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Back to Basics Part III– Getting a Great Home Mortgage

You've seen the mortgage news headlines – “Foreclosures on the Rise,” “Mortgage Rates Jump Up,” “Credit Dries Up for Home Buyers,” “Dozens of Mortgage Lenders Shut Their Doors.” All of this drama can make getting a mortgage loan in today's market seem very scary, if not impossible. Fortunately, the truth is that there are plenty of stable lenders and loans out there. If you are considering buying a home in the near future, you would be wise to first educate yourself about the mortgage basics in order to maneuver into a great loan in a not-so-great market.

The first two parts of this article series concentrated on credit scores and down payments. Now it is time to consider the type of mortgage lender you want to work with.

Broker or Lender?

When it comes to getting a mortgage you can go either straight to the source of the funding or you can go through a middleman to do the work for you. While it may sound like a clear cut decision, there are plenty of good reasons for each choice.

Mortgage lenders are typically the large national mortgage chains that you have heard of. Many simply specialize in making home loans, but plenty of others will have other banking divisions as well. While they generally have several loan options to choose from, most mortgage lenders do not actually hold on to your mortgage once you've signed the contracts. The majority of mortgages are bundles together with others and sold on the secondary market to investors.

The benefits of working with a lender include not have to pay a middleman. Of course some lenders do not actually want you to come to them; they only make loans through brokers. But there are plenty of lenders that will work directly with you. This does mean, however, that you will have to do all the shopping around among lenders yourself, but you should probably do that with brokers as well.

In the current mortgage market, using a mortgage lender is best if you have good credit and a sizeable down payment, otherwise it might be more fruitful to go through a skilled broker.

Mortgage brokers are in the business of matching up consumer needs with wholesale lenders' offerings. While you might pay for their services in the form of a higher interest rate or more points on your loan, they can also help you find the most cost-effective mortgage because they work with several different wholesale lenders. That means they have information about all sorts of loan programs at their fingertips, providing you with more options than if you went to any single lender. This is particularly nice if you have less-than-perfect credit. Brokers probably know better than you where to look for food rates and terms on subprime loans.

Brokers are also great if you want someone to do the work for you of finding the best price on a loan. It's not entirely a good idea however, to put your trust completely in the broker; they work on commission and want to make money on your loan. If you decide to go with a broker, you



should ask for quotes among several different brokers in order to make them compete for your business.