



ANTIGUA CAPITAL FUNDING

BORROWER COPY

UNDERSTANDING THE GOOD FAITH ESTIMATE Purchase transactions

When you receive your initial Good Faith Estimate (GFE) it is important to understand a few things about this document that are sometimes confusing. One very important point to realize is that all of the figures are the best estimates available to us at the time your GFE is prepared. We take great care to make sure you are aware of the costs associated with this transaction, so that you do not have any surprises throughout the process. Some of the figures on the GFE will change from the beginning to the end of the transaction. The changes in the GFE may be due to adjustments in the interest rate (if you have not locked your interest rate), changes in the lender (depending on when you choose to lock in your rate), and changes of the closing date. While these things can change your loan amount, interest rate, and monthly payment some, they should not greatly alter your costs. If you have any questions that are not answered by the following information, do not hesitate to contact your loan officer for further explanation.

1. **What are my costs for this loan?** – Your cost to complete the loan transaction are the items that you are required to pay in connection with the loan that are not prepaid interest, taxes or insurance. These items are totaled at the bottom left of the GFE form under Est. Closing Costs.
2. **How do I compare different lenders costs?** – The different closing costs are listed on the Good Faith Estimate under different sections or line numbers. The items listed in **Section 800** are items charged by the lender to obtain the loan (including appraisal and credit report costs). This section, in conjunction with the interest rate, should be the section you should be most concerned with comparing. The items in Sections 900-1300 are typically estimates of taxes, insurance, and title fees that will not vary from lender to lender.
3. **Should I choose the lender with the lowest rate or lowest cost?** – That is a question you should discuss with your loan officer. Depending upon how long you anticipate living in your home, your answer will vary. When comparing lenders, though, you should have your Good Faith Estimates prepared with the same assumptions so that you are comparing apples to apples (i.e. illustrate all of the GFE's with an origination fee at the lowest rate possible).
4. **What are the TOTAL ESTIMATED SETTLEMENT CHARGES?** – This line totals the estimated closing costs as well as prepaid items and reserves for your escrow account. Some of the items that appear on your GFE are prepaid items for taxes, insurance, interest or mortgage insurance. You will be paying a monthly amount for these items along with your Principal and Interest payment, but you must prepay a couple of months to establish the reserves necessary for your escrow/impound account.
5. **What is the interest charge that is listed under ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE?** – The prepaid interest is an estimate (usually 15 days) of the interest from the date of the loan funding to the end of the current month. With mortgage loans, your interest is paid in arrears. Your payment on the first of the month pays for the interest that accrued the previous month. When you close on your home purchase, your first payment will be due on the first day of the second month following the loan closing. Interest for the remainder of the month you close in is collected up front, and the interest for the following month is paid with your first payment (i.e. loan funds on January 15, first payment due on March 1, and interest for January 16-31 due at closing).