

# Which Mortgage Is Best For Me?

**W**hich mortgage should you choose? A traditional Fixed-Rate Mortgage? A Graduated-Payment Mortgage? How about an Adjustable-Rate Mortgage? ...Or maybe a Two-Step Mortgage?

Are you wondering which kind of mortgage is best for you? The answer: There is no one correct answer. Deciding which type of mortgage will best fulfill your needs can be difficult, because there are so many types of loans and different term lengths to consider. Your choice is extremely important and can take some time and effort to research. And a little research before choosing your mortgage can often save you thousands of dollars in the long run.

There are several elements of a loan that should be analyzed. While one of these elements may suggest one type of loan, another may call for a different type. You must weigh each ingredient separately and collectively. You will find that your answers to the questions below may ultimately determine the type of mortgage that best fits your needs.

## *How long do you plan to stay in the home?*

Five years? Ten years? ...Thirty years? The length of time you will be in the home will certainly play a part in determining which loan to apply for. If you only plan to be in the home for 5 to 7 years or less, you might seriously consider an adjustable-rate loan. If you intend on staying 20 to 30 years, a fixed-rate mortgage may be the best choice for you.

## *How much risk are you willing to accept?*

If you are the type of buyer that needs to know exactly what you will be paying each month for the term of the mortgage, a fixed-rate mortgage may fulfill this need. The fixed-rate loan, however, will also probably net a higher interest rate. If you are willing to take some risk of fluctuations in the interest rate, you may be able to secure a lower interest rate.

## *What are your income expectations?*

Plan for the future. Do you anticipate a gradual or dramatic increase in your income in the next few years? If you expect a sizable increase, a graduated-payment mortgage may be best for you.

## *How much cash do you have available for up-front costs?*

If you have the resources, you may want to make a larger down payment to lower your monthly payment. By keeping a higher monthly payment however, you might be able to shorten the term of the loan to a 15-year mortgage in order to pay it off quicker.

Keep in mind that you'll have closing costs and fees to pay in addition to your down payment. If you don't have much cash saved for your up-front costs, don't despair. You may need to accept a higher monthly payment or even lower your monthly obligation by choosing an adjustable-rate mortgage.

In addition to choosing the best type of loan for your particular situation, you should also consider these points as well. Once again, several factors will influence your decision.

## **Annual Percentage Rate (APR)**

Ask about the APR. The APR reflects the cost of credit on a yearly rate and should also include any points and fees in addition to the interest rate.

## **Interest Rate**

Find out the interest rate and how long your lender will guarantee it. Get any commitments in writing. Remember, as with any legal transaction, if it isn't in writing it doesn't exist.

## **Points and Fees**

Points and fees can vary greatly. Ask your lender to explain any fees that you do not understand. Ask what they charge—what is included and what is not. Never be afraid to ask questions. Your lender expects you to ask lots of questions.

## **Loan Approval**

Both approval and funding time should also be considered. Under most circumstances and situations, your lender should be able to fund most loans within 15-30 days. Talk to your lender about the proposed time frame. If you are in a "pinch" situation, be sure to communicate that with your lender.

## **Work With Your Lender**

You should always feel comfortable working with your lender. He or she can help advise you on what kind of mortgage will best suit your needs now and in the future. Feel free to consult with your local lender today.

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# 5 Secrets to Buying the Best House for Your Money!

**D**o you want to get the best property you can for the least amount of money? Then make sure you are in the strongest negotiating position possible. Price is only one element in the negotiations, and not necessarily the most important one. Often other terms, such as the strength of the buyer or the length of escrow, are critical to a seller.

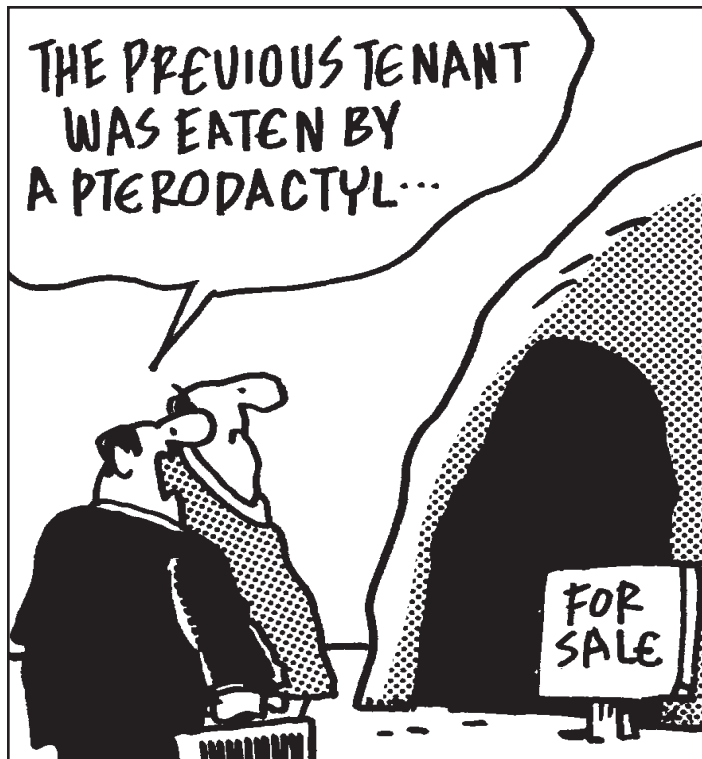
## 1. Get Pre-Approved

Some people recommend that buyers get “pre-qualified” by a lender. This means that you spend some time on the phone with a lender who asks you questions regarding your financial situation and history. Based on the answers, you are deemed “pre-qualified.”

While this is a good thing to do and may even expedite the buying process, it is usually better to get “pre-approved.” Becoming pre-approved simply means that all your financial information has been checked and verified. So instead of being just pre-qualified, you are actually *approved* for the loan you are seeking. The pre-approval process can take anywhere from a few days to a few weeks depending on your particular situation.

## 2. Sell First, Then Buy

If you have a house to sell, then sell it before selecting another house to buy! Contingency sales aren't nearly as strong as one that comes in with a ready, willing and able buyer. Consider this scenario: You have found the perfect house—now you have to go make an offer to the seller. You want the seller to reduce the price *and* wait until you sell your house. The seller figures that this is a risky deal, since he might pass up a buyer who *doesn't* need to sell a house while he's waiting for you. So he says okay, he'll do the contingency, but it



has to be a full price offer! You have now paid more for the house than you could have *because* of the contingency, and now you have to sell your existing house in a hurry! Otherwise, you will lose the house you want to buy! So to sell quickly, you might take an offer that's lower than if you had more time. The bottom line is that buying *before* selling might cost you more money.

Another tactic is to make the sale “subject to seller finding suitable housing.” Adding this phrase to the listing means that when you do find a buyer, you will have some time to find the new home. If you don't find anything to your liking, you don't have to sell your present home.

## 3. Play the Game of Nines

Before house hunting, make a list of the things you would like in your new home. Then make a list of the things you don't want. You can use this list as a guide to rate each property that you see. In the end, the one with the biggest score wins! This helps avoid confusion and can help keep things in perspective when you're comparing perhaps dozens of homes.

When house hunting, also keep in mind the difference between “style and substance.” The “substance” are things that *cannot* be changed, such as the location, view, size of lot, noise in the area, school district and floor plan. The “style” represents easily changed, surface finishes like carpet, wallpaper, paint color, and window coverings. Consider buying the house with good substance, because the style can always be changed to match your particular tastes.

## 4. Don't Be Pushed Into Any House

Your real estate agent should show you everything available that meets your requirements. Don't make a decision on a house until you feel that you have seen enough in order to pick the best one.

## 5. Exercise Caution When Calling Ads!

Keep in mind that the person writing the ad is representing the seller and not you, the buyer! The most important thing you can do is to have someone on *your side* looking out for *your* best interests. Your own real estate agent will critique the specific property with an eye towards how well it meets your needs, and will point out any drawbacks that you should know about.

Did you know that many homes are sold without a sign ever going up or an ad ever being placed in the paper? These great deals go to those people who are usually committed to working with one agent. When an agent hears of a great buy, who do you think he or she is going to call first? A valued client, who he/she has a legal obligation to work hard for—or someone who just called on the phone and said, “Hey, keep your eyes open”? ...So, to get the best buy on a property, contact your local real estate professional and stick with him or her. You'll be glad you did.

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