



March 25, 2010

## First-Timer's Guide To Mortgage Shopping

*by Broderick Perkins*

It's not everyday you go looking for a mortgage.

It's not a trip to the mall.

It's a methodical, step-by-step process requiring planning, time, effort and attention to details.

Here are some guidelines for beginners, especially first-time home buyers -- assuming you've already laid the groundwork by inspecting your credit report.

- Inspecting your credit report and getting it in the best shape possible is your first step to the best mortgage. In today's tight money world it behooves you to take the time necessary to carefully scrutinize your credit report and credit score to be prepared to explain to creditors any dings you can't fix.
- Shop around for a mortgage from a variety of sources to determine what's available. Shop mortgage brokers, mortgage lenders, banks and credit unions. Don't forget to examine your local and state mortgage programs as well as community service and housing agency mortgages and mortgage assistance programs.
- Obtain all loan cost information, not just the monthly mortgage payment and annual percentage rate (APR). Check the cost of points (in dollar amounts, not just number of points), broker fees, origination fees, underwriting fees, administrative costs, mortgage insurance, yield spread premiums, commissions, escrow and closing costs -- each and every cost associated with your mortgage. You need these numbers to make a fair comparison.
- Get an explanation for every fee you don't understand. Use the Federal Deposit Insurance Corporation's (FDIC) "Mortgage Shopping Worksheet" to help keep your costs in check.
- Check the loan terms for a variety of loans. Know what down payment you'll need, the term of the loan, whether the loan is a fixed rate mortgage (FRM) or an adjustable rate mortgage (ARM) and the specific terms of each. For ARMs, ask for the beginning rate, when and how often adjustments occur, how much adjustments could cost, and the ARM's ceiling rate.
- Be aggressive. Prepare to negotiate with the information you've gathered on the mortgage worksheet. The more information you have about each loan the more negotiating leverage you'll have. A pristine credit record can also give you an edge. Look particularly to quibble over points, yield spread premiums and other broker's fees or commissions. Don't be afraid to ask the lender or broker to waive or reduce one or more of its fees or to agree to a lower rate or fewer points. Make sure the lender or broker isn't just lowering one fee to raise another or lowering the rate to raise points. There's also no harm in asking lenders or brokers if they can give better terms than the original ones they quoted to

you, especially if you've found better terms elsewhere.

- Once you are satisfied with the terms you have negotiated, consider a written lock-in from the lender or broker. The lock-in should include the rate that you have agreed upon, the period the lock-in lasts, the number of points to be paid and a lock on as many other costs and terms as possible.
- Also seek a written loan commitment that guarantees you the terms and costs you've locked. A loan commitment puts you ahead of the pack in the eyes of the home seller who wants to sell quickly.

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