

21 Questions to Ask Your Lender Before Applying For A Mortgage

Choosing the Right Lender

Choosing a lender just because they have the lowest rate may not be in your best interest.

While rate is important, you have to look at the overall cost of a loan. This includes looking at the loan fees, as well as the discount and origination points. For example, a 6% loan with 2 discount points and one point for origination fees adds to the real rate the lenders charges. That's why you should always ask for a written good faith estimate. This estimate lists all those fees and points and discloses the actual rate you would be paying when all those items are added on.

Ask your Realtor, family and friends for referrals and do interview prospective mortgage companies. You must also feel comfortable that the loan officer you are dealing with is committed to your best interests and will deliver what he/she promises.

Here are questions you should ask lenders you will be interviewing

1. Do you offer both fixed-rate and adjustable mortgage loans?
2. What are the corresponding interest rates?
3. How long can we "lock-in" the financing at the current interest rate?
4. Is a float down lock available in case rates drop after the locked in?
5. What other fees do you charge in conjunction with a loan?
6. Is there a pre-payment penalty clause? (This involves extra charges for paying off the loan before maturity.)
7. What is the "grace" period? (This refers to how late a monthly payment can be made before a late charge is assessed. As well, what will happen if a payment is missed?)

8. Is the loan assumable by another buyer if I sell my house?
9. Do I have to pay "points" to get your new mortgage? (Some lenders charge points for the cost of giving you a mortgage loan. A point represents 1% of the loan.
10. Is there an application fee?
11. How long will it take for the loan to be approved?
12. Are you a mortgage broker or an employee of the lender?
13. Do you require mortgage insurance?
14. Do you service the loan locally or is the servicing sold?
15. Can you provide me with a written good faith estimate?
16. Can you give me the names of three people you have dealt with in the last 6 months and can I call them?

With reference to Adjustable Mortgage Loans:

17. How often is the interest rate adjusted?
18. Do you also have rate increase/decrease caps?
19. How often will the monthly payment be adjusted?
20. What is the maximum interest rate that can be charged over the life of the loan?
21. Is there any potential for negative amortization?