

Let's Talk Finances

Getting a Loan and Choosing a Lender



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When you're searching for a new home, shopping mortgage lenders may feel like a huge chore. But, like buying a car or choosing an insurance policy, taking time to compare your options can save you heartache as well as money. The following tips can help potential homebuyers navigate the competitive mortgage market.

Know your own financial situation.

Before you begin the home loan application process, determine what you can realistically afford. Take into consideration your credit score, how much debt you currently carry and what type of down payment you are prepared to make.

Have your documents ready.

While each bank may require different documentation, you may be required to furnish the following information depending on your employment and financial situation:

- Pay stubs;
- Tax returns;
- Financial statements (one that is less than 60 days old);
- Copies of additional monthly payments such as car loans, credit cards, and student loans; and
- Any other information (such as proof of additional income) that you think will help your banker to positively evaluate your credit request.

Review the basics.

Knowing the fundamentals of the home loan process is an excellent way to prepare to choose the right mortgage. Make sure you are familiar with interest rates, loan terms and additional fees associated with buying a home.

Compare quotes.

Beyond the interest rates, there are closing fees and points and commissions. You will want to compare these for all the lenders on your list. There are several calculators available online that will help you determine which loan provides the best value, including these offered by American Bankers Association.

Choose a trusted lender.

Get references from family and friends and do your research. Contact your local Better Business Bureau to find out if there are any outstanding complaints about any of the lenders

you are considering. Keep in mind, federally insured banks are required to operate under a high level of regulatory supervision. A fully regulated bank may be your best choice. To find a fully regulated bank in your area, use the FDIC's BankFind webpage at research.fdic.gov/bankfind.

Read between the lines.

Slick TV ads, telemarketers or door-to-door salespeople will often offer fast, easy loans for houses, cars and home repair, but not disclose all of the details. Read the fine print. If it sounds too good to be true, it probably is.

Ask questions.

When in doubt, ask for clarification from your lender. Discuss how long the loan process will take, how you will communicate – by phone or email, and who will service your loan.