



Legal Services of Southern Piedmont
1431 Elizabeth Avenue, Charlotte, NC 28204
Telephone: 704.971.2622 ~ Fax: 704.376.8627

www.lssp.org
Client Help Lines

Mecklenburg County 704.376.1600
Outside Mecklenburg County 800.438.1254
Spanish Language Line 800.247.1931

MORTGAGE AND HOME EQUITY LOAN TIPS

1. APPLY FOR YOUR HOME LOAN THROUGH THE BANK, SAVINGS AND LOAN, OR CREDIT UNION WHERE YOU USUALLY DO BUSINESS. Interest rates, costs and fees are usually lower through conventional lenders. Many subprime borrowers actually qualify for conventional loans with lower costs and lower interest rates.

2. BEWARE OF FINANCING CLOSING COSTS AND FEES. When you pay the closing costs with the mortgage loan, you are securing those costs with your home. Remember, the more you borrow against your home, the less equity you have. Building equity in your home is the first and best way to build personal wealth.

3. REFINANCE ONLY IF YOU NEED TO OR IF THERE IS A FINANCIAL BENEFIT TO YOU. Each time you refinance your mortgage, you incur more costs – even with a conventional loan. If you finance the closing costs and then refinance within a few months, you must payoff the old loan that INCLUDES THE OLD CLOSING COSTS and then finance NEW costs and fees. Each time you do this, you lose equity in your home.

4. MAKE SURE THAT YOU GET THE BEST POSSIBLE DEAL. Whether you are refinancing or applying for a mortgage to buy your house, you should shop for a loan deal the way you would shop for a car deal – you want the best price. Apply with different lenders and compare APR's. The lender is required to give you a "Good Faith Estimate" of closing costs prior to closing. If they don't, ask for it.

5. CONSULT AN ATTORNEY OF YOUR CHOICE. Even though the borrower pays attorneys fees at closing, the attorneys arranged by the lender actually represent the lender or the settlement company. If you chose for your attorney to either conduct the closing or to review the documents for you, that person is representing YOUR best interest and can advise you on the details of the loan. If you are refinancing and go to the lender's attorney, you still have three business days to cancel the deal so your attorney can look over the documents for you even after closing.

6. UNDERSTAND MORTGAGE BROKER FEES. You do not need a mortgage broker to obtain a mortgage loan. Their fees are based on a percentage of the total loan amount, commonly 1% to 1.5%, but often run as high as 3% or more. (On a \$60,000 loan, a 3% brokers fee is \$1800). Borrowers pay those fees, often financed in the mortgage. Lenders sometimes pay mortgage brokers an additional fee or premium for selling the loan at a higher rate of interest than the borrower actually qualifies for.

7. MAKE SURE YOU UNDERSTAND THE COST OF YOUR LOAN. The APR, or annual percentage rate, is a number that shows the cost of borrowing money as a percentage of the amount you actually receive for your own benefit. APR is not just interest. It includes most of the costs of actually borrowing money, for example, mortgage broker fees, loan origination fees, discount points, and other costs and fees paid to the lender as well as the interest. The higher the APR, the worse the deal. You can borrow the same amount of money at 7% interest from two different lenders but if the closing costs are much higher at one lender than the other, the APR, or actual cost of the loan, can be much higher. That can cost you thousands in added interest and fees.