



TEXAS DEPARTMENT OF SAVINGS & MORTGAGE LENDING

Douglas B. Foster
Commissioner

NOTICE FROM THE COMMISSIONER Do's and Don'ts for Consumers Applying for a Mortgage Loan

Before applying for a loan

DOs

VERIFY: Check our website to ascertain whether the lending company or broker/loan officer are legitimately authorized to do business in Texas. Check out the company and each principal before you do business with them. You may also call us at (512) 475-1350 for clarification.

Go to the mortgage broker's/loan officer's offices to further assure they are legitimate. Look for their displayed license(s) in their office(s) from the State of Texas.

Ask for and be certain to call or visit in person, references. Record and retain their name, phone numbers and addresses and try to cross verify this information in the phone book or other sources. If they are not legitimate, and there are problems later, the authorities will want to pursue the culprits AND their accomplices.

SHOP AROUND: Get a written estimate of the total cost to you for securing the loan (Good Faith Estimate of Costs) and shop with other brokers, mortgage bankers or sources for mortgage loans.

The department encourages you to make sure that you are getting the best possible terms. To do so, we suggest engaging in face to face comparison shopping and consider checking the internet for a general idea of nationally prevailing terms for some of the more common mortgage loan products.

The particular rates and terms available are changing all of the time, in response to changes in financial markets. The particular rates and terms for which you will qualify will depend on a number of factors including, but not limited to, the particular loan product you choose, where the property is located, and your own creditworthiness.

Neither this agency nor the State of Texas endorses any particular provider, but you may identify and locate a mortgage banker or mortgage broker in your area licensed or registered to do business in the State of Texas by this department by using our [search engine](#).



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GET EDUCATED: If this is the first time you've applied for a home loan, it is highly recommended to take a "First Time Homeowner" education course available in many areas in Texas. The information is invaluable and could save you substantial dollars, time and peace of mind.

DON'Ts

RESPOND to any ads offering loans too good to be true. Watch for "bait and switch" tactics.

Applying for a loan

DOs

EXPLAIN fully your transaction to the broker/LO/banker. Make certain he/she knows what you intend to do/want in every sense of the transaction.

ANSWER all questions on the application fully and with accurate detail. Do not allow the broker/LO/banker to influence your answers. They are there to answer any questions and provide general guidance, not to complete your application. If they make any suggestions as to prompting or urging you to approximate, round up/down, generalize, falsify, misstate, etc. in order to secure a loan for you, report them immediately to us and/or legal authorities and cease doing business with them.

READ AND UNDERSTAND: Without fail, carefully read the Settlement Cost Booklet you will be provided when you apply for the loan. Ask questions of your broker, loan officer or mortgage banker about any element of the loan process, take and retain notes about any conversations you have and pay particular attention to the total cost/fees for securing your loan.

RETAIN: Keep a complete copy of all documents you are asked to sign and are given by the broker, loan officer or mortgage banker.

DON'Ts

PRE-PAY any fee for any service without "closely" reading/acknowledging/fully understanding disclosure document(s) regarding the treatment of those/that fee(s). Make certain that the broker/banker/loan officer also acknowledges the same document(s). You may want to remind the broker/loan officer/banker, if asked to pay up-front fees that you are aware they cannot charge you for more than the actual cost of third party charges (i.e. credit report charge and appraisal fee). You may ask to see the actual invoices those third parties billed the broker/loan officer/banker for work on your behalf.

MAKE PAYMENT, regardless of the circumstances, to the broker/banker for down payment(s). This is only collected at the final closing by a bona fide closing agent/attorney.



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Closing a transaction

DOs

REVIEW: Compare the final settlement costs statement (HUD-1 to be provided to you at least 24 hours prior to closing for your review) to the estimates you initially received on the “Good Faith Estimate” (GFE) when you first applied for the loan or the last agreed to modification, if it has changed since you applied. Look for added costs or fees you had not been advised of in advance and demand satisfactory explanations before proceeding to close the loan.

READ all documents you are asked to sign. You have the right, and are urged, to consult with an attorney, your accountant or certified financial advisor or anyone of your choice with whom you are comfortable to advise you. **YOU NEED TO UNDERSTAND WHAT YOU ARE SIGNING.**

DON'Ts

ALLOW ANY LAST MINUTE FEES to be assessed (particularly at or just before closing) without having comfort and a clear understanding as to a specific reason for them and what they represent/are. Do not accept the excuse of: “..That’s just the cost if you want the loan.” Unfortunately, this is a fairly common practice at closing when it is considered by many, “too late to back out”. It’s NEVER too late!

ALLOW TO BE PRESSURED for any reason over any issue. Be comfortable at all times.

Report suspicious activity

DO

REPORT if you notice any suspicious, unethical, or illegal activity related to a mortgage loan transaction, you feel pressured in any way, or you are asked to sign documents without a chance to review them or ask questions and receive satisfactory answers, [contact the Texas Department of Savings and Mortgage Lending](http://www.sml.state.tx.us).

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