

# Mortgage Loan Comparison Worksheet

	Lender A	Lender B	Lender C
<b>Lender</b>			
<b>Loan Officer</b>			
<b>Phone Number</b>			
<b>Date</b>			
<i>(Interest rates often change daily. Obtain quotes the same day.)</i>			
• <b>Mortgage Amount</b>			
• <b>Type of Mortgage</b> <i>(Fixed interest rate, adjustable interest rate)</i>			
• <b>Term of Mortgage</b> <i>(Length of Loan)</i>			
<b>Interest rate, points, and fees make up the cost of a loan. Make sure you compare each of these components of price.</b>			
• <b>Interest Rate</b>			
• <b>Annual Percentage Rate (APR)</b>			
• <b>Points</b> <i>(Number of Points &amp; Dollar Amount)</i>			
• <b>Fees</b> <i>(Ask lenders to disclose <u>all</u> the fees to be charged, including but not limited to):</i>			
<b>Application Fee</b>			
<b>Processing Fee</b>			
<b>Loan Origination Fee</b>			
<b>Underwriting Fee</b>			

## TYPES OF MORTGAGE LOANS

**30-Year Fixed Rate** The interest rate and the amount of the monthly payment on a 30-year fixed rate loan remain constant over the entire life of the loan.

**15-Year Fixed Rate** The interest rate on a 15-year loan will generally be lower than that of a 30-year loan. Your monthly payments will be higher than those of a 30-year fixed rate loan. You will pay less interest over the life of the loan, build equity faster and own your home without debt sooner.

**Adjustable Rate Mortgage (ARM)** An ARM generally has a lower starting interest rate than a fixed rate mortgage. Your interest rate is thereafter adjusted periodically, typically at six-month or one-year intervals. Your payments can therefore increase frequently. The interest rate fluctuates over the life of the loan. Changes in the interest rate are determined by changing financial market conditions. The payment can go up or down based on a financial index. This could be a risky loan if interest rates increase substantially.

**Hybrid Loan** This is a loan that is fixed for a period of years (3, 5, 7, or 10 years). Thereafter, the loan becomes an ARM, and the interest rate will float with market conditions. If you expect to move within the period of the fixed portion of the loan or you expect to refinance within this period of time, this type of loan should be considered.

## Mortgage Type

When you compare mortgage loans among lenders, compare the same type of mortgage.

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	Lender A	Lender B	Lender C
<b>Credit Report Fee</b>			
<b>Appraisal Fee</b>			
<b>Any Other Fees</b>			
• <b>Monthly Payment</b>			
• <b>PITI</b> ( <i>Principal, Interest, Taxes, Insurance</i> )			
• <b>Downpayment Required?</b>			
• <b>Mortgage Insurance</b> ( <i>Is mortgage insurance required?</i> )			
<b>Monthly insurance premiums</b>			
<b>In effect for how long?</b>			
<b>When &amp; how can mortgage insurance premium be eliminated?</b>			
• <b>Interest Rate Lock-Ins</b>			
<b>Lock-in Fee?</b>			
<b>Lock-in Period?</b>			
<b>When does lock-in occur?</b>			
<b>Is the lock-in agreement in writing?</b>			
<b>Can you take advantage of a lower rate if interest rates drop before closing?</b>			
• <b>Prepayment Penalty</b>			
<b>Is there a penalty to prepay the loan?</b>			
<b>Amount of penalty</b>			
<b>How long is the penalty period?</b>			
<b>Are additional principal payments permitted?</b>			
• <b>Amount of Reserves Required?</b> <i>(Generally expressed in terms of number of months of PITI)</i>			
<b>If you're applying for an adjustable rate mortgage (ARM), the following questions are essential to properly evaluate your loan pricing.</b>			
• <b>Initial Interest Rate</b>			
• <b>Discounted Rate</b>			
• <b>How long will the discounted rate last?</b>			
• <b>APR</b> (Annual Percentage Rate)			
<b>Interest Rate Adjustment Period</b> <i>(How frequently can the interest rate adjust (every 6 mo, 1 yr, etc)?</i>			
• <b>Interest Rate Cap</b>			
<b>Lifetime Interest Rate Cap</b>			
<b>Periodic Interest Rate Cap</b>			
• <b>Payment Cap</b>			
• <b>Index / Current Rate of Index</b>			
• <b>Margin over index</b> <i>(The margin over the index used by the lender to calculate your interest rate)</i>			

# Mortgage Terms

**Interest Rate** is the price of money expressed as a percentage rate. Interest rates vary day to day. In order to accurately compare loans among lenders, call for quotes on the same day.

**APR (Annual Percentage Rate)** APR represents the total cost of the loan including the interest rate, points, and fees that the borrower pays for the loan. It is expressed as a percentage of the loan amount. Since this is a uniform calculation, it is a good basis for comparing the cost of loans.

**Points** One point is one percent of the loan amount. Points are fees paid to the lender at the time the loan is funded. Generally the more points that are paid for a loan, the lower will be the interest rate.

**PITI** stands for Principal, Interest, Taxes, Insurance which are the components of your monthly housing expense.

**Mortgage Insurance** Lenders generally require mortgage insurance if a borrower has less than a 20% downpayment. The borrower pays the premium for this insurance. The lender is paid a portion of the outstanding loan balance if the homeowner defaults on the loan. Ask the lender how long the mortgage insurance is required and when and how the insurance can be canceled.

**Interest Rate Lock-In** The lender agrees to make a loan at a pre-determined interest rate for a specific period of time, regardless of what may happen to actual interest rates. There may be a fee for this lock-in privilege.

**Prepayment of Principal** The lender may charge the borrower a fee if the loan is paid off early. Be sure to ask the lender if there is a penalty for prepayment. This would impact you if you were interested in refinancing or if you were to sell your home.

**Pre-qualification** is an informal determination by a lender of how large a mortgage loan a buyer can afford. A pre-qualification is an estimate of the loan amount that can be borrowed, but does not obligate the lender to approve the loan.

**Pre-approval** is a guarantee that the lender will provide you with the loan amount for which you have applied. (This assumes that the home's appraised value is equal to or greater than the offer price). A pre-approval is valid for a certain period of time. A lender pre-approval can be of significant value in negotiating for the purchase of a home.

## Adjustable Rate Mortgage Terms

*In order to compare adjustable rate mortgages or compare them with a fixed rate loan option, an understanding of the following terms is essential. This will help you evaluate the risk as well as the possible advantages of taking on an adjustable rate mortgage. Have the lender explain to you how much and how often your monthly payment can increase.*

**Initial Interest Rate** This is the starting interest rate for your adjustable rate mortgage. It can be a "teaser" rate and jump significantly after the initial period. Ask your lender for what period this interest rate is valid.

**Rate Adjustment Period** is the length of time between interest rate changes. Ask the lender how often your interest rate and loan payment will vary. That is, how frequently will the interest rate be adjusted and can it decrease or only increase.

### Interest Rate Caps

**Periodic Rate Cap** limits the amount your interest rate can be adjusted at each adjustment interval.

**Life Cap** limits the amount your interest rate can be adjusted over the entire life of the loan.

**Payment Cap** limits the increase of your *monthly* payment at any one period of adjustment. If your payment as a result of the payment cap is less than the actual interest rate would require, you still owe the lender the difference. This difference in the amount owed versus the amount actually paid will be added to the principal of your loan. This scenario can increase the total amount of money you owe.

**Financial Index** This is the indicator used to determine the adjustments to interest rates. An index will typically reflect prevailing market conditions. Some indexes are more volatile than others.

**Margin** is the amount that is added to the financial index to establish the mortgage interest rate (the fully-indexed rate) at each adjustment period.

**Negative Amortization** This occurs when your monthly payments are too low to cover the interest rate agreed upon. This difference between your payment and the actual interest owed is added to your principal and increases the size of your debt. This could cause you to owe more money than the original amount of the loan.