be surprised to find it on the final closing statement.

You can see that there is more to a GFE than just lender fees in terms of fully informing a potential buyer. An undisclosed transfer fee on a purchase of \$1,500,000 can result in a \$2,450 surprise. Or more.

So, if you are comparing one GFE with another, make sure you compare apples to apples – and that the same number of apples are in the barrels.

Another thing. An original GFE for a pre-approval loan is based on things that can change: the purchase price, loan amount, specific lender or type of loan, interest rate, city/county of purchase, etc. Thus when a pre-approved buyer gets into contract, a revised GFE should be prepared to update and change information as necessary.

Oh, and one more thing. Ask your loan agent if the amounts on the GFE for the appraisal, credit report, and other third party fees are the same amounts that these providers charge. If the appraisal fee is quoted at \$600, does the appraiser receive \$600, or some lesser figure? And how about the credit report? If there is a difference, a "mark-up" as it were, you will want an explanation and you are entitled to one.

Recapping: insist on a guarantee of costs in the GFE, be careful in comparing one GFE with another, and look out for "mark-ups." Select a loan agent with a reputation for competency, thoroughness, and high ethical standards. Avoid surprises.

## Conforming Loans to \$359,650

Type	Rate	APR	Trend
30 Yr FIX	5.875%	5.956%	→
15 Yr FIX	5.625%	5.506%	→
5/1	5.625%	6.293%	↑
3/1	5.500%	6.371%	↑
<b>Jumbo Loans above \$359,650</b>			
30 Yr FIX	6.250%	6.311%	↑
15 Yr FIX	5.875%	5.973%	→
10/1	6.000%	6.1293	→
7/1	6.000%	6.359%	→
5/1	5.750%	6.337%	→
10 Yr Bond		4.361%	↑
Prime		6.750%	→

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