

# SHOPPING AROUND?

## HERE'S THE INSIDE SCOOP ON HOW TO DO IT RIGHT!

First: make sure you are working with a trained, professional Mortgage Planner. The largest financial transaction of your life is far too important to place into the hands of someone who is not capable of advising you properly and troubleshooting the issues that may arise along the way. But how can you tell?

Here are FOUR SIMPLE QUESTIONS your lender absolutely must be able to answer correctly.

IF THEY DO NOT KNOW THE ANSWERS - RUN...DON'T WALK...RUN...TO A LENDER THAT DOES!

1. **What are mortgage interest rates based on?** The only correct answer is **Mortgage Backed Securities** or **Mortgage Bonds**, **NOT** the 10-year Treasury Note. While the 10-year Treasury Note sometimes trends in the same direction as Mortgage Bonds, it is not unusual to see them move in completely opposite directions.

**DO NOT** work with a lender who has their eyes on the wrong indicators!

2. **What is the next Economic Report or event that could cause interest rate movement?**  
A professional lender will have this at their fingertips. For an up-to-date calendar of weekly economic reports and events that may cause rates to fluctuate, visit [www.EastBayLoanTips.com](http://www.EastBayLoanTips.com) and click the green MMG Weekly banner – this is a copy of my weekly newsletter. Let us know if you want to be added to my weekly distribution list.
3. **When Bernanke and the Fed “change rates”, what does this mean... and what impact does this have on mortgage interest rates?** The answer may surprise you. When the Fed makes a move, they can change a rate called the “Fed Funds Rate” or “Discount Rate”. These are both very short- term rates that impact credit cards, Home Equity credit lines, auto loans and the like. On the day of the Fed move, Mortgage rates most often will actually move in the opposite direction as the Fed change. This is due to the dynamics within the financial markets in response to inflation. For more information and explanation, just give us a call.
4. **Do you have access to live, real time, mortgage bond quotes?** If a lender cannot explain how Mortgage Bonds and interest rates are moving in real time and warn you in advance of a costly intra-day price change, you are talking with someone who is still reading yesterday’s newspaper, and probably not a professional with whom to entrust your home mortgage financing!

(An intra-day price change occurs when a lender changes their rates during the day **after** that day’s interest rate sheets have been issued. This happens during big swings in mortgage bond prices.)

Would you work with a stockbroker who is only able to grab yesterday’s paper to tell you how a stock traded yesterday, but had no idea what the movement looks like at the present time and what market conditions could cause changes in the near future? No way!

**Be smart... Ask questions... Get answers!**

More than likely, this is one of the largest and most important financial transactions you will ever make. You might do this only four or five times in your entire life...but we do this every single day. It’s your home and your future. It’s my profession and my passion. I’m ready to work for your best interest.

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# SHOPPING...PART TWO

Once you are satisfied that you are working with a top-quality professional mortgage advisor, here are the rules and secrets you must know to “shop” effectively.

1. **IF IT SEEMS TOO GOOD TO BE TRUE, IT PROBABLY IS.** But you didn’t really need us to tell you that, did you? Mortgage money and interest rates all come from the same places, and if something sounds really unbelievable, better ask a few more questions and find the hook. Is there a prepayment penalty? If the rate seems incredible, are there extra fees? What is the length of the interest rate lock-in? If fees are discounted, is it built into a higher interest rate?
2. **YOU GET WHAT YOU PAY FOR.** If you are looking for the cheapest deal out there, understand that you are placing a hugely important process into the hands of the lowest bidder. Best case, expect very little advice, experience and personal service. Worst case, expect that you may not close at all. All too often, you don’t know until it’s too late that cheapest isn’t BEST. But if you want the cheapest quote—we wish you good luck. Just remember that if you’ve heard any horror stories about missed closing dates, big surprise changes at the last minute on interest rate or costs...these are often due to working with discount lenders who may have a serious lack of experience. Most importantly, the cheapest rate on the wrong strategy can cost you thousands more in the long run. This is the largest financial transaction most people will make in their lifetime. That being said – we are not the cheapest. Of course, my rates and costs are very competitive, but I have also invested in the systems and team I need to ensure the top quality experience that you deserve.
3. **MAKE CORRECT COMPARISONS.** When looking at estimates, don’t simply look at the bottom line. You absolutely must compare lender fees to lender fees, as these are the only ones that the lender controls. And make sure lender fees are not “hidden” down amongst the title or state fees. A lender is responsible for quoting other fees involved with a mortgage loan, but since they are third party fees – they are often under-quoted up front by a lender to make their bottom line appear lower, since they know that many consumers are not educated to NOT simply look at the bottom line! APR (Annual Percentage Rate)? Easily manipulated as well, and worthless as a tool of comparison.
4. **UNDERSTAND THAT INTEREST RATES AND CLOSING COSTS GO HAND IN HAND.** This means that you can have almost any interest rate that you want – but you may pay more in costs if the rate is lower than the norm. On the other hand, you can pay discounted fees, reduced fees, or even no fees at all – but understand that this comes at the expense of a higher interest rate. Either of these balances might be right for you, or perhaps somewhere in between. It all depends on what your financial goals are. A professional lender will be able to offer the best advice and options in terms of the balance between interest rate and closing costs that correctly fits your personal goals.
5. **UNDERSTAND THAT INTEREST RATES CAN CHANGE DAILY, EVEN HOURLY.** If you are comparing lender rates and fees – this is a moving target on an hourly basis. For example, if you have two lenders that you just can’t decide between and want a quote from each – you must get this quote at the exact same time on the exact same day with the exact same terms or it will not be an accurate comparison. You also must know the length of the rate lock you are looking for, since longer rate locks typically have slightly higher rates.

As you can imagine, I wouldn’t be encouraging you to shop around if I weren’t pretty confident that I can give you a great value and serve you the very best.

**Please call with any further questions you may have at this time.  
I am ready to work for your best interest!**

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