

A HANDY GUIDE TO BECOME AN EXPERT IN SHOPPING LOANS

The only way to help your buyers truly get the best price on their loan is to understand how to sort through the confusion of the loan shopping process. Lenders are salespeople and are experts at sales. Once you understand the psychology used on buyers and you are able to compare actual costs of the loan, you will be a true asset and friend to your buyers.

BEWARE OF THIS TRAP - Lenders know the buyers' mental state in the home buying process. Therefore lenders will try to do anything to get the application from the buyers and pull their credit for free. If buyers pull their credit or fill out the loan application without any conditions before being ready to lock and emotionally bond with the lender, the buyer will be reluctant to shop at lock time. If a lender knows that the buyers are not shopping or don't know how to shop, the buyers will overpay for their loan.

PSYCHOLOGY OF LOAN SALES

Buyers hate to fill out a loan application and will usually be willing to pay more for a loan if asked to fill out another application, even if they know it will save them money. It is that painful of a process.

Loan Application Made Prior To Lock Date

This has advantages and disadvantages for the buyer's agent and buyers.

Advantages – 1. Buyers know they are qualified for loan; 2. Buyers know how much they are qualified to borrow; 3. Buyers know what program is best for them; 4. Buyers can clean up any credit problems, if necessary; 5. Buyers can have all the documents in their file to properly obtain underwriting without any last minute pressure of a closing date; 6. Gift letters and receipts, if applicable, can be handled properly; 7. A pre-approval letter can be part of the offer; 8. Buyers know exactly which loan program to shop at lock time; 9. Buyer's agent and buyers will not have any surprises that could delay closing and jeopardize the purchase; 10. Buyers can shop their loan program and know they are getting the cheapest loan without any pressure.

CAVEAT: The buyer's agent should know which lender is likely to offer the cheapest loan. The buyer's agent should know how much each lender charges in junk fees by having a sample copy of a Good Faith Estimate from each lender. When a lender takes an application from a buyer, there are costs and time involved to that lender. Therefore, it is ethical and considerate for the buyer's agent to give the lender the following admonition: "I am willing to send you a buyer to do a loan application with no obligations on the buyers' part. I want you to pre-approve the buyer and determine the exact loan program for this buyer. On the day we are willing to lock the loan, we will shop the loan with other lenders. We are asking you to guarantee in writing that you will match or beat any lender on that day so that my buyers gets the cheapest loan on the market. If you do not, you will transfer, at no cost to the buyers, the buyers' file, including the appraisal if completed, to the other lender in a timely fashion." This is the only way to guarantee to get your buyer the cheapest loan and treat the lender ethically and fairly. RATE ONE WILL MAKE SUCH A GUARANTEE IF RATE ONE OFFERS A PROGRAM FOR YOUR BUYERS IN ACCORDANCE WITH OUR INTEREST RATE CHALLENGE.

Disadvantages – 1. It's not fun for buyers to fill out the loan application and gather documents.

Loan Application Made On Lock Date

Advantages – 1. Buyers can shop their loan program and choose the cheapest lender; 2. Buyers know they are locked on a loan.

Disadvantages – 1. Buyers must be careful not to become beholden to a lender prior to the lock date without the above admonition; 2. Buyers must clean up any credit problems, if necessary, under a time constraint; 3. Buyers must submit all documents to properly obtain underwriting without having any last minute emotional pressure of missing the closing date or having their loan lock expire; 4.

Gift letters, bank statements and receipts, if applicable, may hold up closing or change the loan program; 5. The buyer's agent and buyers will not know of any surprises that could delay closing and jeopardize the purchase.

SHOPPING THE LOAN

1. Get a sample Good Faith Estimate from a few lenders that you determine to be honest and dependable. This will determine each lender's junk fees. Keep them on file for reference.

CAVEAT: You cannot shop for a lender using a GFE prior to lock date. All third party fees, prorates, taxes, insurance, mortgage insurance, title, impounds, etc will be the same at closing with every lender, but are usually understated on your local lender's GFE to make the bottom line cash needed seem lower. You should choose your lender on lock day.

2. Determine the exact loan program your buyers will be getting.

3. Obtain an accepted sale contract on a house.

4. On the lock date, you only need to ask each lender their rate for your buyers' program. You already have each lender's junk fees in your file.

5. Choose the cheapest lender based on junk fees and rate. Use our handy form to show your buyers that you have gotten them the cheapest loan.

**Rate One Mortgage is dedicated to Exclusive Buyer's Agents. Please call with any questions so that we may better serve your buyers.
Phone Toll Free (866) 307-0420**