

How do you know you're working with a Professional?

Make sure you are working with an experienced, professional loan officer. The purchase or refinance of a residential property is possibly the largest financial transaction of your life. It is too important to place into the hands of someone who is not capable of advising you properly and trouble shooting the issues that may arise along the way. But how can you tell?

Here are five simple questions a Professional Lender absolutely must know the answer to. If they do not know the answers you may want to continue looking for a lender you can trust.

- 1) **What are mortgage interest rates based on?** *The only correct answer is Mortgage Backed Securities or Mortgage Bonds, NOT the 10-year Treasury Note. While the 10-year T-Bill sometimes trends in the same direction as Mortgage Bonds, it is not unusual to see them move in opposite directions. DO NOT work with a lender who has their eyes on the wrong indices.*
- 2) **What is the next Economic Report or event that could cause interest rate movement?** *A professional lender will have this at their fingertips. For an up-to-date calendar of weekly economic reports and events that may cause rates to fluctuate, ask for your free subscription to Mortgage Market Guide Weekly.*
- 3) **When Bernanke and the Fed “change rates”, what does this mean - and what impact does this have on mortgage interest rates?** *The answer may surprise you. When the Fed makes a move, they are changing a rate called the “Fed Funds Rate”. This is a very short-term rate that impacts credit cards, credit lines, auto loans and the like. Mortgage rates most often will actually move in the opposite direction as the Fed change, due to the dynamics within the financial markets. For more information and explanation, just give us a call.*
- 4) **What's happening in the market today, and what do you see in the near future?** *If a lender cannot answer how Mortgage Bonds and interest rates are moving at the present time, as well as what is coming up in the near future, you are talking with someone who is still reading last weeks newspaper, and probably not a professional with whom to entrust with your clients home mortgage financing.*
- 5) **What important variables should you consider as you formulate your mortgage strategy?** *Borrowers often assume that any program is fine for them, as long as the interest rate is the lowest. The reality is that there are more important variables than rate to consider. Variables such as loan amount, percent of purchase financed, tax implications, anticipated duration of ownership, market risk (applicable to loans that have “floating” interest rates), cash flow limitations, asset accumulation objectives, and required payment flexibility each require careful consideration. Architecting a suitable mortgage strategy takes time, expertise, and attention to the right details.*



The Secrets of Shopping

Once you are satisfied that you are working with a Certified Mortgage Planning Specialist, here are the rules and secrets you must know to “shop” effectively.

If it seems too good to be true, it probably is.

But you didn't really need us to tell you that did you? Mortgage money and interest rates all come from the same places, and if something sounds really unbelievable, better ask a few more questions and find the hook. Is there a prepayment penalty? If the rate seems incredible, are there extra fees? What is the length of the lock-in? If fees are discounted, is it built into a higher interest rate?

You get what you pay for.

If you are looking for the cheapest deal out there, understand that you are placing a hugely important process into the hands of the lowest bidder. Best case; expect very little advice, experience and personal service. Worst case; expect that you may not close at all. All too often, you don't know until it's too late that cheapest isn't BEST. But if you want the cheapest quote – head on out to the Internet, and we wish you good luck. Just remember that if you've heard any horror stories from family members, friends or coworkers about missed closing dates, or big surprise changes at the last minute on interest rate or costs...these are often due to working with discount or internet lenders who may have a serious lack of experience. Most importantly, remember that the cheapest rate on the wrong strategy can cost you thousands more in the long run. This is the largest financial transaction most people will make in their lifetime. That being said – we are not the cheapest. Of course our rates and costs are very competitive, but we have also invested in the systems and team we need to ensure a top quality experience.

Make correct comparisons.

When looking at estimates, don't simply look at the bottom line. You absolutely must compare lender fees, as these are the only ones that the lender controls. And make sure lender fees are not “hidden” amongst the title or state fees. A lender is responsible for quoting other fees involved with a mortgage loan, but since they are third party fees – they are often under-quoted up front by a lender to make their bottom line appear lower, since they know that many consumers are not educated to NOT simply look at the bottom line! APR? Easily manipulated as well, and worthless as a tool of comparison.

Understand that interest rates and closing costs go hand-in-hand.

This means that you can have any interest rate that you want – but you may pay more in costs if the rate is lower than the norm. On the other hand, you can pay discounted fees, reduced fees, or even no fees at all – but understand that this comes at the expense of a higher interest rate. Either of these, or some variation, might be right for you. It all depends on your financial goals. A professional lender will be able to offer the best advice and options in terms of the balance between interest rate and closing costs that correctly fits your personal goals.

Understand that interest rates can change daily, even hourly

This means that if you are comparing lender rates and fees – this is a moving target on an hourly basis. For example, if you have two lenders that you just can't decide between and want a quote from each – you must get this quote at the exact same time on the exact same day with the exact same terms or it will not be an accurate comparison. You also must know the length of the lock you, since longer rate locks have slightly higher rates.

Again, our advice to you is to be smart. Ask questions. Get answers.



14614 N. Kierland Boulevard, Suite S-290
Scottsdale, AZ 85254
480-624-5512