

# CULTURE MORTGAGE

## Is it wise to get preapproved with more than one lender to compare rates?

It is never a bad idea to get pre-approved with more than one lender, however recognize some of the pitfalls in doing so, so you do not over analyze yourself into working with a lender that is actually more expensive, and offering the same level of service.

Point in fact depending on the secondary market lender's price quotes will vary as secondary fluctuates throughout the day and weeks. When discussing pre-approval very rarely are rates locked at this point in time (it is simply too early in the process in most instances). If you understand that rates can fluctuate during this period because you are "floating" (in other words your interest rate is not locked yet), you must also understand that if you get a quote from a lender on Monday, on Tuesday the market drops and rates rise, and then you get a quote from another lender on Wednesday - the quote from the lender on Monday is no longer applicable due to the rate changes on Tuesday; comparing the two side by side would be misleading because the first lender quote would not take into consideration the rate changes on Tuesday. Therefore one may make the mistake of picking the first lender, when in fact the second lender is charging less, it just doesn't seem like it because they are reflecting current market, not archived pricing no longer available.

For this reason, when comparing lenders, it is important not to talk in "rate" terms. Discuss their particular fee for service, and agree to a set number that will not change 1% for example. or .75%. Once the lender's fee for service is established (get them to put it in writing), where they make their money on the front in origination or on the back in yield spread, it does not matter they are making the same amount regardless. Now if you have two lenders that have agreed to a specific fee they will charge, you can negotiate off of this number rather than the rates they are representing. You will be far more efficient operating in this capacity and negotiating lower fees than arguing in terms of rate.

That is not to say rate is not important, and that certain lenders are able to offer better rates than others. For this reason it makes sense for you to get pre-approved with at least one broker who will have far more options than any single direct lender or corner bank. A single broker can be approved with hundreds (literally the number is only limited by the number of lenders operating in your market) of banks or lending institutions, all with different niches. Allowing them to utilize their expertise in identifying the right lender for you catering to your niche, will inadvertently mean better rates and terms simply because they have taken the guess work out of which lender is right for you. If you are concerned about broker fees, understand they quote wholesale rates as opposed to retail rates which direct lenders quote. A responsible broker will make sure their fees come on lower than retail lender fees to ensure your continued business, and future referrals.

When considering brokers understand one lender can offer a better rates to different brokers depending on tier status. Tier status is a means of reflecting a broker's closing ratio. If a broker consistently closes locked loans as opposed to cancelling locks, they will cost the lender less money (cancelled locks, and deals underwritten but not closed cost the lender money) and as a reward they offer brokers with good habits better pricing. There are three tier positions, 1st being the best position of the three. I make this point because if you are working with two brokers one of which is of a higher tier, they will probably be able to get better pricing for you.

Should you elect to get pre-approved with more than one lender (broker or otherwise) keep in mind that you will want to provide all information to both lenders, that is a complete loan application and credit. If you don't want your credit run a second time, get the full credit report from the first lender that ran it and give it to the second so he can accurately input your liabilities and credit scores on the application. Providing a complete application will help ensure no surprises in the future, incomplete information is never a good idea and will almost always lead to inaccurate rate quotes.

Also understand when comparing lenders that certain fees represented, namely third party fees- title insurance, escrow, home owners ins, etc... are fees that will vary depending on the title and escrow company used. Inquire into

1615 DICKEY ST. FALLBROOK CA 92028

831.325.6959 PHONE 866.321.5467 FAX

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which company they will be working with, and if the fees quoted on the good faith are estimates pulled out of thin air, or if they have been quoted by the escrow/title officer and are firm figures. Especially in purchases, these figures can change depending on the companies chosen for service, also understand that you are never obligated to use a particular escrow/title/insurance company, those are your choices, although many elect to defer the decision to their agent or loan officer.

Finally, realize how important a rate lock is, and once your rate is locked request confirmation from your lender. Lock confirmation is something produced at the time your rate is locked. It outlines all the terms of the loan, program type, rate associated, cost or rebate paid with locked rate, date of expiration, etc... As important as a lock confirmation is do not rush yourself into getting one. Longer lock periods cost more, and taking a shorter lock period only to have it expire, will cost you in extension fees. Discuss you lock with your lender, take as short of a lock as you can without running the risk of it expiring, and finally know your lenders renegotiation policies. If you have a rate locked and the market improves dramatically you want to make sure your broker will and can renegotiate the rate for more favorable terms. Some brokers and lenders do this, others do not.

Although this is a lot of information, getting pre-approved means doing your homework, which means finding out very specifically how a lender conducts business. Make the necessary inquires, and use the information above to guide your questions, whichever lender you end up talking to will have the impression that you are not someone they should try to take advantage of. Let them know you are speaking with more than one lender. Ask the tough questions, tell them their fees are too high (at least once - see what happens, how they react), I assure you this will not result in their raising their fees, and finally please go to you state department of real estate website and make sure whomever you are working with is licensed. [www.dre.ca.gov](http://www.dre.ca.gov) is the CA DRE website, here you can look up individuals to see if they are licensed to practice real estate in the state of CA. Not everyone practicing is licensed, make sure you are working with someone that is.

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