

## [Shop, Compare and Negotiate: Securing the Best Mortgage or Home Loan](#)

Shopping for the best home loan or mortgage will help ensure the best financial deal. A mortgage - whether a home purchase, a refinancing, or home equity loan - is a product, just like a vehicle, so the price and terms may be negotiable. According to the Federal Reserve Board, consumers should compare all the costs involved in obtaining a mortgage. Doing so may help save thousands of dollars during the life of a loan.

To begin, consumers should look into all loan options. For example, home loans are available from different types of lenders - thrift institutions, commercial banks, mortgage companies, and credit unions. These lenders may quote different prices, so it's important to contact several lenders to ensure the most competitive price. Home loans are also available through mortgage brokers. Brokers arrange transactions rather than lending money directly; in other words, they find a lender for the buyer. Brokers generally contact several lenders regarding an application, but they are not obligated to find the best deal unless they have been contracted to act as the agent. Consumers might consider contracting more than one broker, just as one might do with banks or thrift institutions.

Sometimes it's not easy to differentiate between lenders or brokers. For instance, some financial institutions may act as both lenders and brokers. So be sure to ask whether a broker is involved as they are usually paid a fee for their services that may be separate from, and in addition to, the lender's origination or other fees. A broker's compensation may come in the form of points paid at closing or as an add-on to the interest rate, or both. Borrowers should always be prepared to negotiate with brokers and lenders.

Before beginning negotiations, it's important to know how much of a down payment one can afford and to determine all the costs involved in the loan. Knowing just the amount of the monthly payment or the interest rate is not enough. Borrowers should keep their comparisons consistent by securing different lender quotes for the same loan amounts, loan terms, and type of loans.

Well-informed borrowers may choose to engage these types of questions and considerations when meeting with each lender and broker:

1. Ask each lender and broker for a list of its current mortgage interest rate and whether the rates being quoted are the lowest for that day or week.
2. Ask whether the rate is fixed or adjustable. Typically, when rates for an adjustable-rate loan go up, so does the monthly payment.
3. If the rate is quoted for an adjustable-rate loan, ask how the rate and loan payment will vary, including whether the loan payment will be reduced when rates go down.
4. Inquire about the loan's annual percentage rate (APR). The APR takes into account not only the interest rate but also points, broker fees, and certain other credit charges one may be required to pay, expressed as a yearly rate.

Home loans usually involve a variety of fees, including loan origination or underwriting fees, broker fees, transaction, settlement, and closing costs. A lender or broker should supply an estimate of its fees, as many are negotiable. In some cases, the money needed to pay the fees can be borrowed, but this will increase the total costs and loan amount.

Once a borrower knows what lenders have to offer, it's time to negotiate the best deal possible. On any given day, lenders and brokers may offer different prices for the same loan terms to different consumers - even if those consumers have the same loan qualifications. Loan officers and brokers are often allowed to keep some of all of the difference as extra compensation. It's imperative the lender or broker write down all the costs associated with the loan. Then, the borrower may ask if the lender or broker will waive or reduce one or more of its fees or agree to a lower rate or fewer points. One caution is ensuring the lender or broker isn't agreeing to lowering one fee while raising another.

After a negotiation and an agreement on terms, a borrower may obtain a written lock-in from the lender or broker. The lock-in should include the agreed upon rate, the period the lock-in lasts, and the number of points to be paid, as there may be a fee for locking in the loan rate. Lock-ins protect consumers from rate increases while the loan is being processed. If rates fall, however, one may end up with a less favorable rate.

The newspaper and Internet are good places to start shopping for a loan. Information on both interest rates and points for several lenders can usually be found. Since rates and points can change daily, it may be wise to check the newspaper often when shopping for a home loan. The newspaper does not list the fees, so that is something to ask lenders about. Above all, borrowers should not be afraid to make lenders and brokers compete with each other by letting them know that the best deal is being shopped.

### About the Author

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