Mortgage Brokerage Firm Chilliwack

Why Your Mortgage Broker Must Know The Answers To These Questions

Best Type of Loan

The mortgage broker would first be tasked with evaluating your financial needs, before suggesting appropriate loans. In order for the right type of loan to be chosen, factors like the term of the loan and the types of interests rates should be considered. Speak with your broker and have them explain the various types of loans. There are interest-only loans, fixed-rate loans, adjustable-rate loans and negative-amortization loans just to mention some. Before choosing what type is right for you, it is very essential to be abreast of all the related information.

Annual Percentage Rate and Rate of Interest
The annual percentage rate or also known as APR establishes the expenses you would incur over the length of your loan. Usually, the APR is higher compared to the interest rate because it includes loan transaction costs and fees over top of the interest charged.

Costs Involved and GFE
Apart from the brokerage fee, you would be needed to pay towards third party expenses, which consists of: pest inspection reports, credit report, and fees for property appraisal, escrow if applicable, recording fees and taxes. Be sure you have a clear idea about each of these expenses. It is very important to clarify any concerns you have with the broker ahead of time. Make certain you ask any concerns if you feel that you are being forced to take out any additional insurance, or feel that you are being unfairly charged for a service.

In 3 days from the date you applied, a good lender should be able to provide a GFE or Good Faith Estimate, that is an estimate of these charges and fees. According to federal law, a GFE can be offered and if the lender does not do this or fails to offer a guarantee for his estimation, it is better to look for a different lender.

Prepayment Penalties
Prepayment penalties are no longer allowed in all the US states. You would have to ask your broker if there would be any fees for prepayment charged by the lenders. If the state does allow these charges and you decide clear the loan prior to the end of the term, check out whether or not the loan comes with a pre-payment penalty. It is better to avoid mortgages which come with such a penalty because they do not allow you the flexibility to become debt-free faster.

You will need to pay the equivalent to 6 months of interest when there is a soft prepayment penalty. This payment is paid upon refinancing, or nothing is paid if the home is going to be sold. Where a hard prepayment penalty is concerned, you should pay a penalty for a certain amount of time whether or not your refinance the home or sell it. To be able to avoid a loss in the future, accept the prepayment penalty clause only if you are certain you will stay in the house until the mortgage is finish.

At the time of the loan transaction, it is very important that you talk about all of the above questions with the broker. Brokers would not be able to guarantee a specific time for funding as this time and date will be decided by the lender.