

# Common questions when looking for a mortgage



DAVID C. MULLY

**MORTGAGE SHOPPING**

Some questions to ask to get needed information on the best mortgage for your situation.

**Q: How do I make sure I get the lowest rate possible?**

A: You should request information from a variety of banks and mortgage companies. Keep in mind that, as with any financial decision, searching for the best price is only the starting point in comparison shopping. Low rates combined with unfavorable or inflexible terms can result in added costs rather than savings. Before making an application, be sure to compare the lenders' answers to the following questions:

• Will you have to pay points or closing costs?  
• What is the exact breakdown of the closing costs?  
• Can you lock the interest rate and, if so, is there a fee to lock the interest rate?  
• What happens if the rates move between the time you apply and the time you close?  
• How much money do you stand to lose if at some point during the application process you wish to change the terms of your loan or if the loan doesn't close?  
• Is there a prepayment penalty on your loan?  
• What are no-closing cost mortgages and are they always the best choice?  
• A: With no-closing cost mortgages, the borrower does not pay closing costs. This can result in large savings when the loan is initiated. However, the interest rate on a no-closing cost loan will be higher than the rate on a mortgage with closing costs. After a certain number of years, the additional interest you will have paid may exceed the amount

you initially saved by not paying closing costs. No-closing cost loans may be a good choice if you have limited amount of cash available, if you have recently refinanced, or are planning to move within a few years.

**Q: When should I consider refinancing?**

A: Conventional wisdom has it that refinancing is worthwhile only if the rates dropped by at least two points. Zero-point, no-closing cost options may make it reasonable to refinance after rates drop of only a quarter of a percent or less. Keep in mind, however, that there is no avoiding the paperwork involved in refinancing and that you still may incur expenses.

**Q: My current loan has been sold several times to different lenders. Is there any way I can make sure my new mortgage will not be sold?**

A: The vast majority of loans are sold on the secondary market. The largest buyer is the federally chartered Federal National Mortgage Association (Fannie Mae). The real issue is whether the lender will sell the servicing of your mortgage. Disclosures required of almost all lenders

selling in the secondary market will help determine the following:

• Whether the lender is able to service your loan or whether they plan to assign, transfer or sell the servicing.

• The lender's best estimate of the percentage of loans they are likely to transfer over the next 12 months.

• The percentage of loans which the lender has originated and then transferred in the past. Although lenders may not be planning to sell the servicing of mortgages they originate, business reasons may compel them to do so in the future. However, the above information will at least give you an indication of whether you are dealing with someone who is unable to service your loan.

**Q: Can you explain some of the advantages and disadvantages of the basic loan types?**

A: Sure. Here's some information on common loans.

30-year fixed rate loans have low monthly payments. It's easier to qualify and budget for the loan. There is slower equity build-up, however. Tax write-offs in the early years may partly off-

set large interest payments.

20-year fixed rate loans are predictable with low monthly payments. They have lower interest rates and larger interest savings but higher monthly payments than 30-year mortgages.

7/23 balloon loans offer low monthly payments with lower interest than the above programs. The loan is amortized on a 30-year schedule but must be refinanced at the end of the seventh year. Under certain conditions the loan is extendable for 23 years thereafter, at then prevailing rates.

6/25 A.R.M. and 7/23 A.R.M. loans have low monthly payments and interest rates. The loan is amortized on a 30-year schedule. There is a one time adjustment after the fifth or seventh year, with a maximum increase of 6 percent above the initial rate.

Write Dave Mully at P.O. Box 485, Novi, MI 48376-0485. Mully is president of Mortgage Search, a free one-stop mortgage shopping service. If you have questions or would like free assistance with your mortgage search, call the 24-hour hotline at 1-800-495-3051 or fax at (810)380-0603.

Several members of Coldwell Banker the Michael Group in Clarkston have received honors for professional real estate service.

Robert J. Pilarek, broker/owner of the Michael Group, has received the nationally-recognized Certified Real Estate Brokerage Manager designation from the Real Estate Brokerage

## Michael Group receives honors

Managers Council.

James Cathey and William Hampton have been selected to join the company's International President's Circle, an honor bestowed only to producers in the top four percent. Mark Peterson and Eric Pilarek have been chosen as members of the company's Diamond Society, an honor received for being in the top 10 percent of sales activity.

Five sales associates gained membership in Coldwell Banker's Sterling Society.

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