

THE TRUTH ABOUT LOAN QUOTES

.....
*Find Out How to
Cut Through The Bull*



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Cut Through the Bull

When you're looking to buy a home or refinance your current mortgage, it's easy to feel overwhelmed. Ads are literally everywhere but how do you cut to the chase and find the very best offer?

One of the most important things you can do when buying or refinancing is to sit down **and look at the real numbers**. The lowest interest rate doesn't always get you the best deal. Let's cut through the bull and get to the bottom of what you should look for when you get a mortgage and how you can avoid hidden fees.

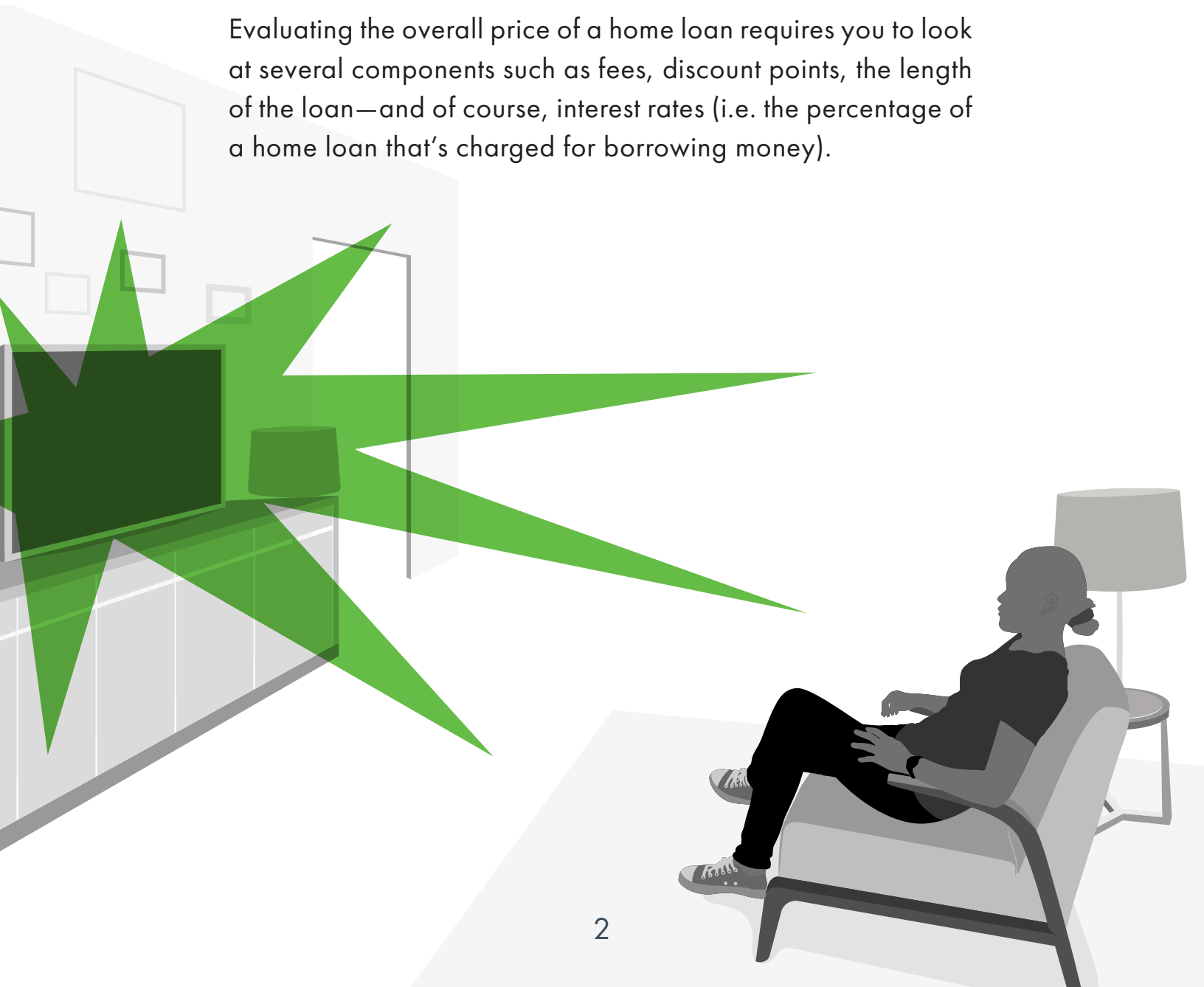


"THE LOWEST INTEREST RATE DOESN'T
ALWAYS GET YOU THE BEST DEAL."

Don't Be Fooled by Slick Advertising

We all know it's easy to be fooled by low "teaser" rates that are advertised on TV and online. **Comparing the total cost of loans is one of the smartest thing you can do. You'll increase your chances of getting the best loan terms for your situation and find a loan that helps you buy a house affordably.**

Evaluating the overall price of a home loan requires you to look at several components such as fees, discount points, the length of the loan—and of course, interest rates (i.e. the percentage of a home loan that's charged for borrowing money).



A mortgage company cannot simply advertise one fixed mortgage rate because there's no single set rate—only a range. There are far too many factors that will influence your rate. Usually when you see a teaser rate, it's based on general assumptions that:

Your credit score is a certain number

Your loan will be of a specific amount

Your loan-to-value ratio is a certain percentage

It's nearly impossible that your situation will match up with the advertisement. Credit scores, loan amounts, and loan-to-value ratios are different for every person.



HOW TO FIND THE **LOAN-TO-VALUE**

Loan Balance
\$300,000

÷

House Value
\$375,000

=

80%

Why the Lowest Interest Rate Is Not Always the Best Rate

We all know that interest rates change over time. Too many uninformed home buyers only rate shop thinking a low rate is everything—which is why it's so easy to be mesmerized by a rate too good to be true. **Believe it or not, there are times when you will pay more with a lower rate.** To understand how this happens, let's start with how an interest rate is determined in the first place.

The Top 6 factors that can impact your interest rate:

- 1 Home price and loan amount:**
Your home price minus your down payment will determine how much you'll borrow which helps decide how much the interest rate will be.
- 2 Down payment:**
Generally, a higher percentage down payment equals a lower interest rate. The more money you put down, the more stake you have in the house.
- 3 Loan term:**
Shorter terms (like a 15-year or a 20-year) generally have lower interest rates than a 30-year term.

- 4 Interest rate type:** Interest rates come in two basic types: fixed and adjustable. Fixed rates do not change over time. Adjustable rates have an initial fixed period then fluctuate based on the market.
- 5 Loan type:** Different categories of loans (conventional, fixed-rate, FHA, etc.) have different rates.
- 6 Credit score:** Primarily based on credit report information sourced from credit bureaus. Typically, this is called your FICO score and is determined by your credit history.

So, if the flashiest ad with the lowest interest rate isn't your best option, what is? **Let's cut through the bull: it's the home loan that saves you the most money** once you factor in fees, closing costs, and loan terms.

QUICK TIP

Every lender will charge fees for processing your mortgage, loan origination, and typically an appraisal on the house you want to buy. The key here is to work with someone who doesn't hide fees. Complete transparency throughout the home loan process is essential.



Protect Yourself from Hidden Fees

By now, you probably understand that while interest rates are important, they're not everything when it comes to home loans. You also need to take a close look at the annual percentage rate (APR).

While interest rates and annual percentage rates are related, they are not the same. However, you will see both listed for mortgages.

THE INTEREST RATE is the interest you will pay on your home loan.

THE APR is the interest rate PLUS other fees and costs associated with buying a home, so this is what you'll end up paying on top of the principal (or the amount you borrowed for your mortgage).

REMINDER

Fall in love with the numbers before you fall in love with the house.



APR can be confusing, so let's break down what the APR on a fixed-rate mortgage typically includes:

INTEREST RATE

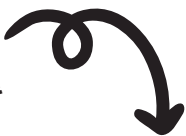
The cost you'll pay each year to borrow the money for your home loan. Typically, the lower the interest rate percentage, the more you'll save over the life of your loan (which is a good thing, of course). Many homeowners choose to "lock" their interest rates 30-90 days before closing on their home loan to avoid potentially rising rates.



HOW TO LOCK A RATE:

Churchill offers a 30-day lock program and the 90-day Rate Secured program (which caps your rate for 90 days and gives you the option to reduce your rate if rates go down).

HIDDEN
FEE
ALERT!



ORIGINATION FEES

Origination fees (also known as commitment fees) are charges you will pay for a lender to process your loan. They are not upfront fees – they're paid on closing day. One lender may quote you a lower interest rate to frame the loan to be more appealing...however, that same lender may also be charging higher origination fees to compensate for that lower rate.



QUICK TIP:

When comparing quotes from different lenders, the best thing to do is to look at Section A of your Loan Estimate to really understand what each lender is charging.

HIDDEN
FEE
ALERT!



DISCOUNT POINTS

These are also called mortgage points. It is a charge that you may incur based on the interest rate and/or the terms of your loan, credit score, etc. Oftentimes, this is how you get a lower rate.

1 DISCOUNT POINT



1% TOTAL HOME LOAN AMOUNT

The charge for discount points may differ between loan programs and lenders. You can pay mortgage points and not get any reduction on your interest rate so you really need to pay attention to the fine details to understand why a specific rate may have discount points and other rates may not.



RULE OF THUMB:

The more discount points included in your mortgage rate, the lower your rate quote will be because you are paying more money upfront.

OTHER COSTS

When you're buying a house or refinancing your mortgage, closing costs are part of the contract. The average home buyer pays about 2-5% of the loan amount in closing fees. So, what's included in closing costs? Usually you'll have a variety of fees such as: your application fee, attorney's fees, administrative or processing fees, insurance fees, property taxes, and expenses from the title company.

Keep in mind, by law, the APR must be disclosed in any loan agreement, and on all advertising for loans that specify an interest rate. If you see an advertisement that lists a super low interest rate, with no APR in sight, it's probably best to steer clear.



HELPFUL TIP:

The APR doesn't change the amount you borrow but it's important to note that the better the APR, the lower your monthly payment will be.

Quick Loan Estimate Explainer

Now that you know where lenders can hide fees to offset those crazy low interest rates, **it's important to understand the breakdown of a Loan Estimate in order to find the hidden fees.** This helps make sense of what loan scenario is best for your unique situation.

At Churchill, we set you up for success. Yes, we provide virtually every home loan option on the market, but we also offer **100% transparency on any fees, best-in-class analytics, and up-front cost comparisons.** This is an essential part of comparing loans and looking at multiple Loan Estimates to ensure you're making the best decision for your short and long-term financial goals.

Take notice of these sections on your Loan Estimate so you don't get stuck with hidden fees:

Interest rate

Projected monthly payment
(with principal and interest)

Estimated taxes, homeowner's insurance, and assessments
(escrow payments)

Estimated mortgage insurance

Expected closing costs
(including the down payment)

Any special features
(points, etc.)

Pay attention to the section that shows you how much money you'll pay over the life of the loan. This information is designed to help you to better compare lenders. For example, one lender might give you a very low rate so you think it's a great deal, but there are additional costs which makes it more expensive over the life of the loan.

FUN FACT

A Loan Estimate is a document created by the Consumer Financial Protection Bureau (CFPB) to help you compare the costs associated with different mortgage loans. Prior to 2015, this was called the "Good Faith Estimate" form.

Choose a Team You Can Trust

With all the factors that can shift your interest rate up or down, the trick is to make sure you understand what works for your situation and what your options are. It's vital to work with a team who focuses on giving you the most benefits over time and can explain outcomes to you in a way you can understand it. The goal here is not to just get any home loan, **you want a mortgage that benefits you.**

When working with a Home Loan Specialist at Churchill Mortgage, you can look at your financial goals together and make a Homeownership Strategy Plan that's specific to you and your current situation. You can always re-evaluate your strategy if anything changes in your life.

HAVING A STRATEGY PLAN ALLOWS YOU TO SEE:

- **Tailored loan options**
 - **Multiple loan scenario comparisons**
 - **Clear breakdown of costs, interest rates, and monthly payments**
 - **The benefits of every loan option**
 - **The fastest path to becoming a mortgage-free homeowner**

Get a Loan that Benefits You

When you have a loan that gives you more, you're able to sleep at night knowing you've made the best financial decision for your situation.

MORE POWER

Have **more negotiating power** by becoming a Churchill Certified Home Buyer (the highest form of a pre-approval).

Compete with cash offers and close faster by being pre-underwritten.

Secure your rate for 90 days, with the **option to go lower if rates drop**.

Get **complete transparency** throughout your home buying process with a Homeownership Strategy Plan.

Find extra cost reductions and time-saving strategies when refinancing your current mortgage.

Learn ways to **build wealth** (faster!) over time through homeownership.

MORE CLARITY

Close on your loan with no delays, and oftentimes, within 14 days.

Monitor home sales in your area (on a monthly basis).

Rest assured knowing **an expert Home Loan Specialist is there for you**, every step of the way.

MORE PEACE

The Truth About Loan Quotes

It all comes down to the fact that buying a house or refinancing your current mortgage is a big deal, but it doesn't have to be complicated.

It's important to know how to cut through the bull of misleading mortgage ads that are trying to sell you on teaser interest rates and canned mortgage options.

If you'd like to talk with a Home Loan Specialist who can steer you in the right direction instead of worrying about their monthly sales quota, we have you covered. We're proud to say that Churchill is built upon providing responsible advice to help you save money with no gimmicks and full transparency.

**Yes, it's really
THAT simple.**



"I'M GRATEFUL TO HAVE HAD THE CHURCHILL TEAM ON MY SIDE. THEIR WISDOM, EDUCATION AND ADVICE MEANT A LOT TO ME."

- Brenda A., TX



CHURCHILL MORTGAGE®

NEED MORE INFORMATION?

Reach out to your local Home Loan Specialist

888.562.6200

churchillmortgage.com



* Loan balance, house value, and loan-to-value ratio are intended as examples only. Your actual loan balance, house value, and LTV ratio will be personalized to you. Your precise loan terms will depend upon the specifics of your loan transaction at closing and appraisal of your home. Please consult with financial, tax, and legal advisers for any advice relating to your personal circumstances.

Rate Secured is not available on government high balance, construction to permanent, or investment property home loans.

The Sold Home Alert® and Home Scouting Report® are free online home finding services provided directly to prospective homebuyers by Home Buyers Marketing II, Inc., a licensed real estate services company.

The certification is subject to the financial status and credit report(s) of everyone on the application remaining substantially the same until closing, an acceptable contract of sale on a suitable property, collateral (things like the appraisal, title, survey, condition, and insurance) satisfies the requirements of the Lender and loan selected is still available in the market. All closing conditions of Lender must be satisfied including the clear transfer of the title, acceptable and adequate title and hazard insurance, flood certification, and any inspections that are required by the real estate contract. The Churchill Certified Home Buyer is not a commitment to lend funds and is not an approval, but it is a conditional approval subject to your acceptance of the terms and the conditions being fully satisfied prior to closing. All conditions are subject to final underwriting and final investor approval.

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