

What is a Good Faith Estimate?

By ALEX MASON | Green Shoot Media

Buying a piece of property comes with a mountain of paperwork.

However, all these documents are intended to get all the facts at your fingertips and keep you safe in case any court action should arise.

One of the most important papers comes from your lender in the form of the Good Faith Estimate. Also known as the GFE, this document must clearly itemize every bit of financial information between the client and the lender.

Preparation and presentation of the Good Faith Estimate is a mandatory document required by the Real Estate Settlement Procedures Act, also known as RESPA.

The purpose of the document is to ensure that the buyer understands and agrees with all costs and fees when buying a home.

LENDER AND SETTLEMENT FEES

One portion of the fees go to the lender's office, and the balance are costs and fees associated with the closing to include the legal and real estate support teams.

When a buyer has applied for a loan, the loan broker must provide the Good Faith Estimate within three days. It is critical that the buyer understand the Good Faith Estimate and is made aware of the due dates when payments are concerned.

There is no such thing as a question too small or insignificant. When you are called in to review your Good Faith Estimate, be sure you have some guaranteed quality time with your loan officer to mull over the paperwork and fire away with the questions.

If any detail emerges that you do not agree with, a formal written change may be made, or you will have to walk away from the deal.



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The costs associated with a home loan can add up to a shocking amount. It's a good idea to take a close look at the charges outlined in the good faith estimate.

The Good Faith Estimate is legally binding in court, so once it is signed by the client, there is no turning back. Because the document is an estimate, the law allows for a margin of 10 percent difference when estimating the costs and fees.

To make the best deal and allow for some wiggle room, you may opt to get several Good Faith Estimates before doing business with a lender.

WHAT'S INCLUDED?

The main body of The Good Faith Estimate sheet will be in the

form of a list. Many of the fees will be meager in comparison to the closing costs, which may fluctuate depending on the deal. The two sources of the costs will come from origination fees and the closing or escrow fees.

The Good Faith Estimate has all the bases covered, from a few dollars for a notary service to the loan broker's origination fees. Some of the other costs on the closing end include title search, attorney's fees, taxes and transfers, title insurance, recording and pest control services.

The originator fees include every cost incurred by the loan broker to include, but not limited to, credit reports, document drafting, application fees, wire transfer services, appraisals, processing and more.

The main concern for most home buyers is the assurance that they have enough money to seal the deal. The Good Faith Estimate is your friend to itemize and lock in the total purchase price for your property.

Home buyers may wish to have their buyer's real estate agent look

REAL ESTATE 101

Adding Up the Costs

The Good Faith Estimate is an important document. It lists fees for services related to closing your mortgage, including the following:

- Title-related costs, such as title search and insurance;
- Loan origination fees, credit report fees, application fees and appraisal costs; and
- Escrow company charges, document recording fees and transfer taxes

over the collection of estimates and explain the process before buying a home.

One factor to be wary of is the loan broker's cut on the deal. Though their loan expertise is valuable, the client need not pay top dollar for lending services. If the price is too high, walk away. If the price is too low, you may not be getting a first-rate lending service.

The best way to get in touch with a dependable lender is to ask your real estate professional for a recommendation of loan brokers they know and trust. Then use the Good Faith Estimates to shop for the best deal in your situation.



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HOMESWISE GLOSSARY

HUD1 statement: also known as the "settlement sheet," or "closing statement" it itemizes all closing costs; must be given to the borrower at or before closing. Items that appear on the statement include real estate commissions, loan fees, points and escrow amounts.

Document recording: after closing on a loan, certain documents are filed and made public record. Discharges for the prior mortgage holder are filed first. Then the deed is filed with the new owner's and mortgage company's names.

SOURCE: U.S. Department of Housing and Urban Development

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