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How to Get the Best Interest Rates – Be a Smart Shopper

Getting the best interest rate on your home mortgage loan is a product of several factors. One of the biggest of these is, of course, your credit score. Unfortunately it usually takes many months to a year to make significant improvements to your score. So if you are determined to buy soon, the next most important factor is knowing the right way to shop for your mortgage.

The first rule of thumb is to shop around. If you only talk with one lender, you will have no idea whether the rate he offers you is fair or not. The best way to get the lowest rate possible is to meet with many lenders and compare their offers. Don't be afraid to tell one lender what another lender offered you. That may give him incentive to drop her price in order to snag your business. Even though the lender might get less in interest from you, he will still be getting interest. Both you and he profit from the deal.

Mortgage interest rates fluctuate daily, sometimes even more than once a day. For this reason, the smart mortgage shopper will try to do all his shopping on one day. Doing this will give you the most accurate comparison of the offers you receive. Plan to talk with several different lenders and get a rate quote and good faith estimate from each one that day. Many lenders will offer a low interest rate but beef up the loan price by tacking on higher closing costs. A loan with a higher interest rate may actually be cheaper if the closing costs are smaller. If possible you should get an estimate of the APR or annual percentage rate from each lender. This rate incorporates both the mortgage interest rate and the cost of the settlement fees and will make it easier to compare the real cost of the loan.

Another important part of getting the best interest rate is making sure you are comparing similar loan products. Don't try to compare the rate of a 30-year fixed mortgage to a one-year adjustable rate (ARM) loan! The rate on the ARM will be much lower, but that only represents an introductory rate. The only way to know that you are getting the best rate possible is to keep the comparisons equal by only comparing apples to apples.

Once you have found a good rate and are ready to proceed with the loan application, you will probably want to lock in that interest rate. You do run the risk that rates might drop before the loan closes, but you will be protected from any rising trends. In general, it seems that having to pay more for something is much more painful than losing out on an opportunity to save some money. Getting a rate lock will give you peace of mind, and some lenders may even allow your decrease a little if rates go down a lot before your loan closes.

When it comes to getting the best interest rate on your loan, practice your smart shopping skills by shopping around, shopping quick and shopping similar products. Knowing the right way to shop could end up saving you thousands of dollars!