

Mortgage Minute

Where do you buy your tires?

What should we really be looking for when we shop for a mortgage?

I received an interesting phone call earlier this month. A gentleman saw our company's ad in the paper and called in asking for "today's best rate." I proceeded to ask him a couple of questions to assess the most appropriate loan product. He would respond to my questions with something like, "just quote me the best rate." I tried to inform him that it wasn't that simple, that the product and corresponding rate would be dictated by his answers. A purchase transaction and a refinance transaction are potentially two very different loans with two different rates.

After several of his dodges, I almost asked him what rate he wanted. I could have made a number up to satisfy his curiosity, but the number I would have given him would have been make believe. So if I was going to make up a number, I might as well make up a number that got me a loan. My mystery caller probably called several other lenders that day with the same request. I assume that whoever gave him the lowest number got a loan. I contend that this is a poor way to shop for a mortgage, the largest debt you will probably ever have.

This gentleman seemed to be doing what I had done the first time I bought a house. To assume the process of getting a mortgage is easy and that anyone can do a good job at getting you one. I personally have gotten a dose of reality the hard way.

It was a Friday afternoon when my wife and I sat down at the closing table to close on the purchase of our home. Our loan was the wrong program,

a 3 year ARM instead of a 30 year fixed, with incorrect features and our mortgage "professional" was unavailable. It was quite frustrating, but a blessing in a sense that it ultimately led me to my career.

Constructing a loan that best suits a borrower's needs is a complicated process, especially in the current changing climate of the industry. It requires the right questions, a solid knowledge base, hard work, attention to detail and integrity. Because of my prior experiences, I sit at every closing table if possible so that I have to look my clients in the eye and stand behind my work.

Current housing and economic conditions have forced many loan officers into the arms of other careers. While many that stay are flat out lying to get loans by omitting or low-balling fees to entice potential clients. (Seeing some of this was partial motivation for this month's newsletter topic.) Every number on a good faith estimate is just that, and estimate and can change between the initial conversation and closing. Some loan officers are quoting make believe and borrowers are being unpleasantly surprised at the closing table.

Are rates and fees important? Definitely. Are they the most important? I'd argue they are not. If your loan officer can't deliver and close the loan as promised, the numbers don't mean anything.

I'm not sure where you buy yours, but I buy my tires at Les Schwab. Not because they are the best priced. They may be, but I've never checked. I buy at Les Schwab because I know I will be taken care of and that they will stand behind their products and service.

Today's Rates at a Glance

30-year fixed
5.750%
(APR 5.931%)

7/1 ARM
4.875%
(APR 5.021%)

FHA 30-year fixed
5.500%
(APR 6.181%)

Calculations based on a first-time homebuyer purchase, loan amount of \$200,000 and an 80% loan to value (unless otherwise noted). Rates include a 1% origination fee and are as of 3-3-08 and are subject to change.

Identity Theft Tip of the Month

When shopping online, make sure the website is secure. The web address will start with "https" instead of just "http". There also should be a lock or key icon displayed in the status or address bar depending on your browser.



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