

## THE AMOUNT NEEDED FOR MY CLOSING IS DIFFERENT FROM MY LOAN ESTIMATE (A/K/A LE) WHY?

Before closing, your lender or mortgage broker should have presented you with a Loan Estimate of closing costs. This represents the lender's best guess as to what your costs will be when you get to closing. Unfortunately, it is at best only an estimate and should be treated as such.

Loan Estimates are notoriously inaccurate in a number of areas: in the proration of taxes and assessments, which change daily; in the interim interest charge, which also changes daily because when the good faith estimate is given to you, there is no way to know the exact day of the closing; the amount of initial escrow account contributions will vary; and in the inclusion or exclusion of owner's title insurance. Chances are if your loan estimate differs from your actual costs, the discrepancy will be in one or more of these items. You will be required to place funds into escrow with your lender for the following items: 1) interest from the date of closing until the first day of the following month (your first payment will usually be the first of the following month, e.g., an example is, if you close on June 15, your prepaid interest will be for the number of days until July 1. Your first payment to the lender will generally then be due on August 1. 2) Property taxes are escrowed with your lender so that when the taxes are due on January 1st of the following year so that there will be enough funds available to pay the tax collector; the closer to the end of the calendar year that you close, the amount that you prepay into escrow will be higher; You receive credit pro-rated for the time that the seller has owned the home prior to the closing date. This will be shown on the Closing Disclosure, 3) Homeowner's insurance (fire, windstorm, extended coverage, etc.) is usually 2-3 months of the annual premium. You are required to pay the first year of your homeowner's insurance at the closing or bring a paid receipt from your insurance carrier to closing. The homeowner's insurance that you escrow each month will be used to pay the premium 12 months later for the following year; 4) Mortgage insurance premium: If your loan is for more than 80% of the value of your home, you will be required to pay a lump sum MIP payment at closing plus pay into escrow usually 2-3 months premium then an amount determined by your lender in your monthly payment.

Your monthly payment to your lender will consist of principal and interest on your loan; escrow for taxes, homeowner's insurance and mortgage insurance premium. Chances are excellent that your

lender will sell your loan to another bank, so don't be surprised if you get a letter in a few months from your lender that future payments should be sent to another company. This is absolutely normal. If you have a question when you receive this letter, you should call your loan originator.

Some home purchasers qualify for a **Mississippi Home Corporation loan or grant** to pay up to 3% of the 3.5% down payment that is required on a FHA loan. If this money is a loan, you will be required to repay with interest over a pre-arranged number of months. MHC requires that this monthly payment be drafted from your bank account. If your loan includes a loan from MHC, be sure to bring a personal check to closing that can be marked 'void' and given to MHC along with an authorization form so that they can draft your account each month. This is the only way that MHC will make the down payment loan to a borrower. If the MHC money is a 'grant', you will be required to repay a portion of the grant should you sell the home before a pre-arranged date. This repayment also applies to a grant from MHP, a City of Jackson program.

This is not to imply that the Loan Estimate is worthless: it should accurately reflect all of the lender and broker costs you incur at closing.