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OFFERPREP GUIDE · PAGE BY PAGE

How to Read a Loan Estimate

A page-by-page walkthrough of the federal Loan Estimate form: what each section means and what to check before you choose a lender.

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A Loan Estimate is a standard three-page form every lender must use for most mortgages. Because the form is the same everywhere, you can lay offers from different lenders side by side. This guide walks through it page by page, telling you what each part means and what to check.

01 Before You Start

When you get it

Within three business days after you give a lender six pieces of information: your name, income, Social Security number, the property address, an estimate of its value, and the loan amount.

What it is not

It isn't an approval or a binding offer, even if your rate is locked. You aren't committed to the lender until you sign final loan documents.

Fees so far

Before you get a Loan Estimate, the only fee a lender may charge is a small credit report fee.

02 Page 1: The Loan at a Glance

Section	What to check
Top of page	Your name spelled correctly; loan term, purpose, product (fixed or adjustable), and loan type (conventional, FHA, VA, etc.). **Rate lock:** is the rate locked, and until when? The date your estimated closing costs expire is also shown here.
Loan Terms	Loan amount, interest rate, and monthly principal & interest. Each line also answers "Can this amount increase after closing?" Check for a **prepayment penalty** or **balloon payment**; the CFPB calls both risky features worth asking about.
Projected Payments	Principal & interest, mortgage insurance, and estimated escrow, which add up to your estimated total monthly payment. Note which taxes, insurance, and assessments are escrowed and which you'll pay yourself.
Costs at Closing	Estimated closing costs and estimated cash to close: the money you'll need to bring, after your deposit and any seller credits.

Purchase check

For a purchase, your loan amount plus your down payment should equal the sale price. If it doesn't, ask the lender why.

03 Page 2: Closing Cost Details

Section	What it is	How to use it
A. Origination Charges	The lender's own fees (application, underwriting, processing) plus any points	Compare totals across lenders. It's the total that matters.
B. Services You Cannot Shop For	Third-party services the lender requires and chooses, such as the appraisal and credit report. FHA, VA, or USDA program fees and any upfront mortgage insurance often appear here.	Compare totals across lenders.
C. Services You Can Shop For	Required services you may choose your own provider for, such as title services or a survey	Use the lender's provider list or shop on your own.
D. Total Loan Costs	A + B + C	A quick total to compare.
E. Taxes and Other Government Fees	Recording fees and transfer taxes	Set by government, not the lender.

F. Prepaids	Homeowners insurance premium, prepaid interest, and sometimes property taxes paid ahead	Shop your insurance; insurers set premiums.
G. Initial Escrow Payment at Closing	The starting balance for your escrow account	Check that tax and insurance estimates look realistic.
H. Other	Items such as HOA fees, an owner's title policy, or a home warranty	Often tied to the purchase, not the loan.
I. Total Other Costs	E + F + G + H	
J. Total Closing Costs	D + I, minus **Lender Credits**	A lender credit usually means a higher rate. Did you ask for it?

Calculating Cash to Close (bottom of page 2) starts with total closing costs, then adds your down payment and subtracts your deposit and seller credits. If it isn't what you expected, ask why. Adjustable-rate loans also show two extra tables here, explaining how the rate and payment can change.

04 Page 3: Comparisons and Other Considerations

Additional Information About This Loan	The lender's and loan officer's names and contact information. If it's not the loan officer you've been working with, ask why.
Comparisons: In 5 Years	What you'd pay in principal, interest, mortgage insurance, and loan costs over five years, and how much principal you'd pay off.
Comparisons: APR	Your costs over the loan term, expressed as a rate. It's broader than the interest rate because it reflects points and fees. Be careful comparing a fixed loan's APR with an adjustable one's.
Comparisons: TIP	Total Interest Percentage: total interest over the full term as a percentage of the loan amount. It assumes you keep the loan for the full term.
Other Considerations	Appraisal (you have a right to a copy), whether the loan can be assumed by a future buyer, homeowners insurance requirements, late payment terms, refinancing, and whether the lender plans to service the loan or transfer it.

> **Use page 3 together with page 2**
>
> APR and TIP cover the full loan term. A loan with a low APR or TIP can still have high upfront costs, so also check "In 5 Years" against how long you expect to keep the loan.

05 Red Flags on a Loan Estimate

- A loan type, term, or amount you didn't ask for
- A prepayment penalty or balloon payment nobody explained
- Points or lender credits you didn't discuss
- Errors in your name or the property address. Even small typos can matter.
- A request for fees beyond a credit report fee before you received the Loan Estimate

06 Checklist

- ☐ Name, property address, and loan details are correct
- ☐ Rate lock status and expiration noted
- ☐ No unexpected prepayment penalty or balloon
- ☐ Escrowed vs. non-escrowed items understood
- ☐ Section A compared across lenders
- ☐ Section C providers reviewed or shopped
- ☐ Points and lender credits confirmed
- ☐ "In 5 Years," APR, and TIP compared

07 FAQ

Can the numbers change before closing?

Yes. Estimates can change, especially if your rate isn't locked or your application changes. You'll get a Closing Disclosure at least three business days before closing to compare against your last Loan Estimate.

Why do some lenders list more fees in Section A than others?

Lenders itemize differently. Compare the total of Section A, not the number of lines.

Who can help me review it?

The CFPB suggests a HUD-certified housing counselor if you'd like independent help.

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When you're ready, compare Loan Estimates from two or three licensed lenders you choose. You can check any lender's license at nmlsconsumeraccess.org. A HUD-approved housing counselor is a free, no-sales option.

Based on CFPB resources: the Loan Estimate Explainer, "Request and review multiple Loan Estimates," Ask CFPB guidance on APR, TIP, and rate locks, and the CFPB model Loan Estimate form (H-24). Forms and lender practices can vary. This guide is for informational purposes only and is not financial advice. Consult a licensed professional.

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