

SPOT PREDATORY LENDERS

- Avoid high-pressure salespeople. If a broker/lender tells you they are your only chance of getting a loan, walk away.
- Read all documents carefully. Never sign anything you don't understand or a document with blank spaces. Insert "N/A" (not applicable) in any blank spaces.
- Ask questions until you understand everything. Ask the lender to explain all fees and points.
- Avoid being pressured into exaggerating or making false statements on your loan application. Don't be a party to fraud.
- Be sure you have confidence in the appraisal of the property. If you are concerned, call the Nebraska Real Property Appraiser Board at: (402) 471-9015.
- A notary must be present when you sign your loan closing documents.



Resources

High Plains Community Development Corporation
Chadron: (308) 432-4346
www.highplainscdc.com

Nebraska Investment Finance Authority (NIFA)
(800) 204-NIFA (6432)
www.nifa.org

NeighborWorks America
Lincoln: (402) 477-7181
Norfolk: (402) 379-3311
www.nw.org

U. S. Department of Housing and Urban Development
www.hud.gov

Visit Our Website

For detailed information on how to file a complaint and search our online databases, visit:

www.ndbf.org



NEBRASKA DEPARTMENT
OF BANKING AND FINANCE

1230 "O" Street, Suite 400

Lincoln, NE 68508-1402

Consumer Hotline:

(877) 471-3445 (toll-free)

(402) 471-2171 (in Lincoln)

www.ndbf.org

7/2008

Mortgage Lending

Before you sign...



We are your regulators and advocates in banking and finance. Call us when you need us.



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SHOP AROUND



- You have the legal right to change your mind on a home mortgage loan at any time prior to the loan closing.
- Get information from several lenders.
- Take the time to read and understand all the details and terms of the loan, such as interest rates, fees, prepayment penalties and maturity.
- Compare mortgage estimates based on the same basic options like fixed rate or adjustable rate and 15-year or 30-year.
- Negotiate the best terms.

Visit our website at www.ndbf.org

There you will find:

- A searchable registry of mortgage lenders and brokers registered and licensed to do business in Nebraska.
- Detailed explanations of laws dictating the business practices of mortgage lenders.
- Step-by-step assistance on how to file a complaint against a licensed mortgage lender or broker.

QUESTIONS TO ASK (AND GET ANSWERS IN WRITING)

- 1. Are you licensed with the State of Nebraska?** Most mortgage bankers and brokers are required to be licensed with NDBF. Banks are exempted from this requirement. Verify their status by calling toll free (877) 471-3445 or in Lincoln: (402) 471-2171 or searching the NDBF Web site at www.ndbf.org
- 2. What is the interest rate you are offering? Is it fixed or variable? Is it the best rate I can expect?** Interest rates are the amount lenders charge you to use their money. A fixed rate remains the same until the loan is paid off, while a variable or adjustable rate can change, which in turn affects the amount of your monthly payment.
- 3. Is the interest rate locked in and, if so, for how long?** If a rate is locked, you will still get the quoted rate, usually for 30 days. You may or may not be asked to pay a fee for the locked rate. Ask for written verification of the locked rate.
- 4. What is my APR?** An APR is the Annual Percentage Rate of your loan. This includes the cost of credit, interest rate and all other finance charges.
- 5. How much money will your company be paid for the loan?** Mortgage bankers and brokers receive compensation for the service of bringing together borrowers and lenders. Some of these fees are negotiable.
- 6. What is the principal amount of my loan?** The principal amount is the dollar amount of credit and/or money you are borrowing. It is usually the price of your home, plus fees, minus your down payment. For a refinancing loan, it would be the payoff of your current loan.
- 7. How much will my monthly payments be?** You need to know the total amount in order to decide whether or not you can afford the property. Ask if the amount includes escrow for property taxes and homeowner's insurance. If it does not, you will be responsible for paying them separately.
- 8. What is the length of the loan and is there a balloon payment at the end?** Historically, loans were paid off in 30 years. Now you can save money, due to reduced accumulated interest, by choosing 15 or 20 year loans. Balloon loans occur when monthly payments do not amortize the full loan amount during the term of the loan. At the end of the loan period you may have a substantial balance to refinance.
- 9. Can I pay the loan off early?** There may be a prepayment penalty. If there is, get the terms in writing. If you are told it will be waived, it must be documented in writing.
- 10. From whom will I get my loan closing documents?** You are entitled to request your documents 24 hours before your closing. Having the statement ahead of time gives you and your attorney time to review and request any necessary changes.



Definitions

Adjustable-rate loans: A loan which allows the lender to adjust the interest rate in accordance with a specified index periodically and as agreed upon with the borrower when the loan was originated.

Annual percentage rate (APR): The APR is the interest rate that represents the total charge for credit and takes into account the added costs of the loan, such as lender's fees, title fees, loan origination fees; fees that are not included in the actual interest rate.

Deed of trust: A legal document that involves a third party called a trustee, usually a title insurance company, who acts on behalf of the lender. When you sign a deed of trust, you are giving the trustee the power to sell the property, but holding on to the right to use and live in it. The trustee holds the original deed of trust until you repay the loan.

Good faith estimate: A document that estimates all approximate costs borrowers will pay for a loan. Mortgage lenders must provide this to borrowers within three business days after their application is received.

Point: An amount equal to 1 percent of the principal amount of a mortgage. Loan discount points are a one time charge to increase the yield of the loan to the lender or investor so that it remains competitive with other types of investments.

Prepayment penalty: Lenders may charge a fee if a borrower repays all or part of the loan before it is due. It compensates the lender for lost interest due to the early payoff.

Private mortgage insurance (PMI): Lenders typically require borrowers providing down payments of less than 20 percent to obtain private mortgage insurance. Private mortgage insurance protects lenders and investors against loss if a borrower stops making mortgage payments.

Right of rescission: Period of three business days after the loan closing in which the borrower is allowed to cancel an owner occupied refinancing transaction.

Fees

Many fees are negotiable. *Remember*, get your estimate, including fees, in writing.

Common fees are:

Application fee: The lender's charge for evaluating, preparing and processing your loan application.

Broker fee: Licensees are sometimes paid to bring two parties together for a transaction.

Closing costs: These are generally for services and taxes, and are a one-time fee. They can include points, title insurance, escrow, attorney fees, document fees and prepaid interest.

Lender or funding fee: This fee is for the lender making the loan.

Loan origination or underwriting fee: These are fees charged by a mortgage broker and/or mortgage lender for their services associated with originating the mortgage loan.

Transaction Costs: A category of fees that includes incidental costs such as appraisal fees, credit report fees and overnight courier charges incurred during the processing of the loan.

