

Real Estate Rescue of America

Providing Peace of Mind to Distressed Homeowners

Broker Interview Questions

This list of questions is by no means comprehensive, but it may serve as a jumping-off point for you in your search for a real estate broker.

Remember to ask questions and if you don't understand, don't sign!

Once you settle on a broker or lender, check the *Wall Street Journal* for the current mortgage rate on the kind(s) of loan(s) you are seeking and have the following documents handy:

- credit report from the three credit bureaus (visit www.annualcreditreport.com or call 1-877-322-8228)
- current mortgage statement
- last two pay stubs
- last two social security, pension fund, etc. statements
- last two W-2 statements
- last two tax returns
- hazard insurance Declarations page

How long have you worked in the mortgage business and in what capacities and area of specialties?	Someone with experience (3+ years) will have a broader understanding of mortgage and underwriting guidelines.
What kind of loans do you primarily do? (e.g., Government-sponsored FHA and VA? Prime? Alt-A? Sub-prime? 2 nd mortgages? Helocs? Etc.)	If the broker has a high comfort level with a variety of loan types, s/he may be more likely to select a mortgage that fits your situation versus select one that fits guidelines they are familiar with.

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<p>Are you a loan officer, mortgage broker, mortgage banker, lender, or a financial institution?</p>	<p>A loan officer who works for a mortgage broker finds you a lender.</p> <p>A mortgage banker is a lender who makes loans directly to consumers.</p> <p>A financial institution is a bank, credit union, savings and loan or savings bank that makes mortgage loans in addition to providing other banking services.</p>
<p>Are you licensed? Certified?</p>	<p>Mortgage brokers working in California are required to be licensed by the Department of Corporations (DOC) and/or the Department of Real Estate (DRE).</p> <p>To make sure your mortgage broker is licensed, contact the DOC at www.corp.ca.gov or call 1-866-275-2677 or contact the DRE at www.dre.ca.gov or call 916-227-0770.</p>
<p>How many mortgage options will you provide to me?</p>	<p>Ask for at least three mortgage options and ask them to go over the pros and cons of each mortgage type.</p>
<p>Will you disclose all of your fees and commissions to me up front?</p>	<p>Ask for full disclosure of commissions and fees they earn.</p>
<p>How are you compensated?</p>	<p>Brokers are paid by fees and/or yield spread premium (YSP).</p> <p>YSP is compensation to a broker from a lender for selling a borrower an interest rate that's higher than the lender's par rate for which the borrower qualifies. So if you qualify</p>

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	<p>for a 6% interest rate, but your broker gets you to take a loan at 7.5%, the broker earns thousands of dollars. Needless to say brokers like YSPs and borrowers try to avoid them to keep the costs of the loan as low as possible.</p> <p>Check your Good Faith Estimates(s) and the Settlement Statement (HUD-1) for the “yield spread premium” or “YSP.” Ask your broker to explain the numbers. If you don’t see a YSP fee on these two forms, confirm that there is no YSP being paid outside of closing.</p>
What documents do you typically provide to your clients during the loan process?	<p>You want to receive the following: Initial Good Faith Estimate; Revised Good Faith Estimate (if changes are made); copy of rate lock; fully underwritten loan approval; Mortgage Loan Disclosure Statement; and Estimated Settlement Statement (known as a <i>HUD-1</i> form) 24-hours before document signing.</p> <p>To ensure your broker is not gambling with your rate lock, request a loan commitment letter from the lender that reflects the lender’s name, the interest, the date the rate was locked, and when the lock expires.</p>
How long will it take to process my loan application?	Be sure your interest rate is locked in for the time period.
Do you offer loan rate locks? For how long?	You can usually get rate locked for 30-days.

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Is there a loan lock fee?	
Does the lock-in protect all of the costs?	
I'll need written verification of the loan lock. Is that a problem?	
Will you provide me with a quote and Good Faith Estimate for closing costs for each mortgage type I am considering? When?	<p>This will help you compare one mortgage to another (e.g., a 30-year fixed loan to an ARM).</p> <p>The Good Faith Estimate should be provided three days after the loan application is submitted.</p>
Will you review the fees noted on the Good Faith Estimate(s) with me?	<p>The Good Faith Estimate should reflect the following standard fees: origination points, appraisal fee, title fee, escrow, fee, processing fee, underwriting fee, document preparation fee, notary fee, recording fee, tax service fee, and yield spread premium.</p> <p>Some of these fees are negotiable.</p>
Will you guaranty the fees noted on the Good Faith Estimate(s) within a \$500 range?	<p>FYI - - Good Faith Estimates are not binding and your broker is not required to guaranty them. But still make your request. If your broker agrees, it will indicate that the fees noted on the Good Faith Estimate are close to being accurate.</p>
What is the interest rate on the mortgage? What is the APR? Is the rate fixed or adjustable?	<p>The APR is the cost of credit that reflects the interest rate plus all other finance charges.</p> <p>If the APR is significantly higher than the rate you were quoted (e.g., .75 to 1 point higher) there are significant fees being added to the loan.</p>

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Is this the best interest rate I can get?	
How many discount and origination points do I have to pay?	<p>A point is interest paid up-front. 1 point = 1% of the loan amount, so if you're paying 2 points on a \$100,000 loan, you are paying \$2,000 ($\\$100,000 \times 2\%$).</p> <p>Some people pay points to reduce the mortgage interest rate.</p>
Is there a pre-payment penalty or balloon payment?	
What is the loan term and principle loan amount?	
What is the monthly payment? Does it include an escrow for property taxes and homeowner's insurance?	
Who is my lender?	
What are the chances that my loan will be sold?	<p>A lender that holds your loan in its loan portfolio (versus selling it in the secondary market) may be more attached to ensuring that you have the right loan for your situation long term.</p>
Am I required to have Private Mortgage Insurance (PMI)? If so, when will it be removed and what do I need to do to have it removed?	
Can you provide me with three recent customer references?	<p>Ideally, you find a broker referred to you by a friend, family member or co-worker.</p> <p>Ignore public testimonials on the broker's website or in the brochure. Request live human beings you can talk to and query.</p> <p>Ask for references if the broker's</p>

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	Good Faith Estimate was accurate.
How often will we be in contact and what's the best way to be in contact (e.g., telephone, email)?	