

Questions To Ask Before Signing A Loan Contract!



Fast Facts

#16

**What will my monthly payment be? Can the amount change? What would cause the payment to change?
How much and how often could the payment go up? When will the loan be paid off?**

Just because a lender says you qualify for a certain loan amount doesn't mean you are getting a loan that is affordable for you. Make sure you can meet the loan payments now and in the future.

Is there a "balloon" payment? If so, when is it due, and how much will I owe?

A balloon payment is a large, lump-sum payment due at the end of the loan term. A balloon loan may keep monthly payments low in the early years, but it must be refinanced or paid off in full at the end of the loan term, and the low payments mean that relatively little of the loan balance had been reduced. For some borrowers, a balloon loan can be very appropriate. For others, the consequences can be costly, perhaps even resulting in the loss of their home if they can't repay or refinance the amount due.

Is this the lowest rate you can offer?

The APR is the total cost of the loan, including interest charges and other fees, expressed as a yearly rate. Comparison shop among several lenders so you have a good sense of the costs you should be incurring, then negotiate the best possible terms. Don't be afraid to make the lenders compete for your business by letting them know that you are shopping for the best deal.

What "points" and fees would I be charged? Are any of these charges being added to the loan balance and increasing my payments? If so, how much extra would I pay each month and over the life of the loan?

Each point equals one percent of the loan amount. Make sure you have a good understanding of all costs, terms and conditions of the loan. Compare verbal answers with what is written in your loan documents.

Does the loan amount include fees for credit insurance, such as life, disability or unemployment insurance? If so, why, and how much will it cost me in up-front, monthly and total fees?

You may not need the extra insurance, or you may get a better deal from your insurance agent or other sources, so shop around. Also, the lender is prohibited from conditioning approval of a loan on whether you buy insurance through the same company. Be very suspicious if the lender pushes single-premium insurance. The one-time payment usually is so big that consumers add the fee to their loan amount and pay interest each month, adding significantly to the monthly payments and to the total cost.

Is there a prepayment penalty if I pay off the loan early by refinancing or selling my house? What is the penalty?

On some loans, a prepayment penalty will be charged if you pay more than is required on your monthly payment or pay off the loan before its term ends. Many lenders offer loans with prepayment penalties at lower interest rates than the same loans without prepayment penalties. Depending on your circumstances, a loan with a prepayment penalty can be a good alternative. However, prepayment penalties also can trap a borrower into a loan. For example, if market interest rates drop, you may miss out on a chance to refinance if the prepayment penalty on your loan is too high. Under the Truth in Lending Act, lenders must disclose any prepayment penalty and how it is determined. If the lender says there is no prepayment penalty, there should be a statement to that effect in the documents. You should ask the lender to show you where that is stated in the documents.

Do any of the loan terms differ from what was previously discussed or provided? If yes, which terms and why?

Review documents prior to signing them and make sure you understand why any changes in terms and conditions have been made.



Fidelity National Title Company

“Experience the Difference”