

Negotiating A Mortgage Loan

You have found the perfect home. You are ready to move – yesterday. But you have no idea how to go about in the mortgage world. All home owners learn their way through this maze and you are no exception. Take the time to learn – it is well worth the effort you put into it.

To begin, find out what your credit rating is. There are three credit bureaus in the U.S.A. You are entitled to one free credit report per year and either of the bureaus can provide you with your score. Your credit score will give you a lot of information and it may even help you discover if someone has used your credit or your name without you knowing about it.

Once you know your credit score, then you are in a position to negotiate with your lender. While the interest rate may not be negotiable, several other items relating to your loan may be. You must know what to ask for in the negotiation stage. Remember, to go into escrow to buy a house, you will have points or costs that you must pay toward the loan. Points are actually a charge that the lenders use toward the cost of borrowing the money they will need to finance your loan. Each point equals 1% of total amount you are going to borrow. If you borrow \$125,000 and your lender is asking you to pay three points, your total cost to borrow the money is \$3,750.00. Ask about lowering the points by a quarter or a half.

In some mortgage loan transactions there are still institutions that charge for their attorney's legal work on the loan. Point out that some of the other lenders you have talked to no longer charge for this service and ask for a break on the lawyer's fees. There are document preparation fees and there are the advertisements of other lenders across town. Use the competitive price system to your advantage. Saving a few hundred dollars in up-front escrow costs are a few hundred dollars you might need to put in that skylight that would look great in your new den.

Learn how the mortgage loan industry works; learn its lingo. When you know what the person on the other side of the desk is talking about, then the terms and phrases that they pull out of their hat are not so scary and you can converse and ask questions with confidence.

Fill out your application and begin to get quotes from three or four different lenders. Sometimes, looking at the bottom line is helpful. However, knowing what the escrow costs are and what the long-term mortgage rate is will help you make an important decision: do you want to pay more up front in order to get a better long-term rate or would you prefer to pay less up front and pay a little more each month? Examine the various offers and make sure you know what each charge is for and what it means. If they are professionals in the business, the lender will not mind helping you to understand – they want the other business that you might have for them in the future.

Once you have the quotes and you understand what the programs and costs mean, then you are in a position to choose the lender you prefer. Let the lender know that you have gotten other quotes and start asking them to work with you in the places where the other lenders quote might look better.

There are several laws that you also need to be aware of as you begin to search for a loan. The first one is the Equal Credit Opportunity Act. Another is the Fair Housing Act. Both of these prohibit lenders and sellers from discriminating against any buyer/borrower and they make it illegal to charge more for their services to people of a different backgrounds, belief systems, nationalities, etc. These laws are designed to protect you, the buyer and borrower. You need to know your rights as you begin this process.

Even if you have credit problems, there are still ways to negotiate loans. You might need to explain the circumstances of late pay situation, especially if it was due to the loss of a job or an illness. It is especially important to point out to lenders when you have fixed the situation and show them the plan you have in place now to avoid future situations of the same nature.

You need to learn something about interest rates and the different types of interest rates available. Some interest rates appeal because of their stability while others appeal because of their flexibility. Can you work with the flexibility of an adjustable-rate mortgage or do you feel more comfortable with a fixed-rate loan? Those are questions you need to ask and examine with your financial advisor and your lender.

Once you have your questions answered, pursue the dream for purchasing your home for yourself and your family.

About the Author

Craig Elliott is a freelance writer who writes about topics pertaining to the mortgage industry such as [Mortgage Company | Home Mortgage Lender](#)

Source: <http://www.tntarticles.com>