YOURMORTGAGE COPILOT

7 THINGS YOU NEED TO KNOW ABOUT MORTGAGES

1 BROKER VERSUS LENDER

A. A lender or banker loans their money directly to a borrower for a mortgage. They only have 1 set of interest rates for any given day

- **i.** Once you lock in an interest rate with that lender, there is no changing it
- **ii.** If their underwriters don't like something in your financial background, the deal could be dead

B. A broker like Aslan is able to shop over 65 lender's interest rates on any given day to find you the best deal.

- **i.** If rates improve, a broker can take your loan to a new lender to save you money
- **ii.** If one company denies a file, a broker can take the file to a different lender with a different inter pretation of your financial situation

2 WHOLESALE LENDING

A. People are familiar with the names of large banks

- **i.** Those big companies often have a small mortgage company that is a small portion of their overall banking or lending portfolio
- **ii.** You will often deal with a call center employee at a 1-800 number
- **iii.** They typically take 45-60 days to close a mortgage

B. A wholesale mortgage company exists for one purpose… originating mortgages

- **i.** You work directly with your personal mortgage broker throughout the transaction
- **ii.** With a hyper-focus on mortgages, these companies can close a loan from start to finish in as little as a couple of weeks

3 DISCOUNT POINTS – THE COST AND AVAILABILITY OF INTEREST RATES

A. At any given time, a wide variety of interest rates are available to you as the buyer or property owner

B. A par-rate is the interest rate where no points are paid and no lender credit is received.

C. You can always "buy" the interest rate down with discount points paid at closing. A discount point is equal to 1% of the loan balance (i.e. $4,000 on a $400,000 mortgage). Paying any amount of points gets you a lower than market interest rate which lowers your monthly payment. The more points paid, the lower the interest rate. 1 discount point paid does not necessarily translate to a 1% reduction in interest rate.

D. You can also go the other way and choose a higher than par interest rate. This will net you a lender credit that can offset your closing costs. With a higher interest rate, your monthly payment increases but your cash to close decreases.

4 CLOSING COSTS – LENDER FEES VERSUS THIRD PARTY FEES

A. Not all lenders are the same, carefully review the fees in Box A of an official Loan Estimate. These costs come directly from the lender and can include things like underwriting fees, processing fees, origination fees, etc.

B. The title fees are dependent upon the title company overseeing the transaction (if it is a purchase, the sellers typically choose the title company)

C. The taxes and recording fees come from your county of residence

D. If you are escrowing property taxes and insurance, the cost of setting that account up is the same no matter which lender you work with. Ultimately it depends on the month the first mortgage payment is due and when your next insurance and property tax bill is due.

5 ESCROW ACCOUNTS (A SAVINGS ACCOUNT FOR YOUR TAXES AND INSURANCE)

A. Your property taxes are either paid once or twice a year and your homeowner's insurance premiums are paid annually.

B. You can choose to make those payments on the due date with the appropriate parties or you can have your mortgage company take care of those payments for you.

C. For example, If your taxes are $4,000 per year, you can choose to pay the taxes in monthly increments of $333.33 as part of your monthly mortgage payment. The mortgage company will then put that money in a savings account and make the lump sum tax payments on time. This gives you the peace of mind that your taxes are correctly paid on time and helps you budget for that large annual expense.

D. When starting a new loan, the amount that goes into that escrow account varies depending on when your next payments are due. If your taxes are due in June and your first mortgage payment is due in May, then we'll likely collect the full amount of taxes due to the county at closing and deposit them into that savings account. From that point forward, you'll just pay the monthly deposits.

E. We can roll that escrow deposit into your new loan amount so that you don't have to bring any cash to close on a refinance.

6 FLEXIBLE TERMS

A. Have you been paying your mortgage faithfully every month for 7 years and don't want to reset your loan to 30 years again? Work with me and I can get you an exact term mortgage for 23 years.

B. We can also get you an interest rate down to the 100th of a percent rather than the typical eights (i.e. 3.567% rather than 3.625%)

7 BI-WEEKLY PAYMENTS

A. Want to pay off your mortgage more quickly but you have a difficult time saving up the extra cash? Try this simple strategy and shave **5 YEARS OFF A 30 YEAR MORTGAGE**.

B. If your mortgage is $3,000 per month, pay $1,500 every other week rather than $3,000 once per month. With 52 weeks in the year, that means you'll make 26 half-mortgage payments or the equivalent of 13 full monthly mortgage payments.

C. Your budget will hardly know the difference but that one extra full monthly payment will help save you thousands of dollars and shave years off your mortgage.

Courtesy of Elliott Bowman, Your Mortgage Copilot powered by Aslan Home Lending, NMLS #1982189

(206) 949-5563 elliottb@aslanhlc.com www.YourMortgageCopilot.com