

October 18, 2013

What is a “Lender Credit?”

A **Lender credit** is *paid to the Borrower* at time of closing on the HUD-1/Closing statement as a Credit when the Lender does charge any “Origination Fees” in Box A of the standardized Good Faith Estimate (GFE).

The actual credit will offset 3rd party fees such as Title Fees, and Admin. Fees. Any remaining credit is then applied toward the Borrower’s property tax and insurance escrow!

Lender Credits can be paid on Conventional Loans, but perhaps are most often seen with the financing of FHA, VA & RD Financing. These Lender credits are based on such things as: Loan type, Loan Amount, credit score, etc. Many times these **Lender Credits** can be in excess of:



\$1,000

\$2,000

\$3,000

\$4,000, and even

\$5,000



And are credited to offset all 3rd party costs & tax and insurance escrow for the borrower. Many times, these **Lender credits** can *everything* a Borrower would incur at closing while still allowing them to finance at a fixed interest rate comparable to other programs. **Lender credits** can help keep the Sales price lower for some Buyers and can essentially cause upfront finance charges to be “negative in nature.”

Many people have taken advantage of the “**Lender Credit**” program with us on FHA, VA, RD and even Conventional Loans! If you are unfamiliar with how the program works, **please feel free to ask me!**

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