

WORD FROM WASHINGTON



HUD's Homebuyer Bill Of Rights: Ask These Questions Before Getting A Mortgage Loan

(NAPS)—There's nothing more exciting than finding your dream house. With interest rates low, there are more opportunities than ever to buy a home, but also more risks. Knowing the right questions to ask can save you dozens of headaches—and tens of thousands of dollars.

That's a lesson Erick Barbosa and Rosana Canechia learned the hard way. Hoping to buy a new home, Erick and Rosana went to a mortgage broker for help. They assumed the broker was working for them. In reality, the broker was working for himself. Instead of shopping for the lowest rate, he was working for the highest fee. By not asking the right questions, Erick and Rosana would have paid an extra \$18,000 over the life of their loan.

"If you wait until you're at the closing table to ask questions, it's too late," said Andrew Cuomo, Secretary of Housing and Urban Development. "As a homebuyer, if you choose to use a broker, it's your right to know from day one who your broker is working for, who he's being paid by, and how his fee is affecting your loan. If you have any doubts, ask them to put it in writing. If your broker refuses, buyer beware—what you don't know can cost you."

Mortgage brokers are the new face at the closing table. Ten years ago, there was no such thing as a mortgage broker. Most Americans went directly to a bank. Today, bro-

THINK OF THIS AS THE HOMEBUYER BILL OF RIGHTS.

AS A HOMEBUYER:

- You have the **RIGHT** to shop for the best loan for you and compare the charges of different mortgage brokers or lenders.
- You have the **RIGHT** to be informed about the total cost of your loan including the interest rate, points and other fees.
- You have the **RIGHT** to ask for a good faith estimate of all loan and settlement charges before you agree to the loan and pay any fees.
- You have the **RIGHT** to know what fees are not refundable if you decide to cancel the loan agreement.
- You have the **RIGHT** to know how much the mortgage broker is getting paid by you and the lender for your loan.
- You have the **RIGHT** to ask questions about charges and loan terms that you do not understand.
- You have the **RIGHT** to a credit decision that is not based on your race, color, religion, national origin, sex, marital status, age, or whether an income is from public assistance.
- You have the **RIGHT** to know the reason if your loan was turned down.
- You have the **RIGHT** to ask for the HUD settlement costs booklet, "Buying Your Home."



kers handle nearly half of all mortgage loans made in America. Why? Because mortgage brokers provide a great service—they can help you find the best rate available, and work with you to figure out the best payment plan. Last year, mortgage brokers helped three million Americans gain their share of the

American Dream.

At the same time, many mortgage brokers take fees from banks, which get buried in the fine print at the closing table. As Erick Barbosa and Rosana Canechia know, even small mortgage fees can cost you thousands. For example, on a loan of \$130,000, one half-point increase in the mortgage rate to 7.5 percent from 7 percent, could cost an extra \$15,871 over the life of a typical loan. A jump to eight percent would cost more than \$32,000 extra.

Recently, HUD proposed an "honest lending contract" to take the mystery out of homebuying and protect consumers. Under the new rules, the consumer will have a clear contract laying out all the facts out front—the mortgage rate, the fee, and who is paying whom. It will clearly explain whether your broker is working for you—or himself.

But Cuomo also makes clear: "The best way to protect yourself is to do your own research. If you're looking for a mortgage, we urge you: shop around. Know the facts. And know your rights."

"Buying a home is probably the biggest investment most people will make in their lifetime," said Cuomo. "Don't rely on other people to do the job for you."

For more information, homebuyers can call 1-800-217-6970, or visit HUD's web site at http://www/hud.gov/fha.res/respa_ht.html.