Before you shop for a mortgage read this:

# The Mortgage shopping guide

**You have 45 Days to shop for a mortgage without affecting your credit.**
**Costs vary, lenders offer different products, and there are so many different personalities. You can shop as many as you like to get a great deal and find someone you LOVE to work with! Don't settle. Below are types of lenders, and what to ask them:**

**TYPES OF LENDERS:**

**1. Mortgage brokers** are intermediaries between you and lenders. In other words, mortgage brokers don't control the borrowing guidelines, timeline or final loan approval. Brokers are licensed professionals who collect your mortgage application and qualifying documentation. They can counsel you on items to address in your credit report and with your finances to strengthen your approval chances. Many mortgage brokers work for an independent mortgage company so they can shop multiple lenders on your behalf, helping you find the best possible rate and deal. Mortgage brokers are typically paid by the lender after a loan closes; sometimes the borrower pays the broker's commission up front at closing. ASK!

**2. Retail / Bank lenders** provide mortgages directly to consumers, not institutions. Retail lenders include banks, credit unions, and mortgage bankers. In addition to mortgages, retail lenders offer other products such as checking and savings accounts, personal loans and auto loans. Retail lenders sell multiple products to consumers and tend to have more stringent underwriting rules. Lenders have specific borrowing guidelines to verify your creditworthiness and ability to repay a loan. They set the terms, interest rate, repayment schedule and other key aspects of your mortgage.

**3. Direct lenders** originate their own loans. These lenders either use their own funds or borrow them from elsewhere. Mortgage banks and portfolio lenders can be direct lenders. What distinguishes a direct lender from a retail bank lender is specialization in mortgages. With a niche focus on home loans, direct lenders tend to have more flexible qualifying guidelines and alternatives for borrowers with complex loan files. Direct lenders, much like retail lenders, offer only their own products so you'd have to apply to multiple direct lenders to comparison shop. Many direct lenders operate online or have limited branch locations, a potential drawback if you prefer face-to-face interactions.

**4. Portfolio lenders** fund borrowers' loans with their own money. Accordingly, this type of lender isn't beholden to the demands and interests of outside investors. Portfolio lenders set their own borrowing guidelines and terms, which may appeal to certain borrowers. For example, someone who needs a jumbo loan or is buying an investment property might find more flexibility in working with a portfolio lender.

**5. Wholesale lenders** are banks or other financial institutions that offer loans through third parties, such as mortgage brokers, other banks or credit unions. Wholesale lenders don't work directly with consumers, but originate, fund and sometimes service loans. The wholesale lender's name (not the mortgage broker's company) appears on loan documents because the wholesale lender sets the terms of your home loan. Many mortgage banks operate both retail and wholesale divisions. Wholesale lenders usually sell their loans on the secondary market shortly after closing.

**6. Hard money lenders** are usually the last resort if you can't qualify with a portfolio lender or if you fix-and-flip homes. These lenders are usually private companies or individuals with significant cash reserves. Hard money loans usually must be repaid in a few years so they appeal to fix-and-flip investors who buy, repair and quickly sell homes for profit. Hard money lenders tend to be flexible and close loans quickly. However, they charge hefty loan origination fees, interest rates as high as 10% to 20% and require a substantial down payment. Hard money lenders also use the property as collateral to secure the loan. If the borrower defaults, the lender seizes the home.

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Pick at least three and compare. Ask them for a written estimate on the costs of getting a loan with them. Get it in writing.

**Then sit down and review your options carefully, ask:**

1. Loan Programs: 3%, 3.5%, 5%, 10% or 20% down? Government-backed or conventional?
2. Interest rate: is it fixed, adjustable, negotiable? Can you buy it down?
3. Discount points- if it's too good to be true ASK why!
4. Closing costs: Can the seller pay a percentage? How much can you negotiate?
5. Origination fees: Are they negotiable? Ask!
6. Private Mortgage Insurance: Do you have to pay it for the LIFE of the loan or just to 20% loan value ratio?
7. How long to get the loan closed? Closing times affect negotiations.
8. Are the underwriters and processors in house or tough to communicate with? This could be the difference between a smooth process and a stressful nightmare.
9. Will the mortgage broker or loan officer be your primary contact throughout the loan process? Are you going to become a file for someone else after they start the program? Is the loan originator easy to communicate with, organized and well educated?
10. Do they offer any lender credits to buyers? Closing cost assistance? Are you eligible for any local programs?

Once you have a clear idea of what you are being charged NEGOTIATE! Take your best bid to your second-best offer and see if they will beat it, in writing. Take that bid back to number 1, they'll likely beat it too! Remember costs really add up over 30 years!

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