



# How do I

## secure the right mortgage?

**F**inding the right mortgage is as critical as finding the right home. Thus, the type and terms of your mortgage are as important as the real estate investment itself. Here are some tips on how to make the right decisions:

**Tip 1:** Shop for an experienced loan officer (advisor) — not just for an interest rate. A financial transaction of this size is far too important and complex to trust just anyone. Beware of self help Web sites claiming they have the lowest rates. Talk to people you know who have bought or refinanced a home recently. Were they pleased with the service they received? Your real estate agent can also provide you with lender recommendations.

**Tip 2:** Take time to meet the advisor you're considering. Spend 30 minutes asking them questions. What is their experience? What are their lender specific fees? Why should you use them? Ask for references. After the meeting, do you feel the person understands your unique circumstances and desires? Remember, it's as much about the

company as it is the advisor. How long has the company been operating? Do they have a good reputation? Again, ask your real estate agent.

**Tip 3:** Be candid about your financing objectives. A good advisor will ask several questions about your personal situation (i.e. how long do you plan to own the home?). More detailed information such as investment and savings goals, income structure, and debt obligations are among the many other factors that will help determine which loan type is right for you. If the advisor does not ask these detailed questions prior to making a recommendation, you may be working with the wrong person.

**Tip 4:** If it seems too good to be true — it probably is. Mortgage money and interest rates all come from the same places, and if something sounds really unbelievable, you might ask a few more questions to find the hook. Is there a prepayment penalty? Are there extra fees to get a lower interest rate? What is the length of the lock-in? If fees are discounted, is it built into a higher interest rate?

**Tip 5:** With mortgages, you get what you pay for. If you are looking for the cheapest deal out there, understand that you are placing a hugely important process into the hands of the lowest bidder. Best case: expect very little advice, experience and personal service. Worst case: you might not close at all. All too often, you don't know until it's too late that the cheapest isn't best. The stories of last minute surprise changes on interest rate or costs are often due to working with discount lenders.

**Tip 6:** Make correct comparisons. When looking at estimates, don't simply look at the bottom line. You must compare lender fees to lender fees, as these are the only ones that the lender controls. Although lenders are responsible for quoting fees such as title and escrow, they are not controlled by the lender. And since they are third-party fees, they are often under-quoted up front by a lender to make their bottom line appear lower.

**Tip 7:** Understand that interest rates and closings costs go hand in hand. You can have any interest rate

that you want — but you may pay more in closing costs if the rate is lower than the norm. On the other hand, you may pay reduced fees or even no fees at all — but understand that this usually comes at the expense of a higher interest rate. A professional advisor will be able to offer the best advice in terms of the balance between interest rate and closing costs that are optimized for your personal goals.

**Tip 8:** Know that interest rates can fluctuate daily. If you have two lenders that you can't decide between and want a quote from each, you must get the quotes on the same day with the same terms or it will not be an accurate comparison. You also must know the length of the lock being quoted, since longer rate locks typically have slightly higher rates.

*Provided by Jeff Bell, mortgage banker with Homestone Mortgage, the largest privately held mortgage banker in the Pacific Northwest and the preferred lender for more than \$1 billion in new construction inventory. Learn more at [www.homestone.com](http://www.homestone.com).*