



10 Questions to Ask Lenders Before You Choose One

So you've made the decision to buy property – how exciting! Now comes the question of payment. How will you pay for this and what is your best option for doing so? **If you're seeking financing through a lender it is important to remember one thing: *they are competing for your business and you should let them do it.*** Of course this is assuming your financial standing is good and you qualify for a loan in the first place. Once you've satisfied that requirement, it's time to shop around. It's easy to become overwhelmed by the process and choose the first lender who is willing to give you the money you need, but it may not always be in your best interest to do so.

Below are some questions you should ask a lender before you choose them to fund your purchase. You can compare their answers to decide who you want to work with most, and who you trust most to honor their agreement and/or work with you should hard times come. Be sure to note how quickly they respond to your inquiries and 'how' they answer. Were they timely, detailed and accurate in their response?

1. What fees will I be paying at closing for this loan, and is it wrapped into the loan amount or will I have to come up with the cash myself?

Real Estate transactions can become complicated – there are many fees between the title company, the lender, the government, the buyer, the seller, HOA's, the county and local municipality charges. That's a lot of hands in one bucket. The last thing you want to do is have surprise fees thrown at you right before closing! Be sure to find out about ALL the possible fees an institution will place on you prior to or at closing. You might think the 5% down (or whatever you've negotiated with your lender) is all you'll be responsible for, but that's very rarely the case.

2. What is the underwriter looking for from me, as a buyer?

The representative you're working with directly to get your loan is not the underwriter who will be the person to ultimately grant or reject your loan application. This is good and bad. It's great because they can't really show prejudice against loan applicants because all they know is what's

on the paperwork they've been given by the loan officer. However, they have no relationship with you and know nothing about your integrity, work ethic, explanation for your work history or the pressing need you have for this money; so they can reject an application without a second thought. If you're judged solely on their formulas, what does that equation look like? Some lenders don't want your business. Some lenders really only want to make certain types of loans or have financial standards or cut-offs for the type of applicant (financially speaking) they want to lend to. Some of their answers might include being able to prove the origination of all money in your bank accounts within a certain period of time, debt-to-income ratio, credit score, length of work history, etc.

3. Is there anything I can do to improve my standing in the eyes of an underwriter that would help me get better loan terms?

You might have the house-buying bug and may feel anxious to buy ASAP. Maybe your lease agreement is ending soon or you're relocating to a new city. Whatever the situation is, you might not be fully ready to buy at terms that are most advantageous to you. Even if they're willing to lend to you, is there anything on your credit report or debt you need to assume or pay off that would make you a better buyer, thus resulting in better loan terms? These types of things can sometimes be remedied within just a few months and could really make a big difference over the life of a loan.

4. How often will you be in contact with me, my REALTOR and Title throughout the home buying process?

One of the most important aspects of choosing a lender is their communication ability. Many real estate deals have died just before closing because an underwriter found something in a buyer's file they didn't like, that can't possibly be fixed within the short time frame between then and closing, so the loan is denied. At this stage of the deal a buyer has most likely paid for inspections and an appraisal to be done, and would be out that money without any fault of their own! However, if your loan officer is someone who stays on top of your deal and is in daily communication with you/your REALTOR, they could've addressed the issue much sooner, giving buyers the chance to fix the problem and close on the property as planned. In my experience, lenders can make or break a real estate deal, regardless of their actual ability to finance. You're choosing a person, not just an institution. If you like a lender but not the loan officer you're dealing with, request a change and work with someone you trust more or communicate with better.

5. How many loans have you closed in the last month, and how many of them had delayed closings due to financing?

Here is your chance to see whether the loan officer you're speaking to is on their game or not. Will they work on your transaction regularly or do they let it pile up on their desk or in their inbox and only address it once a week or whenever they're compelled to give information to someone asking for something?

6. How available do you make yourself if I have questions or something changes in my deal?

Sometimes situations change from the time you got your prequalification letter to the time you make an offer or close on a home. You'll want to work with someone who is willing to take your calls and respond promptly if the situation requires it.

7. How are you competitive with other lenders? Do you offer to cover the appraisal fee or any other fees?

Just put it out there directly; why should I work with you over other willing lenders? They stand to make a good profit on your purchase over the life of the loan, so see what they can do to win you over! Is there any type of home or property that would be difficult to provide lending for?

8. Are there any prepayment penalties?

Governmental regulations for lenders have tightened greatly since the market crashed in 2008 so lenders have many constraints on what they can and cannot offer with their loan products. One of those should be no prepayment penalty, depending on the type of loan you're asking for.

9. Can you approve loans in-house? Will you keep my mortgage in-house or does your institution sell them off to another party?

Many credit unions, private lenders, hard-money lenders, and mortgage companies can approve loans in-house. However, some banks and other institutions have underwriters at various locations that choose to approve or deny loans offsite. In these situations they often times have more stringent loan requirements than someone operating locally with a smaller bureaucracy to deal with. If hard times come knocking at your door a few years down the road they're usually more willing/able to

work with you on creating a modified payment schedule than a big bank might be.

10. What type of loan would work best for me? What is the annual percentage rate (APR)? What is the interest rate? Do you have any special programs going on right now?

Discuss your goals with the lender and ask them what product they sell would be best for your specific goals/situation. If you've told them you plan on paying your loan off quickly and that you have the down payment money ready to go, they shouldn't be trying to sell you a 30-year loan with no down payment. Remember, just because you don't have to pay it up front doesn't mean you won't be paying it. It may be built into the loan amount and then you'll be paying lots of interest on it over the life of the loan. Sometimes lenders can assist buyers in utilizing down-payment assistance grants that may be of interest to you if you don't want to pay much money up front, or if you're unable to. Do some homework before you go in to speak with them. Have an idea in mind for the loan you're interested in obtaining and see if they are speaking to you honestly about products that truly serve your best interest, or if they are trying to sell you something that comes with higher fees that doesn't accomplish your home buying objectives.

*****This list is not intended to be all-inclusive.**

If you have any further questions or would like assistance with selling or buying real property, please feel free to call or e-mail me!

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