

Loan Basics

The cost of borrowing varies dramatically from loan to loan, as do the terms. It is important to have an idea of the many variations that loans may have before you begin interviewing lenders.

Basic Loan Variations

Rate Type:	Fixed-rate (interest % never changes) Adjustable-rate (interest % changes as you pay)	Loan Type:	Mortgage VA FHA Investment
Loan Length:	30, 15, or 7-year (typically)		

Interest Rates (%) Interest rates are different for every possible combination of things listed above. Also, interest rates may vary depending on **Points** (another fee).

Additional Fees Be sure to ask for a breakdown of all costs.

One-time: Some of these fees might be **Points**, document preparation, extra title insurance, loan initiation, an appraisal, and document recording.

On going: You may be required to buy a loan insurance policy, especially if your down payment is under 20%

Up Front Cash Typically, you will be required to pay all the lender's fees when the loan initiates. Some fees, such as the appraisal costs, may have to be paid earlier.

Monthly Payment Your monthly payment may include more than the loan, and it may increase over time. Ask how the following will affect your payments:

Mortgage Insurance	Adjustable Interest Rate:
Home Insurance	How often will the rate be adjusted?
Property Taxes	Is there a limit on the rate change in one period? Overall?
	What will this do to my payments?
	Is there a limit on my payment increases at one time? Overall?
	How much notice will you give me before a change?

Useful Questions to ask a Lender

- How long can I **lock-in** the financing at the current interest rate?
- Is a **float-down lock** available in case rates drop?
- Can the length of the loan be **extended** later?
- What is **negative amortization** and will it affect me?
- Is the loan **assumable**?
- Is there a **pre-payment penalty**?
- Will the loan be **serviced** locally or will it be **sold**?
- What is a **written good faith deposit**?

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