6 Easy Steps to Shop for Your Mortgage and SAVE $THOUSANDS$

After 8 years helping families find the right loan for their needs, I want to tell you how I would shop for a loan if I were no longer in the business (this ebook is written using a purchase transaction as example, but the same basics are used in choosing a lender for a refinance transaction as well). Please note, if a good deal to you in buying a home is saving a couple hundred dollars in closing costs in comparison to another lender's offer of the same interest rate on the same type loan, this message is not for you. You might want to read the book, How Do I REALLY Decide What's Important in Life for Dummies, and then come back to this message. (wink wink) Now back to a more serious note, follow these steps and you will likely be more successful in choosing the right lender, and in turn minimizing errors that together can save you $Thousands$.

1. You need to figure out what loan officer you genuinely like the most first. However you come up with your list, get your list of lenders you plan on shopping for your mortgage. Some suggested best ways to derive your list are as follows; referral from a friend, referral from a Realtor, check with your local bank. Now, use your best people skills as you make first contact with each of these contacts at the lenders office (loan officers) to ***REALLY LISTEN to the "person"*** that answers your question and **not so much the detail of the answer**. You want to be a great listener in this first communication to find out who sounds more trusting and compatible with you. Maybe even try to get off the subject of mortgage just a bit. In this first communication, you might ask some mortgage questions to make sure they know their business, but interview them. (this step does not require a face to face appointment, so don't waste their time setting an appointment just yet) Once you've talked to your list of loan officers and decided who you like best, this will be the lender you target as your hopeful transaction coordinator and leader in your financing process. **Let's call him your #1. Look for the value in not just the numbers, but more importantly, in your Loan Consultant.**

Important Quote: "The world is full of people that know the price of everything and the value of nothing. "

2. In most cases, when you are buying a home, you will have already gotten to your #1 (your #1 is the chosen/preferred lender) BEFORE you have found a house, because most Realtors won't show you homes on "their dime" unless you can show them you are pre-approved…and they have VERY good reason to make sure you are pre-approved before they take you out as well. Now that you have **your #1 selected.** You have a goal and you want to put that goal in the responsible hands of **your #1.** Your goal is to get pre-approved, get comparable offers from your list of lenders, get the answers to all your lending transaction questions answered, and find out what your prospective monthly payment and dollar out of pocket at closing estimates are. Just FYI, the dollar out of pocket at closing is NOT to be used at any point as a detail used in determining what lender you use…do not use a "bottom line" on an estimate sheet from a lender to compare lenders. Schedule a time to meet with **your #1,** face to face if possible, or at minimum, by phone. Allow **your #1** to run a credit report, collect ALL of your income and asset documents to underwrite your loan, and in the end, complete your pre-approval. PLEASE NOTE, YOU HAVE NOT STARTED YOUR "SHOPPING" AND COMPARING COSTS YET!!! Using numbers to compare just yet is jumping ahead of the plan for the best desired results, and taking you out of focus on your objective.

Important Quote: "Positioning potential solutions before you have a good understanding of your prospect's potential objectives is an early sign of financial malpractice. Simply put, it's writing a prescription before proper diagnosis. "

3. At a point in time between meeting with your #1, mentioned above, and before you are ready to make a bid on a home, you need to get some numbers from your list of lenders for shopping purposes. Listen very closely here! You do not need, and you should NOT ask for a Good Faith Estimate, Initial Fee Worksheet, or any other template form that the lender has in his system to come up with the variables you need for shopping at this point. To compare lenders, you need to know 3 things: 1) Interest rate, 2) Points (origination and/or discount points), 3) total of lenders fees. So get out a writing pen and paper and ask all three lenders what their total of lender fees are that you will incur by doing business with them, what is the current interest rate for the program that you and **your #1** decided was the best loan program for you, and how many points do they charge for that interest rate. Your notes might look like this: $1190 total lender fees, 4.875% interest rate on a 30 yr FHA loan, and 1% origination (point). If you go against my shopping plan and ask for a GFE or Initial Fee Worksheet and think that you'll just pull out what YOU know to be the right fees and variables for shopping a lender, then you open yourself up to trouble. I'm not going to bother with the huge number of ways in which that can be used against you, and if you are not willing to take my advice about this, then it won't matter anyway. Stick to your plan!

Important Quote: "If you don't have a plan, plan to fail."

4. Now that you have gathered the necessary numbers to compare your lenders, hopefully your #1 was sitting right "in the mix" with the other lenders. If he was .125% higher in interest rate than your other lenders AND the lender fees and origination were higher, you might need to have a talk with your **#1**, and if the fees were higher by much, you need to work with **#2**. There is nothing wrong with paying $200-$400 higher in fees and points for a similar or same interest rate if you are going to enjoy the process more with **your #1**, have confidence that all is going to go well while you and the family are packing everything you own to move, and your sure that **#1's** experience and advice is going to get you to your destination smoothly and with less *collateral damage costs* in the end. You are buying a house after all, and not a car, or a stereo system at a pawn shop…$200-$400 in extra fees and $8-$15 extra a month for a slightly higher interest rate is not a bad sacrifice to pay for comfort in the transaction, and to make sure you do not end up paying collateral damage costs at the end of the transaction because you chose a lesser expert to handle your business. (*collateral damage costs* may be for example: you don't close on time, so you have to pay $100 a day to your moving company while you wait for your loan to be ready, or your contract needs to be extended because your loan wasn't done in time and the seller wants you to put up more cash to make it worth their waiting on you). Do not include in your plan the same frame of mind that you use when buying a car…"I'm going to get had somewhere, so I just need to do everything I can to skim savings to minimize collateral damage". If you are prospecting like this plan says, you are choosing the right character for your transaction, and not the right "salesman".

Important Quote: Benevolence is a result when reciprocation of good is present, so focus on your character to increase its likeliness.
(Benevolence- an act of kindness)

5. At this point, you have compared your lenders by interest rate, lender fee total, and points associated with the offered interest rate. You now should have located a property you want to buy, and have an executed contract on that property. You now have an exact purchase price, and a selected title company in which was selected on the contract in the negotiation. Give your shopping lenders the exact purchase price of the home, and the name and number of the title company that was used (if the number is not on your contract, ask your Realtor for it), and give them a copy of your contract…the contract should tell them if there is a survey fee, and seller contribution and all that. Ask them for a Good Faith Estimate in return and that you will be deciding on locking in the next day or two…whether you are or not (this will keep them honest). The 2010 Good Faith Estimate is designed so that you can easily compare lenders, and if the costs in the Good Faith Estimate end up being higher by fee or rate at closing, the lender will be required by law to "EAT THE DIFFERENCE". When you ask these lenders for their GFE's, they will probably want to know what your credit score is and so forth. They may in most cases need that to give you an accurate estimate on your loan. As long as your credit score is above 700, it more than likely will not hurt you to let them pull their own credit report. They'll need to know your income and asset information too, just like you gave **your #1**, so you might try and have that in email or fax-able form. If your lender can not get you an estimate in 24 hrs, you really need to think about the availability this lender will have in answering your questions during the process, and therefore thinking about that being a reason to NOT use that lender. If they cannot get you an estimate in under 48 hours (assuming normal business hours, not including Saturday and Sunday), you REALLY might think about not using them. Your lender needs to be committed to serving your needs in a timely manner.

Important Quote: "Commitment is the stuff character is made of".

6. Now that you should have all your GFE's from the different lenders, just make sure that the lender you chose as your #1 is competitive or better than the other offers in comparison. You might even just ask **your #1** to match it and in turn you would work with him. Lastly, while comparing deals, if any one of the lenders has an estimate where the interest rate is more than .375% better than the others and the costs are similar, be very leery and get additional advice from your Realtor or ask him directly why his rate is so much lower. Lastly, make your decision on whether your #1 can compete so you can work with him, or pick the next best option in line. Have confidence in yourself, so that you can give your trust to your advisor, so that he can have confidence in working with you…the results are likely more favorable that way.

Important Quote/Definition: **con·fi·dence-** **1.** Having trust or faith in a person or thing: **2.** A trusting relationship: **3.** That which is confided; a secret: **4.** A feeling of assurance that a confidant will keep a secret: **5.** A feeling of assurance, especially of self-assurance. **6.** The state or quality of being certain:

If at any point along the way you did not like your #1 anymore and the other options were not good either, find another lender to throw in. If you run into discomfort and cannot find a lender you like after trying a variety of lenders, you might suggest taking yourself out of the "equation", and allow yourself to be advised and directed. Controlling personalities end up, in many cases, with 2 outcomes. 1)They end up working with someone willing to let the buyer (you) run the show (inexperienced Loan Officers work with anyone), where in turn the buyer won't "let go of the steering wheel", so the inexperienced buyer leads everyone through a very bumpy ride where the entire process is like running a mile with an anchor on your back, or 2) the buyers expectations are underachieved throughout the entire transaction because they did not allow the expert to set the expectations because they thought they could control the process themselves…even if it is your 3rd or 4th time to buy a home, you have no business setting your own expectations in a loan transaction. Loan officers live a life directly related to how the market moves, and if tracking their income as it goes up and down like a roller coaster from year to year is not enough to tell you how the market changes and how often it changes, listen to the news. That being said, a loan transaction today is very dissimilar from one a year ago.

Best of luck in your home search, and shopping!

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