

Mortgage-Shopping Basics

Presented by C.J. Ferrari and Mark Miller

Whether you're buying your first home or looking to purchase a vacation home or another property, it's important to determine how much debt you can comfortably take on and to compare mortgages to find the most appropriate option for your situation. The following tips can help:

- 1. Be realistic about what you can afford.** As with any purchase, it's important not to spend more than your budget allows. This is especially true with a mortgage. Review your essential expenses to estimate what you can reasonably pay on a monthly basis—and be sure to factor in not only your mortgage payment, but property taxes, utilities, insurance, and maintenance as well. You should have enough left over to be able to set aside money for an emergency fund. And don't forget to consider your discretionary spending habits and hobbies; taking on a home is a big financial commitment, and it may not be worth it right now if you have to give up too many of the things you love to do.
- 2. Know the difference between a mortgage lender and a mortgage broker.** Mortgage brokers find mortgage lenders for you; they don't lend money directly. Brokers have access to numerous lenders and choices, but they charge a fee for their services. If you plan to work with a broker, be sure to ask about this cost. You can use more than one broker at once—or even a combination of brokers and lenders—to help you in your search.
- 3. Shop around, especially on Fridays.** In addition to checking with your bank, shop around for mortgages at credit unions, mortgage companies, and even online. Since mortgage prices change daily, it's important to review mortgage terms on the same day. If you want more time to consider your options, do your looking on Fridays, as prices will generally hold through the weekend.
- 4. Compare.** Be sure you understand the complete cost of each mortgage, including mortgage rates, points, and fees. Ask all prospective lenders for the same information—loan amount, loan term, and type of loan—so you can effectively compare your options. For adjustable rates, ask lenders to calculate how much your monthly mortgage payments will be for one year, five years, and so on.
- 5. Negotiate.** Once you've found a mortgage lender and loan, start negotiating for the best possible deal. Don't hesitate to ask your mortgage lender or broker to put all the costs of the mortgage in writing, and consider asking them to waive or reduce the mortgage fee or to lower the rate or points.
- 6. Lock in your rate.** After negotiations have been finalized, ask your broker or lender for a written lock-in to protect you from an increase in the rate while you complete the mortgage process. If you have to pay a fee for this, you can generally get a refund at the mortgage closing. If the mortgage rate decreases before closing, you may be able to ask for some kind of adjustment.

In addition to following these tips, get advice from people you trust who've been through the process before. Friends and family members are one resource; your real estate agent can also provide referrals to trusted lenders with whom he or she may have long-term relationships. You might also wish to consider hiring a real estate attorney to help you review documents before you sign them.

Taking on a mortgage is one of the biggest financial commitments you'll make in your lifetime, yet there is no denying the feeling of independence that comes with purchasing a home. With research and help from trusted sources, you'll be well on your way to fulfilling the dream of homeownership.

###

C.J. Ferrari and Mark Miller are financial advisors located at Miller Ferrari Wealth Management 400 SW Bluff Dr., Suite 107, Bend, OR 97701. They offer securities and advisory services as Investment Adviser Representatives of Commonwealth Financial Network[®], Member FINRA/SIPC, a Registered Investment Adviser. They can be reached at 541-639-8055 or at cj@millerferrari.com or mark@millerferrari.com.

© 2016 Commonwealth Financial Network[®]