

Understanding the role of your BROKER and broker compensation.

An important role of a mortgage broker is to arrange for your loan to be funded by an independent investor or lender ("lender"). Some brokers close loans in their own names, while others close loans in the name of the lender funding the loan. In any event, your mortgage broker is not an employee or representative of the lender. Your mortgage broker and the lender are independent parties.

The lender's role is to provide financing. Therefore, you should look to your broker for information and assistance concerning your loan and any associated fees and costs.

The cost of your loan

Your loan transaction will involve a variety of different fees and charges. Some of these are charged by the lender, some are charged by your broker, and some are charged by third parties such as closing agents, title companies, insurers, appraisers, home inspection services, etc. Your Good Faith Estimate is an estimate of these fees and charges. At or before closing, you will receive a final statement showing actual fees and charges for your transaction. The amount of any particular fee or charge can vary depending on many factors, such as the lender's or your broker's out-of-pocket costs and internal administrative expenses, competitive factors, industry standards and practices, and third party charges. The costs of your transaction may also vary depending on the loan program you select with your broker, and any changes you decide upon during the loan process. Do not hesitate to ask your broker if you have any questions about specific fees or charges.

Broker compensation

In today's lending environment, you and your broker should work together to structure your loan to best meet your goals and objectives. If you would rather pay less up front, or if you do not have much cash available, you can often finance your fees and costs through a higher interest rate. If you would rather pay a lower interest rate, you may pay higher upfront points and fees. You should review the options with your broker and agree upon the terms of the loan (including the interest rate, points, and fees) and the amount to be paid to the broker.

If you choose to finance some or all of the fees and costs, the broker will receive part of the broker's compensation from the lender. This is in addition

to, or in lieu of, up-front fees or points (sometimes called "discount points") paid directly by you to your broker. You pay indirectly for this lender-financed broker compensation through a higher interest rate. The lender-financed broker compensation is commonly referred to as a "premium."

Usually, the specific amount of any broker compensation financed by the lender will not be known until your broker locks in your loan with the lender, which will be after you have received your initial Good Faith estimate from your broker. The final amount of any such compensation will be shown on your loan closing statement, known as a HUD-1 or HUD-1a. Upon request, you may review this statement one business day before closing.

You should discuss with your broker how to structure the interest rate and the amount of fees and charges in the way that best suits your particular circumstances. Any questions you may have concerning broker compensation and other fees and costs during the loan process can be answered by your broker.

American dreams can come true with the right home loan

That's why many borrowers today look to someone who understands home financing and can guide borrowers through the process step by step, an expert who knows your area, the homes, and the available lenders; someone who takes pride in turning dreams into reality.

For years, your professional mortgage broker has been making home financing more convenient for borrowers, offering such valuable services and information as:

- Same-day pre-qualifications
- A professional viewpoint
- Competitive rate shopping
- Convenient application process
- Pre-underwriting
- Access to a variety of lender programs
- Professional loan processing
- Industry knowledge
- Good Faith Estimates of closing costs
- The ability to re-direct the loan if needed
- Relationships with lenders
- Alternative solutions when needed

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