

HOW TO ... Choose a mortgage lender

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Deciding on the right mortgage lender is a time-consuming, but extremely important task that can wind up saving you thousands of dollars — if you shop around.

The first step is an Internet search on a Web site such as www.bankrate.com for the best mortgage deals in your neighborhood. But be careful, many of these rates are “teaser rates” that are designed to get you in the door. They still give you a ballpark range of what brokers will offer you.

Remember, unless the rate you get is in writing for a Good Faith Estimate from the lender, it's not valid. Even then, estimates are valid for only a short period of time before they change. As strange as it seems, 30-year mortgage rates are tied to the movement in the 10-year U.S. Treasury Bond and are subject to change as rapidly as bond yields and prices fluctuate.

You might think because you have an offer in writing, the lender should honor it. Unfortunately, most will change your rate by the next business day, if not sooner. If you see a rate you like, be ready to pounce.

Shopping around on the Internet can be advantageous. Get quotes from several lenders and brokers using the Web site www.loanweb.com.

Go with the broker you believe is the most reliable and offers the lowest rate. Another good comparison site is www.mortgageexpo.com

While these sites give you great comparisons, the buyer should beware, because some brokers and lenders are far more scrupulous than others. If something looks too good to be true, it probably is.

Also, be certain you can trust the person you are giving information to. You don't want to deal with a fly-by-night operation offering an outrageously low rate that disappears with all of your personal information from your social security number to your bank account and credit card numbers.

The next question to tackle is whether you want to deal directly with a lender or hire a broker to shop for you. Many real estate agents will recommend brokers they deal with regularly.

New homebuilders often will try to push you to their own in-house mortgage company by offering you discounts on closing costs. While it makes sense to get a quote, you owe it to yourself to get at least three quotes from different lenders. You'll be amazed at the differences in rates and closing costs from one lender to the next.

When a lender gives you a quote, negotiate and question any fees you see. Some can be waived, others you will have to accept. For example, origination fees often are negotiable. But documentation stamps to record the deed are legitimate



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Get several quotes from lenders and brokers when shopping for a home mortgage. Be wary of deals that look too good to be true and anything else that looks shady.

FIVE THINGS YOU SHOULD KNOW

1. Shop the Internet for the best rates.
2. Be wary of brokers who give you lowball rates and have high-pressure sales practices.
3. Question and negotiate all points, fees and charges. Some charges are fixed, but others are worth battling.
4. Learn the lock-terms, closing costs, type of loan and all other pertinent information by asking questions.
5. Decide whether you want to deal directly with a lender or hire a broker to shop for you.

costs of buying a home and a mortgage.

If you are buying a new home, purchasing a resale or refinancing your mortgage, you can expect plenty of paperwork. Lenders will want documentation of your earnings such as a W-2, car loan, copies of your credit report, tax return, 401(k) plans, bank accounts, stock holdings, bond ownership and IRAs.

Make sure each document has every page, or you can expect the underwriter to ask for more information, which could delay your closing or even prevent it. Ask pertinent questions regarding:

• Lending and closing costs

What are the points, closing costs and

fees that are attached to the mortgage?

What fees can be waived? What paperwork documentation will you need to get approved and close the loan? How long does it take for mortgages to be approved and process through the underwriting department? How much money do you need to put down? How much money do you need to bring to closing?

• Lock-down and float-down rates

How long can you lock down a rate? Will it cost you any money to lock down the interest rate? Is there a float-down on the interest rate should mortgage rates drop between now and closing?

• Type of loan and monthly payments

Is this a fixed or adjustable loan? If this is an adjustable loan, how much can the bank increase the interest rate on you loan annually and for the life of the loan? What is the best rate offered for this type of loan? Can you pay your loan off early? What bank is the lender for your mortgage? What will your total monthly payment be? Will your taxes and insurance be escrowed? Can you waive Primary Mortgage Insurance?

• Miscellaneous questions

How long has the lender been in business? How many loans has the lender closed this year? How many loans did the lender close last year? How does the bank recommended for the loan compensate you? What happens if you find a lower rate from another lender? Can the lender recommend a home inspector or surveyor? What happens if you lose my job before closing?

While it might seem arduous, the money you save when you move into your home is worth the investigation and effort. By saving even \$100 a month in payments on a 30-year mortgage, you are shaving \$36,000 in out-of-pocket expenses off the life of your loan — not to mention the money you will save in interest charges and interest earned on that money.