Loan Application FAQ's

Q: Why should I consult a Mortgage Broker versus a Bank where I already have an established relationship?

Mortgage brokers originate the majority of home loans nationwide. Consumers choose brokers for various reasons, including convenience, expertise, counselling through a complex transaction, accessibility to loan options, and pricing competition created by shopping the loan to multiple lenders. Brokers work with consumers to evaluate their financial needs and to place their loan in a product designed to meet their goals.

Q. How soon do I have to return my loan disclosure package?

If you intend to proceed with the loan, it is important to return the signed disclosure package and the list of prerequisite documentation as soon as possible. The loan process is unable to proceed until the executed disclosure package is received. If the interest rate has been locked, it is imperative to return the signed disclosures promptly to ensure a timely close and avoid additional costs to extend rate lock.

Q. Can I make changes to missing or inaccurate information on my loan application?

Absolutely. Handwrite missing information in the appropriate field. Line though any inaccurate information, handwrite the correction above, and initial next to it. Please do not use white out or completely black out the incorrect information.

Q. What if I need more time to finish compiling the list of prerequisite documentation?

Return the signed disclosure package with as much of the documentation that you gathered thus far. Forward the remaining items once you have them. Please be aware that the outstanding items may delay your loan submission and the loan will not close until the Lender has received all required documents.

Q. What is an escrow account?

Taxes and insurance are usually held in an escrow account and paid by the mortgage company when they are due (a portion of your monthly payment goes to fund the escrow account). This can be beneficial—especially for first-time buyers or buyers without significant savings—as you set aside a small amount each month instead of having a large, semi-annual or annual out-of-pocket expense. But, it does increase your mortgage payment and reduce your cash flow each month. Some lenders require an escrow account and some let the homeowner pay their insurance and taxes directly. Always check with your lender to see what's covered in your monthly payment.

Q. When should I lock in a rate?

Mortgage interest rates can vary from day to day. When you lock in a rate, it means that the interest rate for your loan is now set and will not change, regardless of the market fluctuations which occur after the rate has been locked for the lock period selected. If you lock in a rate too early in the process or for too short of a period, it is possible that your rate lock may expire prior to the loan closing. Once your loan has been locked, it is important to respond to requests for additional information without delay.

Q. What is a Good Faith Estimate?

After completing the mortgage application, your lender will send you a Good Faith Estimate (GFE) which includes the details the monthly mortgage payment based on the terms of the loan in which you have applied and an estimate of anticipated closing costs (sometimes referred to as "settlement charges") in conjunction with the loan. A Final HUD-1 Settlement Statement and Good Faith Estimate itemizing actual closing costs will be provided to you by the title company.

Q. What is a Truth in Lending statement?

The Truth in Lending statement provides you with loan cost information so that you can comparison shop for certain types of loans. The Annual Percentage Rate (APR) is an interest rate reflecting the cost of a mortgage as a yearly rate. The Amount Financed is the sum of all payments made toward principal, interest, and mortgage insurance (if applicable) assuming the regular minimum monthly payments are made over the full term of the loan.

Q. Why is the Annual Percentage Rate different from my mortgage loan rate?

The annual percentage rate is a measure of the cost of your mortgage loan expressed as an annual rate. It includes two things: 1) the interest rate on a loan and 2) any applicable finance costs. Consequently, the APR will be higher than your interest rate, especially if you are paying points. However, your mortgage payment is based on the interest rate, not on the APR.

Q. What is a HUD-1 Settlement Statement (“HUD-1”)?

Right before your loan closing date, you should receive the HUD-1 (also referred to as the “closing statement” or “settlement sheet”) and it lists all closing costs. Your lender must provide you this form before you close on your mortgage. The HUD-1 itemizes all real estate commissions, loan fees, points, and escrow amounts and provides information about your loan closing.

Q. What is Private Mortgage Insurance (PMI)?

Lenders require Private Mortgage Insurance (PMI) on conventional loans when the loan to value is over 80% (down payment/equity is less than 20% of the purchase price/appraised value) to protect them in case of default or foreclosure by the borrower. PMI does not protect the borrower; however, it is included in your monthly payment. In some cases, a Lender will require the annual PMI premium to be paid upfront at closing which can cost several hundred dollars. The best way to avoid this extra expense is to make a 20% down payment, or ask about other loan program options.