5 Mortgage Insider Tips

That Will

Save You Thousands!

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Part One: Introduction

The problem

Getting a mortgage has traditionally been a difficult and confusing process. Based on a recent survey* of homeowners, 81% admit to being confused about the mortgage process and over 90% admit to being surprised at closing when the terms of their financing had changed from what they were quoted. Specifically, borrowers reported that they did not know how to compare interest rates and loan programs, choose the right lender, negotiate their mortgage terms and fees, or hold lenders accountable to their original quotes.

> ** Results are from a recently conducted Focus Group of homeowners commissioned by Jammony and conducted during the months of August and September 2008.*

As if the process weren't difficult enough, the current economic climate and lending practices employed by brokers in the run-up to the mortgage crisis have left borrowers more unsure and confused than ever. They ask themselves…

- *Is it the right time to buy or refinance my home?*
- *Would I even be able to get a loan right now?*
- *How can I compare interest rates the right way?*
- *Which lenders can I trust?*
- *How do I know the terms are the best I can get?*
- *How do I ensure my mortgage terms don't change at closing?*
- *Does my broker have my best interest at heart or is he just looking to get the best possible commission?*

The solution

To resolve the problems associated with getting a mortgage, borrowers must find a way to:

> *Get unbiased information about lender qualifications and mortgage options.*
>
> *Compare loan quotes and terms in an apple-to-apples format.*
>
> *Protect their identity while shopping for a lender to avoid on-going solicitations.*
>
> *Negotiate interest rates and closing costs so they the best deal possible.*
>
> *Hold the lender accountable.*

Part Two: Insider Tips & Suggestions

While many websites and lenders would like you to think otherwise, making an educated mortgage decision is not as simple as choosing a loan based on an interest rate or payment. Instead, your mortgage decisions need to be based on a solid understanding and comparison of all of the terms and costs of the loan.

All too frequently, borrowers fall impulsively into this sales trap and look simply at one element or term of a mortgage to make their decisions because they "trust the lender", "don't have time", or "what the loan officer is telling me sounds reasonable." While these reasons may seem justifiable at the time, they can and frequently do lead to financial disaster.

By making decisions based on understanding only part of the mortgage terms, borrowers are allowing the loan officer to make the remaining decisions on how to structure the loan. This is like asking a contractor to build you an addition on your house without asking what it is going to cost and without telling him whether or not you want a bathroom, bedroom or living room.

Tip 1: Do a pre-loan analysis

Perform a pre-loan analysis to get a handle on your individual needs. Then and only then will you be able to objectively make the right decision(s) and keep yourself from being "sold" on programs that don't meet your objectives.

While there are many unique and often very personal issues that determine your financing needs, the process can be simplified by asking yourself two questions:

1. Is now the right time to obtain a new mortgage?

   Be leery of people answering this question for you – especially those that will make money if you close a loan through them. This is very personal and the decision should be made in a way that you can live with the outcome in any scenario.

   As you contemplate this question, you need to evaluate the answer from a "worst-case" scenario perspective. All too frequently borrowers look things such as the tax benefits of paying mortgage interest, etc. While these are valuable considerations, they must be counter-balanced with worst-case considerations as well. However, borrowers rarely ask what happens if I loose my job? What happens if the market crashes and my home depreciates? What happens if interest rates go up and someone steals my identity so I can't get refinanced?

2. Can I qualify for favorable financing?

   After making the decision to look for financing, comes the question of whether or not it can be found under favorable terms. I use the word "favorable" intentionally because under the "right" terms almost anyone can get financed.

   While most borrowers don't know where to go other than a lender to get the answer to this question, there are sources. If you go directly to a lender to answer the question, you run the risk of being given an answer that is not in your interest. Remember, a lender is in the business to lend money, not to make sure your needs are met. Your source should be someone that does not have the incentive to sway your decision.

Let us do the work for you with our Mortgage Assistance Program. Find out more at www.Jammony.com.

Tip 2: Do an apples-to-apples loan comparison

Compare your loan options side-by-side. Comparing apples-to-apples is difficult without certain precautions when requesting quotes. Do not make the mistake of comparing only interest rates or monthly payments. Instead, you need to commit yourself to evaluating the whole package, not just a summary of the loan when making your choice.

Request multiple loan quotes at the same time and make sure that that the quotes are complete and received in writing (through the form of a Good Faith Estimate of Closing Costs, and a Truth-in-Lending Disclosure). All lenders are required by Federal law to provide borrowers with these documents, so obtaining them shouldn't be any trouble.

1. The first step in comparing mortgage quotes is identifying 3-5 loan officers at different lenders that can quote you a loan. These individuals can be personal acquaintances, referrals from friends and family, or someone you found through online advertising. The key isn't who they are; it's ensuring that they work for different companies so that your selection of available loan programs can be as broad as possible.

2. The second step to effectively comparing mortgage quotes is to ensure that each quote is based on the same information. This can be done by providing each lender with the same borrower application information.

3. The third step in effectively comparing mortgage quotes is to ensure that the quotes are requested all at once - on the same day. Doing this ensures that your lenders are using the same market interest rates to calculate your terms and their compensation.

4. The fourth step in effectively comparing mortgage rates is to ensure that each loan officer is quoting the same type of loan program (30 year fixed rate, 5/1 ARM, Jumbo mortgage, Balloon mortgage, etc). Generally speaking for quoting purposes, it is sufficient to choose the term (length) of the mortgage that meets your needs, and whether or not you want a variable or fixed interest rate. However, after you have actually selected a loan officer, you must ask the follow up questions necessary to ensure that there aren't other options available that better meet your needs.

5. The fifth step in effectively comparing mortgage quotes is to compare the entire mortgage (loan terms, closing costs, impounds, pre-paid expenses, insurance premiums, etc) side-by-side. Doing this allows you to more easily see variations that may either be positive or negative and what the associated costs and benefits of those variances are. It also helps you identify the lowest cost service providers and bring them together once you have selected a loan officer to use.

To help assist you in the process of effectively comparing your mortgage options, we have created some basic worksheets and forms which can be used to complete these steps.

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Tip 3: Identify an expert

Identify an unbiased expert that can help answer your questions once you get started. This is extremely important because it allows you to ensure that the mid-stream decisions you are making are on the "up and up" and in alignment with your original objectives. This person or resource only needs to have 2 qualifications.

1. They must not be compensated in any way based on the outcome of your loan or have any personal interest in seeing it close. If they are, there is the potential they will steer you directly or indirectly away from the decision that best meets your needs.

2. They must be an expert. The qualifications for being an expert are much more than simply having closed a mortgage before. You need someone

who is familiar with the current industry, understands how it can and is changing, knows what to watch out for, and the different ways you can be taken advantage of.

Many people assume that because your loan officer is a friend, family member, or was referred to you by someone you know and trust that the loan officer can be trusted as well. This is NOT the case. While they may be trustworthy, remember the most damage is often done by a wolf in sheep's clothing.

However, as important as this step is, most borrowers simply rely on the loan officer as their expert. This is a bad idea, because they may tell you things are ok when they're not. So, a false sense of security and trust is created which can further distract your comparison. While you may not ever find anything wrong, the thought of a safety net not being there when you fall is unpleasant and very costly.

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Tip 4: Do a pre-closing audit

Perform a pre-closing analysis of your loan <u>prior</u> to actually signing. Legally, the loan officer and title company must supply you with all of the loan documents and settlement statements at least 24 hours prior to closing. This time period allows you to review things prior to signing to ensure you are getting the financing you expect and to correct any mistakes or errors.

The best way to perform this analysis is to compare the written quote you received up front with the settlement statements you receive from the title company. Look at each line item of your Truth in Lending Disclosure and Good Faith Estimate of Closing Costs relative to your HUD-1 statement. If there are ANY variances, make note of them and have them corrected. Most people just skim right through the closing process without even reviewing these documents – if you fail to do this you are basically signing a blank check over to the loan officer and other service providers and trusting them to do the right thing.

Remember, that all parties involved want your loan to close – in fact they are only paid if your loan closes. So, at this critical moment, everyone is looking to make sure you are happy and are therefore most willing to make changes. Take advantage of this time, and you will very likely find something that will save you at least $250.

Tip 5: Use Jammony's Mortgage Assistance Program

If you use our Mortgage Assistance Program, we guarantee that you can save thousands in closing costs and tens of thousands in interest expense. To help demonstrate just how powerful these tools can be, we have compiled the results of people who have used our Mortgage Assistance Program.

NOTE: The Mortgage Assistance Program was developed to help those borrowers who prefer to spend $799 when their loan closes to have us handle each of the 4 previous steps on their behalf.

1. On average they save over $2,500 in closing costs and $27,000 in interest and fees over and above what they are able to negotiate themselves.

2. They save over 20 hours of their own time not having to do the steps themselves. Ultimately, this can result in them closing 1 week earlier than they would have otherwise been able to.

3. They have immediate access to a Personal Mortgage Assistant who is ready and willing to help answer any questions they have about the process.

4. They have a 3rd party expert that can hold their lender accountable for the quoted loan.

5. They have the peace of mind that comes from a 100% Savings Guarantee.

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