

Tips for Home Buyers

6 Questions to Ask Your Mortgage Professional

It's easy to get overwhelmed at the sight of the numbers and paperwork involved in financing a home. However, your long-term fiscal success hinges on being aware and informed about a few key mortgage facts. Here are 6 questions every smart buyer (or refi-er) should ask their mortgage professional before they borrow:



1. Ask: Are you a bank, a broker, or both?

Why:

To Find Your Real Home Value

Working with a mortgage brokerage that is (or has) a bank could be a deal-saving move because they have more control over their appraisal process. When it comes down to appraisals the ability to designate a local appraiser that understand the neighborhood matters, especially if the property is in an area that hasn't had many recent sales or is otherwise challenging to appraise.

Lower Downpayments and Easier Approvals

Some broker/banks that originate loans and sell them straight to Fannie Mae or Freddie Mac offer the same benefits of an FHA loan – a low down payment and moderate qualification guidelines - without the restrictive “overlays” imposed by some larger banks. For example, FHA guidelines don't impose a minimum credit score, but many banks overlay their own 640 minimum FICO requirement. Broker/banks that

sell straight to Fannie and Freddie often mirror the FHA minimum guidelines precisely.

A “Just in Case” Lending Net

Brokerages with their own in-house bank and a large roster of lenders and programs provide the advantage of offering a wider range of fallback options for financing than plain old banks or plain old brokerages - Plans A, B, C and D. It's increasingly common that buyers first choice bank or loan program doesn't work out, but with combination bank/brokerages, those buyers have a lot more options to help get the deal done.



2. Ask: Will you explain my Good Faith Estimate to me?

Why: The current, national standard Good Faith Estimate (GFE) clarifies all sorts of deal points, from the broker's commissions to the costs associated with the loan. However, as a point of customer service, you should ask your mortgage professional to explain it to you in order to be safe.

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3. Ask: May I have a fee sheet or estimate of funds to close?

Why: The one shortfall of the latest edition of the GFE is, while it clearly shows the costs associated with a particular loan scenario, it does not always show so clearly the actual amount of funds you'll need to close the transaction (which might be more or less than those costs)! Ask your mortgage representative to prepare a fee sheet or an estimate of funds to close as early in the transaction as possible.



5. Ask: Are there any fees for the loan application/approval process?

Why: Some lenders charge for credit checks up front, and most require that you pay for your appraisal before you find and get into contract on your property. You need to know upfront how much cash you'll need to get the loan approval ball rolling.



6. Ask: How long have you been originating loans with this company?

Why: When it comes to mortgage professionals, experience pays. Those who have been around for a long time have advance knowledge of troubleshooting, workarounds and backup plans. In addition, they know the current underwriting practices to get a loan closed in this restrictive mortgage market.



4. Ask: How long will it take to close?

Why: The time it takes to close a mortgage, and consequently a home, can vary widely depending on the loan type, lender, and other factors. When you first meet with your prospective mortgage pro, talk with them about these issues so they can help you understand and insert realistic time frames into your offer. This will help ensure you don't lose your future home because a piece of the process took longer than you expected.

Finding the right financing and professional can take a lot of the hassle out of the mortgage and closing process. Ask these questions to be sure you're making the right lending decision. Remember today's loan can affect your budget for the next 30 years to come.