

Common Mistakes to Avoid When Obtaining a Home Loan!

You are about to make what is most likely the largest purchase of your life: your home. Unfortunately most home buyers do not take time to research the importance of a home mortgage. Researching the process takes little time compared to the tens of thousands of dollars it could save you.

- **Find a reputable lender** – This is the most important choice you can make when starting the mortgage process. If you don't trust your lender, you are in for a long and stressful home-buying experience.
- **Pricing** – Don't be lured into a mortgage company strictly by promises of low rates. Make sure there is enough time to close your loan at the low rate you have been quoted. Make sure you lock-in your rate so it can not adjust.
- **Programs** – As you start the process you will find there are many more loan programs than you expected. Make sure your lender shows you the best program to fit YOUR specific needs.
- **Fixed or Adjustable Rate Mortgage (ARM)** – Conventional thinking is that fixed is always better and while this is sometimes true, it is not always the case. The key is to ask, "How long am I going to live in the property?" An ARM can actually be a better choice if you are going to be in your new home a short period of time. The rule of thumb is the longer you plan on staying in your home, the better a fixed rate mortgage will suit your needs.
- **Negotiate problems prior to closing** – It's common for a problem to arise before closing. Waiting until closing will rarely be in your best interest. For instance, if the seller has agreed to make a repair do not wait to closing to check to see if the repair has been made. Taking care of problems prior to closing benefits both parties.
- **Be prepared for closing costs** – In addition to the down payment, you be required to pay fees and other closing costs at the time of closing. Your lender must provide you with a "Good Faith Estimate" which will provide you with a breakdown of all costs so you will know what to expect at closing.
- **Close at the end of the month** – When making a mortgage payment, you will be paying interest that has accrued from the previous month. At closing however, your lender will charge you prepaid interest for the date the loan is recorded through the end of the month. Therefore,

one way to lower your closing cost is to close at the end of the month. This will lower the amount of prepaid interest you must pay.

- **Look out for hidden fees** – Check for certain miscellaneous fees such as inspection, notary, and document preparation. These fees can total hundreds of dollars in closing costs. Never be afraid to ask for explanations of fees you are being charged.

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