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The Top 5 things to know when looking for a mortgage

1. Why "what's your rate" is the least important question you'll ask.

When "shopping" for a mortgage most people only focus on 1 thing, the interest rate. That is a dangerous strategy. Rates can vary depending on many factors (credit scores, fees charged, length of lock, type of transaction, etc) and are subject to change each day with the fluctuations in the markets. A mortgage professional should be more interested in getting accurate information from you. Accurate information about you and the transaction allows them to give you an accurate answer about the rates.

2. Obtain a complete list of closing costs.

It is important to realize that the lender is not the only one that creates closing costs. Regulations require that the lender disclose all the costs but not all of them relate to the lender. Make sure the mortgage professional you are talking with provides you a detailed list of costs broken out by the source of those costs. In addition, I always include escrows in this discussion since it is money that must be accounted for at closing.

3. The type of documentation that is needed.

The list of documentation is fairly standard (tax returns, W-2's, pay stubs, bank statements, ID). However, each borrower is unique and their circumstances can present different documentation requirements (ie: self employed, divorce, gift money, credit issues, etc). It is important to have a complete and thorough discussion with the mortgage professional at the beginning of the process. That allows them to "package" the transaction correctly from the start. A properly structured loan is much easier to process, underwrite and close thereby making the experience better for the borrower(s).

4. Timing of a home inspection on purchase transactions.

The correct timing of the home inspection can vary with each transaction. However, if it can be done right after the attorney review period, I find that most optimal. This way a borrower is incurring the cost on a transaction that has gotten through the attorney review period. Spending the money during the attorney review period only to have the contract cancelled adds to the costs. It is best to get your attorney's opinion on the timing since they are negotiating with the other party and are aware of how things are progressing.

5. What is the difference between a "pre-approval" and being "pre-qualified?

A pre-approval is when a potential borrower(s) supplies all the necessary paperwork as if they are ready to apply for a loan. The mortgage professional then has the information reviewed by an underwriter who determines if the borrower(s) would be approved for the loan (based on certain assumptions about the property). A pre-qualification does not include an underwriter review of any documents. Typically the mortgage professional will "run some numbers" and try to determine what a borrower may qualify for.