HOW TO: Read a Loan Estimate (LE)

Unfortunately, many lenders play tricks when it comes to providing loan estimates to help lure in potential buyers. As honesty and transparency are always the pillars of which our team operates, we wanted to provide a breakdown on how to read an upfront Loan Estimate (LE) to help analyze quotes or LEs from other lenders to: (1) avoid surprises and (2) learn how to accurately compare LEs. Please read below to see the four important sections to look out for on your LE.

CHECK YOUR TERMS (TOP OF PAGE ONE)

This section confirms the loan details. Buyers should make sure the numbers and the loan program are both indicated

Loan Estimate

DATE ISSUED	10/24/2022
APPLICANTS	INSERT NAMES
PROPERTY	INSERT PROPERTY ADDRESS
SALE PRICE	INSERT PURCHASE PRICE

LOAN TERM	30 years
PURPOSE	Purchase
PRODUCT	Fixed Rate
LOAN TYPE	☒ Conventional ☐ FHA ☐ VA ☐ ______
LOAN ID #	INSERT LOAN ID NUMBER
RATE LOCK	☐ NO ☒ YES, until 11/23/2022 at 11:59 PM EST *Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on* ***11/7/2022*** *at 5:00 PM EST*

Loan Terms		Can this amount increase after closing?
Loan Amount	INSERT LOAN AMOUNT	NO
Interest Rate	INSERT INTEREST RATE	NO

BOX A ORIGINATION FEES (TOP OF PAGE TWO)

Box A is where the lender will reflect its fees, along with any points charged for the rate. This is the box buyers want to focus on when comparing quotes amongst lenders.

Closing Cost Details

Loan Costs	
A. Origination Charges	**$1,375**
% of Loan Amount (Points)	
Processing Fees	$495
Tax Related Service Fee	$80
Underwriting Fees	$800

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HOW TO: Read a Loan Estimate (Cont.)

THIRD-PARTY FEES (PAGE TWO)

Boxes B, C, E, and H collectively represent third-party fees associated with the proposed transaction. Note: "third party fees" are fees charged by entities other than the lender and over which lenders have no control; these fees include appraisal, title and escrow, insurance, and inspection fees. Early in the process these fees are often generalized estimates but should give buyers a great idea of what to expect.

WARNING: Because these fees are not lender-specific items or controlled by the lender, they are often not included in initial quotes or they are under-estimated to make cash-to-close or closing costs appear artificially low. It is important to remember that these fees will be the same no matter which lender provides financing.

Closing Cost Details

Loan Costs

A. Origination Charges	**$1,375**
% of Loan Amount (Points)	
Processing Fees	$495
Tax Related Service Fee	$80
Underwriting Fees	$800
B. Services You Cannot Shop For	**$1,364**
Appraisal Fee	$1,000
Appraisal Review Fee	$250
Credit Report	$100
Flood Certification	$14
C. Services You Can Shop For	**$3,446**
Title - Document Preparation Fees	$100
Title - Lender's Title Insurance	$2,171
Title - Settlement Fee	$1,175

Other Costs

E. Taxes and Other Government Fees				**$19,670**
Recording Fees and Other Taxes				$350
Transfer Taxes				$19,320
F. Prepaids				**$4,402**
Homeowner's Insurance Premium (12 months)				$1,440
Mortgage Insurance Premium (months)				
Prepaid Interest ($174.25 per day for 17 days @6.625 %)				$2,962
Property Taxes (months)				
G. Initial Escrow Payment at Closing				**$7,860**
Homeowner's Insurance	$120.00 per month for	3	mo.	$360
Mortgage Insurance	per month for		mo.	
Property Taxes	$1,500.00 per month for	5	mo.	$7,500
H. Other				**$6,436**
Septic Inspection				$4,500
Title - Owner's Title Insurance (optional)				$1,936
I. TOTAL OTHER COSTS (E + F + G + H)				**$38,368**
J. TOTAL CLOSING COSTS				**$44,553**
D + I				$44,553
Lender Credits				

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PREPAIDS (PAGE TWO)

Sections F and G show all prepaid items due at closing for items such as homeowners' insurance, impounds, mortgage interest, and property taxes.

WARNING: Lenders often will remove impounds or show only a few days of prepaid interest in quotes to again make their closing costs or "cash to close" appear lower. This is very misleading, however, as buyers are often shocked and upset when they learn (prior to closing) that they need far more "cash to close" than they previously thought.

Closing Cost Details

Loan Costs

A. Origination Charges	**$1,375**
% of Loan Amount (Points)	
Processing Fees	$495
Tax Related Service Fee	$80
Underwriting Fees	$800
B. Services You Cannot Shop For	**$1,364**
Appraisal Fee	$1,000
Appraisal Review Fee	$250
Credit Report	$100
Flood Certification	$14

Other Costs

E. Taxes and Other Government Fees	**$19,670**
Recording Fees and Other Taxes	$350
Transfer Taxes	$19,320
F. Prepaids	**$4,402**
Homeowner's Insurance Premium (12 months)	$1,440
Mortgage Insurance Premium (months)	
Prepaid Interest ($174.25 per day for 17 days @6.625 %)	$2,962
Property Taxes (months)	
G. Initial Escrow Payment at Closing	**$7,860**
Homeowner's Insurance $120.00 per month for 3 mo.	$360
Mortgage Insurance per month for mo.	
Property Taxes $1,500.00 per month for 5 mo.	$7,500

While there are many more components to LEs, the sections mentioned above are the most important things to look out for. More importantly, we are always here to help should you have any further questions or concerns. Please don't hesitate to reach out to us and we'd be happy to help!

If you would like a deeper dive on the components and breakdown of LEs,
the Consumer Financial Protection Bureau has a great resource. Please visit:
https://www.consumerfinance.gov/owning-a-home/loan-estimate/

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