

Get a Mortgage Education

When it comes to mortgages, the more you know, the more you could save.

A government agency focused on helping consumers understand the financial products they buy and use has highlighted some ways for consumers to better understand mortgage products and potentially save some money.

SHOP AROUND

In 2016, researchers from the Consumer Financial Protection Bureau set out to determine whether shopping around for a mortgage puts consumers at an advantage. The answers: a resounding yes.

The study of prospective homebuyers found that “encouraged shopping — the additional shopping prompted by encouraging borrowers to shop” not only increases consumers’ knowledge of the mortgage market and their self-confidence in their ability to deal with mortgage-related issues, but it also might reduce the cost of those mortgages.

The Bureau noted that more than 30 percent of borrowers it surveyed said they didn’t shop around for the best deal, and 75 percent said they only submitted an application to one lender. “Previous Bureau research suggests that failing to comparison shop for a mortgage



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REAL ESTATE 101

Dig Into Your Mortgage Statement

If you’re already a homeowner and would like help understanding your mortgage statement, the Consumer Financial Protection Bureau can help. Visit <https://bit.ly/2zGTUxe> for a line-by-line breakdown of the items on a typical mortgage statement, including contact information for the mortgage servicer, rates and fees, due dates and past due payments. Staying on top of your mortgage statement can help keep you informed about any changes, such as a rate change on an adjustable-rate mortgage, a change in your monthly escrow amount or payments that might not have been credited to your account.

costs the average homebuyer approximately \$300 per year and many thousands of dollars over the life of the loan,” the CFPB said in its summary of the research.

The CFPB recommends

getting loan estimates from at least three different lenders and comparing them for the best deal.

BE IN THE KNOW

The Bureau also studied

consumers’ knowledge of mortgages in general, concluding that consumers were most familiar with basic mortgage concepts, such as how making extra payments can affect the costs of a loan,

but were less knowledgeable about more complex issues, such as discount points or the difference between interest rates and APR, according to the CFPB.

There are many choices to be made when buying a home, including learning your mortgage options, comparing loan offers, getting loan estimates, and shopping for closing services. Given that consumers clearly are better off having a basic education about mortgages, the best place to start when you’re shopping for a mortgage is to educate yourself about the process.

The Bureau recommends borrowers to look beyond their lender and real estate agent for mortgage-related information, to sources such as websites, financial or housing counselors, or friends and relatives.

Visit consumerfinance.gov/owning-a-home to access the Bureau’s tools and resources for consumers in the market for a mortgage. The site provides checklists, calculators and explanations of various types of mortgages.

For consumers who are confused about where to even begin, there’s a road map of the entire home buying process, which begins with checking one’s credit and ends with a successful mortgage closing.



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The Bureau noted that more than 30 percent of borrowers it surveyed said they didn’t shop around for the best deal, and 75 percent said they only submitted an application to one lender. “Previous Bureau research suggests that failing to comparison shop for a mortgage costs the average homebuyer approximately \$300 per year and many thousands of dollars over the life of the loan,” the CFPB said in its summary of the research.

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HOMEWISE GLOSSARY

Housing expense ratio: The percentage of your gross monthly income that goes toward paying for your housing expenses.

SOURCE: Federal Trade Commission

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