



Loan Estimates: How to compare and get the best deal

Loan estimates are standard forms lenders use to tell you the cost of a mortgage loan. They also happen to be great tools to compare costs across lenders. The trick is you need to know what to look for.

We’ve prepared this guide to help you on this front, explaining what costs vary by lender, what costs vary based on your choice of other service providers, and what costs don’t vary at all. Armed with this information we hope you will be able to choose the lender who offers you the best overall value.

| Closing Cost Details | |
|---|--|
| Loan Costs | Other Costs |
| A. Origination Charges \$1,802 | E. Taxes and Other Government Fees \$85 |
| 25 % of Loan Amount (Points) \$405 | Recording Fees and Other Taxes \$85 |
| Application Fee \$0 | Transfer Taxes |
| Processing Fee \$0 | F. Prepays \$867 |
| Underwriting Fee \$0 | Homeowner's Insurance Premium (6 months) \$605 |
| | Mortgage Insurance Premium (months) \$262 |
| | Prepaid Interest (\$17.44 per day for 15 days @ 3.875%) \$262 |
| | Property Taxes (months) |
| B. Services You Cannot Shop For \$672 | G. Initial Escrow Payment at Closing \$413 |
| Appraisal Fee \$405 | Homeowner's Insurance \$100.83 per month for 2 mo. \$202 |
| Credit Report Fee \$30 | Mortgage Insurance per month for mo. \$211 |
| Flood Determination Fee \$20 | Property Taxes \$105.30 per month for 2 mo. \$211 |
| Flood Monitoring Fee \$32 | |
| Tax Monitoring Fee \$75 | H. Other \$1,017 |
| Tax Status Research Fee \$110 | Title – Owner's Title Policy (optional) \$1,017 |
| C. Services You Can Shop For \$3,198 | I. TOTAL OTHER COSTS (E + F + G + H) \$2,382 |
| Pest Inspection Fee \$135 | J. TOTAL CLOSING COSTS \$8,054 |
| Survey Fee \$65 | D + I \$8,054 |
| Title – Insurance Binder \$700 | Lender Credits |
| Title – Lender's Title Policy \$535 | |
| Title – Settlement Agent Fee \$502 | Calculating Cash to Close |
| Title – Title Search \$1,261 | Total Closing Costs (J) \$8,054 |
| D. TOTAL LOAN COSTS (A + B + C) \$5,672 | Closing Costs Financed (Paid from your Loan Amount) \$0 |
| | Down Payment/Funds from Borrower \$18,000 |
| | Deposit – \$10,000 |
| | Funds for Borrower \$0 |
| | Seller Credits \$0 |
| | Adjustments and Other Credits \$0 |
| | Estimated Cash to Close \$16,054 |

LOAN ESTIMATE

PAGE 2 OF 3 • LOAN ID # 123456789

Page 2

See next two pages for definitions.

Lending costs you can compare across lenders

Application fee
Processing fee
Underwriting fee

T “Junk fees” that Tomo never charges

- Rate
- Appraisal
- Points or Lender credits
- Attorney review fees
- Tax service
- Flood certification
- Condo questionnaire
- Credit report fee
- Final inspection charge

Non-lending costs that are in your control, not your lender’s

- Homeowner’s insurance
- Flood insurance
- Title insurance
- Survey
- Pest inspection

Non-lending costs imposed by government agencies, etc.

- Property taxes
- Recording fees
- Transfer taxes
- Tax stamp fees
- HOA fees
- County fee

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Lending costs you can compare across lenders

These costs vary by lender, and you should compare them. Your rate will drive your monthly payments over the course of the loan (this is recurring), and the flat fees will drive the amount of cash you need to bring to closing (this is one-time).

T “Junk fees” that Tomo never charges

At Tomo, we do not charge application, processing or underwriting fees. No lender needs to charge these fees, and you should push back if you ever see them on a loan estimate.

| | | | |
|--------------------------|-------------------------|-----------------------------|----------------------|
| Some lenders charge you: | Application fee | Submit an application | Tomo does not charge |
| | Processing fee | Process your application | |
| | Underwriting fee | Underwrite your application | |

| | | | |
|---|--|--|---|
| Rate ► Pg 1 | The interest rate you will be charged for borrowing. | Credit report fee ► Pg 2, Sec B | Credit agencies charge a fee to pull your credit report. This fee will vary by lender because they work with different credit agencies. |
| Points ► Pg 2, Sec A | Most lenders offer the option to make a one-time fee for “points” to reduce the recurring rate on your loan. | Flood certification ► Pg 2, Sec B | Flood insurance is required for properties that are in a Flood Zone. |
| Lender credits ► Pg 2, Sec J | Most lenders also offer the option to receive “credits” in exchange for a higher rate on your loan. Credits are essentially the reverse of points. | Attorney review fees ► Pg 2, Sec B | Many states require that attorneys prepare the closing documents, and this is the fee for their service. |
| Appraisal fee ► Pg 2, Sec B | Most mortgages require an independent appraisal to ensure that the home is worth what you are paying for it. | Tax service fee ► Pg 2, Sec B | This fee covers the monitoring of your property’s tax bill to ensure that it is paid in a timely fashion. |
| Condo questionnaire ► Pg 2, Sec B | Condo questionnaires help lenders assess whether the association meets minimum requirements for your mortgage loan product. | Final inspection ► Pg 2, Sec C | A final inspection is an inspection usually performed by an appraiser to certify that the house is fully constructed or that all repairs have been completed as required. |

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Non-lending costs that are in your control, not your lender's

Lenders estimate what you will spend on these required third-party services, but it's up to you to find and select a service provider. These costs are completely in your control, and you should never pick a lender based on their estimates of these fees.

Homeowner's insurance

Lenders require home insurance to be paid a year in advance to ensure your home is covered in the event that something happens and repairs are needed. (Sec F) If you elect to escrow homeowner's insurance, your lender will establish an escrow account for the future collection of payments. (Sec G) ▶ Pg 2, Sec F & G

Flood insurance

If the property is in a Flood Zone, lenders require the first year be paid in advance. (Sec F) If the property is in a flood zone, the lender will require an escrow account for the future collection of flood premiums. (Sec G) ▶ Pg 2, Sec F & G

Title insurance

Title insurance protects homebuyers and lenders from loss or damage due to liens, encumbrances, or defects in property title. ▶ Pg 2, Sec C & H

Survey

A survey, which shows the boundaries of the property and any easements, is usually required to close on a mortgage. The seller may already have one or may be willing to acquire one. ▶ Pg 2, Sec C

Pest inspection

A pest inspection searches for bugs, rodents, and other creatures that can cause damage to the structure of your property. ▶ Pg 2, Sec C

Non-lending costs imposed by government agencies, etc.

These fees are assessed by various government agencies or by the homeowner's association if applicable. They will not vary by lender, although they may vary by property. You won't need to compare these estimates across lenders, as the fees you pay will ultimately be the same.

Property taxes

Property Taxes are generally levied by state and local municipalities and used to fund school districts, community amenities, and other local expenses and projects. Taxes that are due at the time of closing will be collected. (Sec F) If you elect to escrow taxes, your lender will establish an escrow account for the future collection of payments. (Sec G) ▶ Pg 2, Sec F & G

Recording fees

Municipalities charge a recording fee to register purchase and sale of a piece of real estate and make it a matter of public record. ▶ Pg 2, Sec E

Transfer taxes

Transfer taxes are levied by states, counties, and/or municipalities when property changes hands. ▶ Pg 2, Sec E

Tax stamp fees

Municipalities may also tax the documents used to record the transaction with tax stamp fees. ▶ Pg 2, Sec B

HOA fees

If the property is part of a Homeowners Association (HOA), the HOA may charge fees for the transfer of the property. ▶ Pg 2, Sec H