6 Things You Should Know...
About Home Loans

REFI-HELPERS

1. AVOID LENDER FEES!

It almost never makes sense to pay lender fees, even if you are able to "roll them into your loan". It's really painful to see people paying origination and 'junk fees' with cash (on a purchase) or loss of equity by 'rolling them in' (on a refinance). There are usually better options and these type fees don't benefit anyone but the bank. Ask for a fee worksheet BEFORE you commit to anything. If you see fees like "origination fee" or "underwriting fee" that are paid to the lender, ask why and keep shopping.

2. KNOW YOUR SCORE FIRST

With knowledge comes options. Credit scores help determine risk and risk determine loan terms. Someone with perfect credit can expect better loan options than borrowers with imperfections, but those imperfections won't necessarily keep you from getting a loan. Often a few simple tweeks is all it takes to make a huge impact on your score. Know your score and what is affecting it. Experienced mortgage pros know how to help you present your best financial picture.

3. KNOW YOUR INCOME

Calculating income is what separates the mortgage pros from call center jockeys. For example, if you made more money this month than the month before, don't assume your recent windfall is the basis for your income for a new loan. It's the job of your mortgage pro to paint your financial picture in the best light possible. Mistakes with income calculations are the #1 reason that transactions fail at the last minute. Be prepared to provide your income information before you make an offer.

4. THE LOAN TERM

Unless you are a great saver of money with ability to make profitable investments, you should consider getting the shortest loan term you can afford. The rates are better on a 15 year loan versus a 30 year. Generally speaking, the balance on a 15 year loan is roughly 18% lower after 5 years than the balance on a 30 year loan after the same 5 years. That's a $36,000 lower loan balance. (Based on a $200,000 loan amount)

5. PAYING POINTS

Paying points is basically pre-paying interest that would normally be paid over the life of the loan. It takes a very long time to recoup the cost of points. You should only consider paying them if you can fully commit to staying in the home for 7 years or more AND you earn less on your investments then the rate you pay on your mortgage. I normally discourage paying points because you can't predict the future.

6. DO BUSINESS LOCALLY

There is a ton of value to doing business locally. Not only do you support local businesses, local mortgage pros know more about your real estate market than the person in a call center 2,000 miles away. Talk to a local pro with experience and a good reputation. Accountability means everything in this business.

THE BOTTOM LINE

Like many financial transactions, home loans are complex and require due diligence. Speak with a local, reputable lender for personalized solutions. They will help you make the important decisions that are right for your specific goals.