

Getting the Best Mortgage

Shopping around makes sense when deciding on a lender.

There are obvious benefits when home buyers take advantage of a well-established relationship with a bank or broker. They'll have ready knowledge of your financial history, and familiarity with you as a client. But as with buying the home itself, it might be in your best interest to shop around. Competition among banks, including the institution you're already using, can work in your favor financially.

COMPARE AND CONTRAST

Lenders are required to give you a loan estimate within three days of your application. That's meant to give you a baseline before the process becomes more document intensive. Once these estimates are in hand, you can begin to compare and contrast the offers.

There's a lot to digest in these complicated financial agreements, including rates, terms and rules. So give yourself plenty of time to look everything over before coming to a decision. You could save hundreds, perhaps thousands of dollars.



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REAL ESTATE 101

Facts About Freddie and Fannie

Freddie Mac and Fannie Mae are government-sponsored privately owned operations whose goal is to expand mortgage availability. They do this by purchasing mortgages, then selling them in groups to private investors on the open market as a mortgage-backed security.

WHAT TO LOOK FOR

Always begin by examining the interest rate, according to the Consumer Financial

Protection Bureau. (If you have an adjustable-rate mortgage, focus on the highest

possible rate.) Examine your total costs, including the principal, interest, monthly mort-

gage-insurance payments, escrowed property taxes, any HOA dues and homeowners insurance.

There are often hidden details in places like lender credits, too. The estimate should include a five-year analysis of cost, since on average people pay a mortgage for about that long before refinancing or selling the property. Pay close attention to how much of the principal you will have paid down by then. Compare the annual percentage rates, which include interest and fees.

RELATIONSHIP PRICING

Lenders will sometimes provide their customers with something dubbed "relationship pricing." They may offer discounted rates to those with long-standing or multiple accounts, such as savings and checking, credit cards or other loans, and money-market accounts.

You may save as much as half a percentage point through these discounts, a figure that doesn't sound like much but actually translates into a lot of money over the life of your loan.

Start by discussing relationship pricing with your current bank, and then compare the estimate with others available elsewhere.



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HOMEWISSE GLOSSARY

FHA Futures: Down payment assistance for a loan where the buyer can borrow up to 6% of the loan amount to be used towards closing costs and down payment. **SOURCE:** MLS.com

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