

Ten Questions to Ask your Lender

1. What is the interest rate on this mortgage?

To determine exactly what you'll pay over the term of the loan, you need to know the rate. Rates change quickly, and if your credit is less than perfect, you may not be offered the lender's lowest figure.

To effectively compare different lenders' programs, ask for the annual percentage rate (APR) of the mortgage interest, which is generally higher than the initial quoted rate because it includes some fees. But beware: the APR found in advertisements can be misleading. Mortgage lenders don't always include all the fees they charge in the calculation that determines APR, so customers who use that figure to shop rather than an itemized breakdown of rates, points and fees may end up comparing apples to oranges.

2. How many discount and origination points will I pay?

Lenders may charge prepaid mortgage interest points to lower your interest rate or other points that have no benefit to you at all. Find out how many you'll be expected to pay and which kind of points they will be.

3. What are the closing costs?

Mortgages come with fees for various services provided by lenders and other parties involved in the transaction. You want to know what those fees will be as early as possible. Lenders are required to provide a written good faith estimate of closing costs within three days of receiving a loan application.

4. When can I lock the interest rate and what will it cost me to do so?

Your interest rate might fluctuate between the time you apply and closing. To prevent it from going up, you may want to lock the rate, and even points, for a specified period. Ask your lender if lock fees apply.

5. Is there a prepayment penalty on this loan?

There may be a prepayment penalty on your loan. Some penalty are 1 percent of the loan amount, others are equal to six months' interest, some apply only when you refinance or reduce the principal balance by more than 20 percent, and some kick in if you sell your home. Find out the duration of any penalty period and how the penalty is calculated.

6. What is the minimum down payment required for this loan?

The rate and terms of your loan will be based on a down payment figure, typically 0 to 20 percent of the buy price. If you can put more money down, you may be able to lower your rate and improve your terms.

7. What are the qualifying guidelines for this loan?

These requirements relate to your income, employment, assets, liabilities and credit history. First-time home buyer programs, VA loans and other government-sponsored mortgage programs typically offer easier qualifying guidelines than conventional loans.

8. What documents will I have to provide?

Most lenders will require proof of income and assets before approving your loan, and may require other documents as well. Buyers with excellent credit may qualify for a no-documentation or "no-doc" loan. For these buyers who can't document their income or assets there are other programs available.

9. How long will it take to process my loan application?

The answer will depend on a number of variables. The best way to insure a speedy process is to get all the needed documents to your lender as soon as possible. Ask your lender where they process your loan. If it's done out of state they may prolong the process.

10. What might delay approval of my loan?

If you provide the lender with complete, accurate information, the loan process should run smoothly. Make sure you notify your lender if you change jobs, increase or decrease your salary, incur additional debt or change marital status between the time you submit an application and time the loan is funded.