Tips to Keep in Mind when Comparing Home Mortgages by Jess Hall

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If you feel overwhelmed when you are shopping for mortgage loans, you are not alone. Most people feel like they are in over their heads when trying to compare several different offers. In order to make the best possible choice, you need to know what to compare and how to do so. Interest rates are important, of course, but they are just one piece of the home loan puzzle. Just because a lender offers an enticing interest rate does not mean that their offer is the best one. Below, you will find four important tips to keep in mind when comparing home mortgages.

Keep Points in Mind

Different lenders have different requirements when it comes to points. In the case of a home loan, a point refers to an amount that is equal to one percent of the total amount of the amount to be financed. Lenders use points to raise or lower interest rates, and it is your responsibility to pay the necessary points at closing. Make sure to carefully consider the various rate-and-point combinations that are on the table. Some offers will be more advantageous than others. Paying points on one loan may translate into better savings than paying points on another loan.

Watch Out for Loan-Related Fees

All home loans come with closing costs, but those costs can vary significantly from one lender to the next. Some fees are fairly standard and can't be reduced by lenders. Other fees, however, are strictly imposed by mortgage lenders. As a result, they can vary a lot. Look carefully at closing-cost breakdowns for each mortgage loan that you consider. Be especially mindful of loan-related fees. You are sure to notice that some lenders charge less than others, and this should come into play when you are making your ultimate decision.

Ask about Prepayment Penalties

One thing that often comes as an unpleasant surprise during the course of a mortgage loan is the prepayment penalty. Many lenders will resort to prepayment penalties to discourage borrowers from paying off their loans ahead of schedule, which will cost lenders significant amounts of money in interest. It isn't always possible to completely avoid prepayment penalties, but some lenders charge less than others. Furthermore, the terms that are involved can vary a lot as well. It may be worth it to choose one loan over another if the prepayment terms and penalties are less punishing than with other options.

Be Careful about Lock-In Periods

When you are officially approved for a home loan, you will have a specific period of time to close on a house. If you fail to close on a house before the lock-in period expires, the offer will be off the table, and you will have to start from square one. Be mindful of the lock-in periods that are offered with every loan that you consider. Longer lock-in periods usually come with higher fees, but that isn't always the case. You need to be fully aware of how much time you have to act, so you might as well find out right away.

A home loan is one of the biggest financial transactions that many people will ever make. Before diving in head first, you should compare all of the available offers as carefully as possible. By keeping the preceding tips in mind, you will be less likely to make a costly mistake. Remember that it always pays to shop around for a home loan. If you're not completely satisfied with one offer, you should definitely consider a few others. Once you close on a new home, going back isn't possible. Make the right decision the first time.

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