

The following information is important to get from each lender:

Rates

- ✓ Ask each lender and broker for a list of its current mortgage interest rates and whether the rates being quoted are the lowest for that day or week.
- ✓ Ask whether the rate is a *fixed rate* or a *variable rate*. Keep in mind that when interest rates for variable rate loans go up, generally so does the monthly payment.
- ✓ If the rate quoted is for a variable rate loan, ask how the rate and loan payment will vary, including whether the loan payment will be reduced when rates go down.
- ✓ Ask about the loan's annual percentage rate (APR). The APR takes into account not only the interest rate but also points, broker fees, and certain other credit charges that may be required, expressed as a yearly rate.

The local newspaper has information about rates and points currently being offered.

Points

Points are fees paid to the lender or broker for the loan and are often linked to the interest rate; usually the more points, the lower the rate. The local newspaper has information about rates and points currently being offered.

- ✓ Ask for points to be quoted as a dollar amount rather than just as the number of points so that it is clear how much will have to be paid.

Fees

A home loan often involves many fees, such as loan origination or underwriting fees, broker fees, transaction fees, settlement fees, and closing costs. Every lender or broker should be able to give an estimate of its fees. Many of these fees are negotiable. Some fees are paid when applying for a loan such as application and appraisal fees. Other fees are paid at closing. In some cases, the money needed to pay these fees can be borrowed, but doing so will increase the loan amount and total costs. "No cost" loans are sometimes available but they usually involve higher rates.

- ✓ Ask what each fee includes. Several items may be lumped into one fee.
- ✓ Ask for an explanation of any fee that is unclear. The following worksheet is provided as a guide to use when shopping around for the best mortgage. Read over the worksheet and add questions of your own that you foresee clients asking.