



Don't Get Stuck with Surprise Fees at Closing

Potential homeowners sometimes run into disappointment when at the close of their home loan a load of new fees is suddenly sprung on them from their lender. It can be disheartening and often financially difficult to come up with the extra money for the new closing costs. While there are no guarantees in the loan application process, there are several things you can do to steer clear of excess fees. If you are in the market for a new home mortgage loan and want to avoid such a scenario, take a look at the following suggestions.

First of all, if you expect your lender to be honest and upfront with you about the process and costs of your loan you should pay her the same respect. It is very important that you tell your lender all pertinent details of your financial situation when you begin applying. Lenders have to do thorough checks of your supplied information anyway (with most loans at least,) so if you are frank about any past credit and financial problems, your lender will be able to give you a more accurate estimate at the beginning of the total cost of the loan. This means being truthful in your statements of annual income, as well as freely disclosing things like previous foreclosure or bankruptcy. You might find this uncomfortable to discuss, but early confession will save you lots of time and headaches.

Next, if you get a rate lock or a quote on your loan costs, be sure you get the promise from the lender in writing. Make sure that your rate lock will be effective long enough for the loan process to be completed. That way you will have documents binding your lender to certain terms. This could help eliminate some of those unwanted fee surprises at closing.

Another important tip is to realize that you must keep paying your first mortgage loan until the new one closes. If you do not, your original lender will likely report your late payments to the credit bureaus. This could significantly hurt your credit right before your new loan closes. The result might be a higher interest rate and points, or in a worst case scenario, you would no longer be qualified for the loan. Do everything you can to protect your credit during the application process.

Also you should pay close attention to the "letter of commitment" that your lender will send you shortly before the close of the loan. This will be a statement of projected fees, rates, and points for the mortgage. This should be a very accurate document because most of the research and underwriting should be taken care of by this time. If anything changes in your costs from this point forward, you should grill your lender about the reasons for the switch.

Finally, if you have done your part and you do end up with substantially higher costs at closing than you expected, you should always reserve the right to decline the loan. It will be much better to avoid getting into such a loan with a lender you do not trust than to have to start the process over with someone else. A mortgage loan is probably one of the biggest financial commitments you will ever make, so take the proper precautions to make sure your decision is a wise one.