



Understanding the (GFE) Good Faith Estimate

A good faith estimate is a document that **estimates** the total costs to get a loan when you are buying or refinancing a home. The good faith estimate details costs you will incur on all loan related fees such as title insurance, appraisal, and lender fees.

To help you better understand your good faith estimate, HUD (Department of Housing and Urban Development) has standardized all items with codes. The fees listed on a GFE are estimates -- the actual charges may be more or less. Your transaction may not involve a fee for every item listed.

Although we do not charge you for a lot of the items you will find listed below, we believe it is important that you have this document so that you better understand the fees and in case you are considering other lenders as well. All lenders and brokers are required to provide you with a Good Faith Estimate detailing the services you may be required to get and pay for in connection with your loan. We have included the standard line item numbers used on the Good Faith Estimate form.

Below is a list of common closing costs that could be included on your good faith estimate.

Please remember that although we are committed to being as accurate as possible, this is just an estimate. If our in-house fees must change we will make every attempt to discuss these with you in advance. We are not responsible for additional fees that are unknown at this time, especially from third parties, that may become necessary before you close.

Charges from the Broker

810 - Processing Fee - A processing fee is charged to cover the cost of processing the loan with our professional team of customer service friendly staffers.

817 - Yield Spread Premium, YSP, and Compensation to Broker or other like language. - A Yield Spread Premium, or YSP, is a fee paid by a lender to a mortgage broker. The higher the interest rate you pay, the higher the YSP to the broker. YSP's are discount points in reverse. If you are using a broker, this is required to be on your GFE. It is a good idea to have this as a short and low range of numbers like 1-2% rather than 1-4%. If the broker is making 4%, your rate may be higher than market. It is important you consult with your broker for a more detailed explanation of the YSP on your loan. If you have any questions regarding your GFE, please do not hesitate to contact the Loan Officer at anytime.



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Charges from the Lender

801 - Loan Origination Fee - This fee is charged by brokers and lenders for their professional services in securing your financing.

802 - Loan Discount Points - Often referred to as "points", this is a one-time charge from the lender that you pay to buy down the interest rate on your loan. Generally, the higher the charge, the lower the interest rate, and vice versa. Each point equals 1% of the loan amount. Discount points may be required on the loan you choose like some investor loans and 100% financing.

811 - Underwriting Fee - This fee covers the cost of reviewing your loan application. Underwriting is the name of the analysis a lender performs to determine if they are willing to lend you money and under what conditions.

812 - Wire Transfer Fee - When your loan funds, it is a common practice for a lender to wire the funds to the settlement provider (escrow holder, title company, or attorney). This is a fast and efficient way to transfer funds in a transaction where time is crucial. The receiving account charges a nominal fee for the wire transfer.

814 - Lender's Commitment/ Lock-In Rate Fee - Any fee paid by a potential borrower to a potential lender for the lender's promise to loan money at a specified date in the future. The lender may or may not expect to fund the commitment.

819 - Funding Fee - This fee charged by the Lender to do the underwriting of the loan. Mortgage underwriting fees cover the cost of evaluating your total loan application package, including your credit report, employment history, financial documents and appraisal, to determine whether we can approve your loan request.

823- MERS Fee - A fee for accessing the automated underwriting system

Charge from Third Parties

803 - Appraisal Fee - The appraisal fee covers the cost of a professional appraiser evaluating your home to estimate its fair market value. The appraisal is used to calculate the loan amount as a percent of the property value. This loan-to-value (LTV) ratio is one of the factors that dictate whether a lender is willing to approve the mortgage application and whether additional fees may be required (e.g., mortgage insurance). The cost of the appraisal will depend on the location of your property (rural vs. urban), the complexity of the appraisal and the going rates for appraisers in that area.

804 - Credit Report - This fee covers the cost of a credit report that will be used by the lender to review your credit history and help determine whether to approve your application. That payment usually goes to the credit service agency. Because lenders require an independent credit report, we cannot reuse any prior credit reports you



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may have. One report is required per borrower, unless the borrowers are married to each other in which case a combined report can be used.

809 - Tax Related Service Fee - The lender needs to know that the property taxes are being paid in full and on time because a tax lien would take priority over their lien as a lender. This one-time fee covers the cost of a tax service agency hired to monitor your account. If your taxes are impounded, the agency provides the lender with your tax bills so that the lender can pay your taxes on time. If you pay the taxes yourself, the agency monitors the tax rolls for the life of the loan, and informs the lender if they ever become delinquent so that they can take action to protect their lien position.

818 - Flood Certification - Lenders want to ensure your property (their collateral) is well protected from likely hazards. In addition to requiring hazard insurance to cover events like a fire, they want to know if floods are a concern in your area. This fee covers the cost of a report to determine if the property is in a flood risk area. The Federal Emergency Management Agency (FEMA) designates flood zones to indicate that certain areas have a high risk of flood damage. If your home is located in one of these flood zones, you will be required to secure flood insurance. Most homeowner's policies do not cover flood damage, so a separate policy will be required.

Charges from the title/escrow company

1101 - Settlement or Closing Fee/Escrow Fee - This fee pays for the services of the escrow or settlement agent that handles all the financial transfers and payments associated with the transaction.

1102 - Abstract or Title Search - This fee pays for the service of the escrow or settlement agent to do the title search on the property.

1103 - Title Examination Fee - This fee pays for a search of all liens secured against your property to ensure that your claim to the property is unencumbered.

1105 - Document Preparation Fee - This charge covers the cost of drafting the loan documents.

1106 - Notary Fee - This fee covers the cost of hiring a licensed notary public to certify that the individuals signing documents are who they claim.

1107 - Attorney Fee - In some states an attorney performs the functions of an escrow agent, in which case this fee is in place of the Settlement or Closing Fee described above. This fee could vary widely by area of the country and by the individual attorney you select. Please consult with your local real estate agent to understand if an attorney is customary and to get an estimate of the associated fees.

1108 - Title Insurance: Lender's Coverage - Title insurance insures against the possibility that there is an unknown lien on your property and ensures your undisputed ownership. The title company will check that no other entity has a lien,



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unpaid claim or other restriction on your ownership of the property and protects the lender in case a lien does exist that the search did not uncover.

1109 – Disbursement Fee - These are costs related to the conveyancing of a property. These costs usually encompass photocopying, postage, couriers and legal documentation

1112 - Courier Fee - The charge for the costs of sending documents to various parties using couriers or express mail services. These costs are generally based on actual usage and will generally be higher when the process is rushed, but some lenders may use a fixed charge.

Charges from the government

1201 - Recording Fee - Once your transaction closes, your mortgage or deed of trust is recorded at the county recorder's office to make your transaction a matter of public record. The recording fee varies by the county being paid.

1202 - City/County Tax stamps / on notes - Florida requires the payment of a documentary stamp tax on notes for all executed notes and written promises to pay money. The tax rate is \$0.35 per \$100, on the face value of the promissory note.

1203 - State Mortgage Tax / on deeds - This is a tax charged by some states as an additional means of collecting tax revenue and in Florida is \$0.70 for each \$100 of the full purchase price.

1204 – Intangible Tax - Florida State requires the payment of an intangible tax before a mortgage is recorded, regardless of when the mortgage was executed (signed). The tax rate on new mortgages is two mills (\$0.002 or two tenths of one cent) per dollar of debt.

Items required by the Lender to be paid at or prior to closing

901 – Interest - Lenders require that you pay the interest due on the new loan from the date of funding to the time of the first monthly payment (usually the first day of the next month). The interest due is calculated using the loan's interest rate and the appropriate number of days. Average borrowers pay 15 days of interest.

902 - Mortgage Insurance Premium - Private mortgage insurance (PMI) is required by lenders when your loan-to-value ratio (loan amount divided by property value) is greater than 0.8 or 80%. This insurance protects the lender in case the value of your property decreases to the point where it is worth less than your loan balance. The lender typically requires that the borrower prepay two months premium. We have estimated your premiums using industry standard rates for the type of product you selected and your loan-to-value ratio.



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903 - Hazard Insurance Premium - The lender will require that you insure the property you are buying, since the property is collateral for the loan. At the time of closing you must pay the entire first year's premium or prove that you already have coverage (i.e., in the case of refinancing). If you are purchasing a condominium, your association policy will already cover your unit and you will not need to make this payment.

The cost of hazard or homeowners' insurance depends on many factors, including location, property value, types of coverage and deductibles. We recommend you consult with an insurance company for a more accurate quote.

Reserves deposited with lender (impounds or escrow)

1001 - Hazard Insurance - These impound/escrow represents the amount the lender withholds to ensure you pay your hazard insurance on time. Typically, the lender will impound two to three months of premiums at closing, and then collects 1/12th of the annual premium with each monthly payment.

1002 - Mortgage Insurance Impound - This impound/escrow represents an estimated one month mortgage insurance premium. It will be calculated using your actual premium rate as set by the lender. A monthly premium amount will be collected with every monthly payment thereafter.

1004 - Property Tax & Assessment - The amount of property tax impounded can vary dramatically by county and the date you purchase your home. For example, in some counties the amount withheld equals the county tax rate times the number of months from the time you close until your first tax payment is due. You can get a rough idea of the amount due by using your county tax rate and an average of 6 months, but we recommend you consult directly with your real estate agent or county authorities for a more dependable figure.

1006 - Flood Insurance Premium - These impound/escrow represents the amount the lender withholds to ensure you pay your Flood Insurance Premium on time.

Other items that may appear on your GFE

1301 - Survey - This fee pays for the survey on your property to ensure that the property is properly described and registered.