



## Comparing Loans by Different Mortgage Companies - Part II

The first part of this article explored the first four basic steps in efficiently and effectively comparing home loan quotes. The first was to choose one loan program to compare among lenders, not a different program with each. The second piece of advice was to get a rate lock from all the lenders for the same amount of time. Thirdly, you should get all your quotes on the same day to ensure fair competition. The fourth step was to find out the interest rates available on the different quotes. Now read about the last three important parts of comparing loans with several mortgage companies.

### 5. Get Quotes on Loans with similar terms.

Every lender will require certain qualifications with their home loans. Make sure you get quotes on similar terms for the loan you are comparing. For example, find out if and how much mortgage insurance you will have to pay on the loan. You should also check the maximum loan-to-value ratio allowed as well as the amount or percentage of a down payment you will be required to pay. With your several rate quotes you should also see if you can get similar prepayment penalty policies (especially if that means similar “no-prepayment policies!”) Having like terms will make the loans easier to compare.

### 6. Get the Low Down on the Hidden Costs.

Often mortgage companies will advertise their “rock bottom rates” or something to that effect. The rate bait hooks you and you are reeled in before you realize that those interest rates come in exchange for some hefty lender’s fees and points. Don’t be fooled by these kinds of enticements. When you see a certain interest rate, before you start chomping at the bit, remember that lower rates almost always mean more points or fees.

**Points** - Points are somewhat like a down payment in that they require you to contribute money at the beginning of the loan to decrease the lender’s risk. A point is equal to one percent of the total loan amount. So on a \$200,000 home loan, one point would be \$2000. Most lenders will have a point and interest combination schedule, allowing you to choose how many points you want to pay based on the interest rate you are willing to pay, or vice versa. For example, on a 30-year fixed loan a lender may offer you a 6% interest rate with 0.625 in points, or you could choose a lower interest rate like 5.5% but have to pay 2.375 in points up front.

**Fees** - There are also plenty of fees that can be tacked on to a mortgage loan. Every loan includes closing costs, meaning fees you pay when the loan closes. These could include things like lawyers’ fees, appraisal costs, title and escrow fees, processing charges, underwriting fees, as well as the lender’s personal fees. You might also find lenders who will include the cost of pulling your credit report, tax services fees, application fees, wire transfer fees, private mortgage insurance and so on. The list could go on and on. Some of these are simply part of the loan process and some are extras added in by certain lenders. Make sure you know exactly which fees each lender is going to charge you and how much they will be.

### 7. Do the Math.

After you have carefully collected all the information from several mortgage companies, it is time to find out which one offers you the best loan. Choose a reasonable interest rate and compare the amount of points required from each lender for that rate. Then add to the points



the total amount of fees each lender will charge. The loan with the smallest total combination of fees and points will prove to be the most profitable deal for you.

If this all sounds like a lot of work, don't worry! There are plenty of internet search engines that can do the work for you, even get you online mortgage quotes with all the required specifications for a home loan in just a few minutes. Whether you use the online method or the more conventional telephone technique, following the helpful steps above will score you the biggest return on your effort and the best loan for all your hard work.