Your loan and rate

A companion to your estimate. Use this guide to understand what you are paying and where the money goes.

Estimate date and property address

The estimate date tells you when we prepared the numbers. The address identifies the home used for the price, taxes and other costs. The estimate date is not your closing date, and an estimate does not lock your interest rate.

Loan program / FHA

FHA stands for Federal Housing Administration. FHA insures the loan, while the lender provides the money you borrow. The program has its own mortgage-insurance charges. Your estimate shows which charges are added to the loan and which are collected with your monthly payment.

Purchase price

This is the amount you agree to pay the seller for the home. It is not the same as your loan amount. Part of the purchase price comes from your down payment, and the rest comes from your base loan.

Down payment

This is the part of the purchase price you pay with your own funds or other permitted funds, rather than borrowing through this loan. Closing costs and debt payoffs are separate from your down payment.

Base loan amount

This is the purchase price minus the down payment, before any permitted financed charges are added.

Financed upfront FHA insurance

FHA charges an upfront mortgage-insurance premium. When financed, it is added to the loan balance instead of collected in cash at closing. You pay interest on that financed amount. The estimate must show whether the premium is financed or paid at closing.

Total financed loan

This is the base loan plus any permitted charges being financed. It is used to calculate the loan payment. Charges added to the loan are not collected again in cash at closing. Debt payoffs shown separately are paid from your closing funds unless a verified loan structure states otherwise.

Your payment and insurance

Some housing costs are collected with your mortgage payment. Others are paid separately. All belong in your monthly budget.

Loan term

The term is the time allowed to repay the loan on its regular schedule. A 30-year loan has 360 monthly payments. A longer term spreads repayment over more months, but it generally means paying interest for longer if you keep the loan for its full term.

Interest rate

This is the yearly rate used to calculate interest on the amount you still owe. It is one part of the cost of borrowing. It does not include the fees and mortgage insurance reflected in APR.

Estimated APR / annual percentage rate

APR combines the interest rate with certain financing fees and mortgage insurance to express the cost as a yearly rate. It helps you compare loans with different rates and fees. APR is not the rate used to calculate your monthly principal-and-interest payment.

Mortgage payment (principal and interest)

Principal is the part of the payment that reduces what you owe. Interest is the cost of borrowing the money. Together, these make up the loan payment before taxes and insurance. On a fixed-rate loan, the scheduled amount stays level, while the share going toward principal generally grows over time.

Est. Homeowners Ins (3rd party)

This is the estimated cost of insuring the home, shown monthly for budgeting. You may hear it called hazard insurance or fire insurance. A homeowners policy can cover more than fire damage, so the actual policy and coverage matter. The premium is paid to an insurance company. It is different from mortgage insurance.

PMI / mortgage insurance

FHA calls its mortgage insurance MIP, or mortgage insurance premium. It protects the lender if the loan is not repaid. It does not insure the home against damage. The premium and how long it applies depend on the loan terms.

Taxes and other monthly costs

Clear explanations of the amounts shown on your estimate, so you can plan for both closing and homeownership.

Property taxes and tax rate

We verify the property tax rate directly on the county tax assessor website before entering it in your estimate. We apply that rate to the purchase price, then divide the annual amount by 12 to show the monthly cost. Recurring special assessments are shown on their own line.

Mello-Roos / special assessments

These are recurring property charges in addition to the regular property tax calculation. Mello-Roos can help fund local facilities and services, such as schools, parks or public safety. We show the annual amount as a monthly cost within your payment. This line is separate from a supplemental reassessment bill caused by a sale.

HOA dues (3rd party)

HOA stands for homeowners association. These dues help pay for the services, shared spaces or maintenance managed by the association. What they cover depends on the community. They may be paid separately from your mortgage, but we include them in your housing budget so you can see the full monthly cost.

Solar (3rd party)

This is a separate solar payment, if one applies to the property, such as a solar loan or lease payment. It is included in your housing budget. A $0 entry means we have not included a solar payment in this estimate. The solar agreement determines any payment or transfer requirements.

Estimated monthly total

This adds the mortgage payment, mortgage insurance, property taxes, homeowners insurance, Mello-Roos or special assessments, HOA dues and any solar payment shown. It is your estimated housing total. Some amounts may be paid to different companies rather than combined into one payment to the lender.

Third-party estimates

A third party is an outside provider, such as an appraiser, title company or insurance company. I am estimating third-party fees high until we receive the actual numbers. The amounts will be updated when we have the provider quotes. These estimates help you plan, but they are not a guaranteed maximum.

Loan fees and outside services

I am estimating third-party fees high until we receive the actual numbers. These are planning estimates, not final quotes.

Underwriting (3rd party)

The bank reviews your income, credit, assets and the property to decide whether the loan meets its requirements. The underwriting fee is the bank fee for this review. Once we choose the bank, we will know the exact amount. The banks we use charge $995 to $2,200, and I estimate on the higher side until then.

Processing

This is my team's fee that covers organizing and moving the file through the lending process. That includes gathering documents, coordinating with the people involved in the loan, and helping complete outstanding requirements. This fee is separate from the bank underwriting fee and any origination fee.

Origination points

Origination is a charge for making the loan. If the origination line shows $0, I am not charging you an origination fee. Other listed charges, such as processing, underwriting or discount points, may still apply. When origination is expressed in points, one point equals 1% of the applicable loan amount.

Discount points (cost of this rate as of the estimate date)

Discount points are the upfront cost of the rate shown on your estimate. One point equals 1% of the applicable loan amount. Rates and point costs can change daily, sometimes during the day, until locked. Pricing is influenced by the mortgage-backed securities market, where investors trade bonds backed by groups of home loans. Lender pricing and your loan details also affect the cost. I watch this market daily to look for the best available combination of rate and cost for you. Before we lock, I will give you an analysis comparing available rates with no discount-point cost and rates with an upfront point cost. You can compare the monthly payments and upfront costs, then choose what works best for you. Other closing costs still apply to a zero-point option. Discount points are separate from origination.

Appraisal (3rd party)

An appraiser provides an independent opinion of the property value. The lender uses it to help determine whether the property supports the loan amount. The fee pays for that work. An appraisal is different from a home inspection, which looks more closely at the condition of the home.

Credit / flood / IRS / identity reports (3rd party)

This line combines outside-provider charges. The credit report shows borrowing history. The flood certification checks the flood-zone status. IRS Form 4506-T requests tax transcripts to help verify tax information. Identity verification checks identifying information, including Social Security information. The estimate groups these costs into one amount.

Settlement and money paid ahead

I am estimating third-party fees high until we receive the actual numbers. These are planning estimates, not final quotes.

Escrow fee (3rd party)

The seller chooses the escrow company for this estimate. Escrow is a neutral service that holds funds and documents, follows the closing instructions, and distributes money when the transaction closes. This fee pays for that work. It is different from the tax-and-insurance account used after closing, which is also called escrow.

Title services (3rd party)

The seller chooses the title company for this estimate. Title work checks the ownership history and identifies recorded claims that may need attention before the home can transfer. Title insurance provides protection against certain covered ownership problems. The company quote will show the services and coverage included in this fee.

HOA transfer fee (3rd party)

If the property belongs to a homeowners association, the association or its management company may charge to process the ownership change. This is a closing charge, separate from the regular HOA dues. A $0 entry means no transfer fee is included in this estimate.

Est. 1st year Homeowners Ins (3rd party)

This is the estimated first annual insurance premium paid at closing. We will get you 4 quotes through AAA, Old Harbor, Goosehead and Farmers so you can compare price and coverage. We are not affiliated with these companies. This payment covers the first policy year. The insurance reserves shown separately are money set aside for future bills, not another charge for the same first-year coverage.

Closing month interest

For example, if you close in November, your first regular mortgage payment would typically be due January 1. At closing, you pay interest for the days from your closing date through the end of November. Your January payment covers December interest. This closing charge is also called prepaid interest. The example is not a confirmed payment date.

Reserves and cash to close

Clear explanations of the amounts shown on your estimate, so you can plan for both closing and homeownership.

Tax-and-insurance account / impound account

This is a dedicated account that sets aside money for your property tax and insurance bills, with a cushion. Part of each mortgage payment goes into it, and the loan servicer uses the money to pay covered bills when due. Think of it as a bill-paying fund, rather than an ordinary savings account you withdraw from.

Insurance reserves

This is the initial deposit into that account for future insurance bills. The estimate shows how many months are being collected at closing. Your monthly payment then continues adding money to the account. These reserves belong toward your insurance expenses and are not an extra lender fee.

Property tax reserves

This is the initial deposit set aside for future property tax bills. The amount depends on the closing timing, when taxes are due and the account requirements. The final escrow analysis sets the needed deposit and cushion. It may differ from the number of months used in this planning estimate.

Seller credit

This is money the seller agrees to contribute toward eligible closing costs and prepaid items. It reduces the amount you need to bring, subject to the contract and loan-program limits. It does not automatically reduce your down payment, and unused credit is not automatically paid to you as cash.

Earnest money

This is a deposit you pay under the purchase contract to show your intent to buy. If the purchase closes, the deposit is credited toward the money you owe. It is not an additional charge on top of the purchase price. This estimate assumes no deposit until an amount is entered.

Closing costs, prepaids and reserves

Closing costs are the fees for obtaining the loan and completing the purchase. Prepaids pay certain expenses ahead of time, such as insurance and initial interest. Reserves put money aside for future bills. We list these separately so you can see which amounts are fees and which pay your ongoing housing expenses.

Estimated cash to close

This is the money still needed to complete the purchase. We add the down payment, closing costs, prepaids, reserves and debt payoffs listed for closing, then subtract applicable credits and deposits. Every payoff entered for this estimate is treated as paid at closing. Final payoff amounts must be confirmed with the creditors.

Additional loan program

Clear explanations of the amounts shown on your estimate, so you can plan for both closing and homeownership.

Loan program / Conventional

A conventional loan is not insured or guaranteed by a federal housing loan program. The lender reviews your income, assets, credit and property under the selected program rules. Mortgage insurance may apply depending on the loan structure. Your estimate shows the terms and charges used for your scenario.

Financed upfront charges

These are any permitted upfront costs added to the loan rather than paid in cash at closing. A $0 line means no such charges are financed in this estimate. Costs added to the loan increase the balance on which interest is charged.

PMI / mortgage insurance

PMI means private mortgage insurance. It protects the lender if the loan is not repaid and is different from homeowners insurance. Whether it applies, its cost and its cancellation rules depend on the loan. A $0 PMI line means no monthly premium is included in this estimate.