



## Additional Resources

Pennsylvania Department of  
Banking and Securities  
1-800-PA-BANKS (800-722-2657)  
[www.dobs.state.pa.us](http://www.dobs.state.pa.us)

Pennsylvania Housing  
Finance Agency  
1-800-822-1174  
[www.phfa.org](http://www.phfa.org)

Pennsylvania Office of  
Attorney General  
1-800-441-2555  
[www.attorneygeneral.gov](http://www.attorneygeneral.gov)

Consumer Financial  
Protection Bureau  
1-855-411-2372  
[www.consumerfinance.gov](http://www.consumerfinance.gov)  
[www.consumerfinance.gov/es](http://www.consumerfinance.gov/es)  
(Español)

NMLS  
[www.nmlsconsumeraccess.org](http://www.nmlsconsumeraccess.org)

“An investment in  
knowledge always  
pays the best interest.”

-Ben Franklin



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DEPARTMENT OF BANKING  
AND SECURITIES

17 North Second Street | Suite 1300  
Harrisburg, Pennsylvania 17101  
**1.800.PA.BANKS** (1.800.722.2657)  
[www.dobs.state.pa.us](http://www.dobs.state.pa.us)

# Shopping for a Mortgage



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DEPARTMENT OF BANKING  
AND SECURITIES

> protect > regulate > inform

For most people, buying or refinancing a home will be the single largest financial transaction they ever make. It can also be one of the most complicated and confusing. The best way for you to stay financially safe is to learn how to make a good deal for yourself before “signing on the dotted line.”

### Step 1: Are You Ready?

It is a good idea to make sure you have all the documents ready for a loan application. This means gathering paystubs or other evidence of income, making a list of dates of prior residences and employment, etc. Request a credit bureau report to make sure no inaccurate or damaging information is in your file. If you are a **first-time homebuyer**, you may want to talk to a housing counselor to learn if you qualify for any special programs.

### Step 2: Finding the Right Lender

Finding the right lender and getting the right loan for your situation involves shopping around and comparing advertised rates and terms. You can obtain a loan through banks, credit unions, mortgage lenders or mortgage brokers. You can visit NMLS, an online nationwide licensing system to confirm that your lender or broker is properly licensed or authorized to make mortgage loans.

### Step 3: Apply for a Loan

The information on your loan application must be as accurate and truthful as possible. Beware of any lender who encourages you to give false information, such as overstating your income, on an application. Such misstatements are fraud. In addition, you should never sign blank forms and you should always ask for copies of everything you sign.

### Step 4: Negotiate Best Terms

Your lender is required by law to provide a Good Faith Estimate and a Truth in Lending Disclosure. These documents outline the rate of interest on the loan, the actual monthly payment on the loan, and other terms.

You should first consider whether the annual percentage rate (APR) of your loan is “fixed” or “adjustable.” In general, a lower APR is better. Borrowers choose a fixed rate loan if they want their payments (outside of taxes and insurance if they are included in the monthly payment) to stay the same. An adjustable rate loan may have an initial lower payment but the payment can increase over time.

Most mortgage loans take 15, 20 or 30 years to pay off.

### Step 5: Before You Sign



Read all documents carefully before you sign them, and compare the final loan terms with the Good Faith Estimate. Get a second opinion from someone with experience whom you can trust. Before you agree to an offer, ask yourself:

#### Can I afford this mortgage?

The loan should be based on your realistic ability to repay, not the value or equity in your home.

#### Do I understand all the fees, and do they seem reasonable?

A mortgage can involve many fees. If you do not understand the fees or see fees that you believe should not be included, ask the lender to explain them and/or try to get them removed.

#### What is included in my monthly payment?

In addition to principal and interest, part of your monthly payment may go into an escrow account towards property taxes and homeowner’s insurance. If not, you will need to add those expenses to your budget.

If you are not satisfied with the answers you get, you can always shop for another lender/broker.

### Lenders and Brokers

The difference between a mortgage lender and a mortgage broker is important. You will receive the loan from a lender, and different lenders offer different terms on mortgages. Brokers have access to different lenders and may be able to help you find the best loan terms for your situation. Make sure you ask if the person you are dealing with is a broker or a lender, because brokers are usually paid a fee that is separate from and in addition to the lender’s fees. Make sure to ask brokers how they will be paid so that you can compare their different fees. Be prepared to negotiate with your broker as well as your lender.

### Terms to Know

**Annual percentage rate (APR)** is the cost of borrowing money expressed as a yearly rate. The APR includes the interest rate, points, broker fees and certain other credit charges that you are required to pay.

**Escrow** is the holding of money or documents by a neutral third party. It can also be an account held by the lender into which you pay money for taxes and insurance.

**Interest rate** is a cost of borrowing money expressed as a percentage. Interest rates can change based on market conditions.

**Lock-in** refers to a written agreement guaranteeing you a specific interest rate on a loan, provided that the loan is closed within a certain period of time, such as 60 or 90 days.

**Points** are fees paid by you to the lender at the closing of the loan. One point equals 1 % of the loan amount. In some cases, the money needed to pay points can be borrowed, but doing so will increase the loan amount and your total costs.

**Private mortgage insurance (PMI)** protects the lender against a loss if you default on the loan. It is usually required for loans in which the down payment is less than 20 percent of the sales price.