

Title:

Home loan education is essential before taking out a mortgage

Word Count:

460

Summary:

A naive mortgage applicant will have problems.

Keywords:

refinance rates, home loans, personal loans

Article Body:

Taking out a new home loan can be a very daunting process. Large financial purchases are of course more technical relative to everyday transactions, because there is more at stake. As with anything in life, you need to do your homework before you go into the test (the lender's office). Lenders are not out to trick you, they just want to be re-paid by you, and make some interest on their money. However, if you don't have an accurate understanding of your current financial situation, and an understanding of how a lender will interpret this standing, then of course you are going to be at a disadvantage when taking out a loan.

Every lending institution flashes rates around all over the place, because that is the first thing most people ask about when they want a loan. But, there is more cost associated with a mortgage than just the interest rate. The most common costs are the closing costs. And, right after you fill out a mortgage application, you should receive paperwork from your lender that provides you with an accurate estimate of your closing costs. You should also receive information about your home loan rates and the specific terms of your particular mortgage.

One of the most interesting aspects of mortgages is the ability to bargain with a mortgage lender by paying them money to reduce your interest rate. Basically, the money you pay them to do this is known as points. The more points (money you pay), the more your interest is reduced. However, this transaction should obviously not be viewed as a simple, I pay you money to reduce my interest rate and I win. Rest assured that lending institutions fully understand and have evaluated how paying points affects their profits. So, as usual, do your homework to make sure you know if you are coming out ahead in your unique situation.

As in any industry there are competent professionals, and there are some individuals who may be new, or not up to date on all their technical homework. Brokers are human, and they do make mistakes. But the stakes are a bit higher when taking out a mortgage as compared to someone screwing up your dinner order. That is why you need to educate yourself as much as possible before you go into the loan process. Everything that you can legally photocopy must be copied. Make sure your broker has locked in your loan as soon as possible, and ask for documentation. If your broker seems uneducated when you ask them tons of questions, kindly ask if you can talk to another broker in the institution. Don't be afraid to hurt someone's feelings when hundreds of thousands of dollars are at stake.