



## Tips for Getting a Great Interest Rate

When it comes to getting a new home mortgage loan, everyone wants to get the best interest rate. Unfortunately many home buyers are unaware of the key steps for negotiating that great rate. The following are some tips and considerations that might score you the lowest-priced loan possible.

### Shop Around

The bargain shopper's first rule of savings is to shop around. You will never know if you are getting the best rate until you get quotes from several different lenders and compare their rates and fees. In the mortgage world, it is best to compare the APR or annual percentage rate on the loan, rather than simply comparing the interest rates. The APR includes the costs of the interest rate plus closing costs, points, and other fees, giving you the most accurate picture of the true price of the mortgage.

### Pick the Right Loan

If your main goal is to save yourself in interest costs, you may consider a wide variety of loans with lower rates. Fixed rate loans with 15 or 20 year terms will provide interest rates that are 0.25 to 0.35 percent lower than the traditional 30-year mortgage rates. The catch here is that your monthly mortgage payments will be larger though.

You could also try going with an adjustable rate mortgage, especially if you plan to move within a few years. These loans offer interest rates approximately 1.0 percent lower than the 30-year fixed rate, at least for the first year. The key is to determine just how long you plan to stay in your house to see if the lowered interest rate will be worth it.

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### Make a Larger Down Payment

Making a larger down payment is a sign to lenders of your seriousness about the loan. Lenders have actually found that the larger the down payment, the less likely a borrower is to default on the home loan. With greater security, lenders are often willing to offer a better rate. Sometimes the addition of a few thousand dollars may mean a quarter-point difference in your mortgage rate. Ask your lender about the various rates offered with different down payment amounts.

### Monitor and Improve Your Credit

Your credit score is probably the biggest determining factor in your mortgage interest rate. It is essential therefore, to monitor your credit report, keep it accurate, and take steps to improve any blemishes. For example, resolve right now to make all of your credit payments on time. Your history of timely payments is the weightiest segment of your credit score. You should also look at your debt compared with your available credit. Do what you can to lower the balances on your cards so that you are not carrying more than about 30% of your credit limit on your cards at any time.



Finally, if you are applying for a home loan soon, do not apply for new lines of credit or close old accounts. New lines will likely lower score, as it makes it look like you are desperate for credit. Closing old accounts may lower your score by making your credit history appear shorter than it was. Avoid the temptation to make big purchases right before applying for a mortgage as well; this could increase your debt-to credit-available ratio and bring your score down.