

# Does **Low Rate** = Good Deal?

You may be surprised to learn that the answer to the above question is often times an emphatic **"NO"**!

The average consumer is constantly subjected to a vast array of mortgage solicitations that can drastically alter the consumer's perception of a "good deal". Often times mortgage advertisements lead with "rate" which is commonly thought of as the barometer by which a good mortgage deal may be measured. There are several important factors that must be considered when selecting a home mortgage solution, regardless of rate.

- **Is PMI (Private Mortgage Insurance) included in my payment?**
- **What are the total Settlement Fees and are points included?**
- **Is the rate Fixed or Adjustable and is there a prepay penalty?**

Many borrowers may qualify for a loan that does not require a PMI payment even if the loan to value is greater than 80%. The rate may be up to .5% higher than a loan with PMI, but the payment may be substantially lower than a loan that contains PMI. Plus your client may receive a substantial tax benefit from a loan without PMI.

Lenders advertise mortgage rates that contain various closing costs. For instance 5.25% fixed may contain \$5000 in origination fees. 5.875% may contain \$0 in origination fees. In many instances it may take 10 years to recover the cost of origination fees in terms of payment savings. Plus, your client forgoes the opportunity to invest \$5000 in a equitable account that may earn 10% per year. Was the lower rate truly the best deal for that client?

The rate and terms can vary on all loans so it's important for the borrower to select the term that is appropriate to the financial needs of your client.

As always let us know how we can enhance your business!



## **Executive**MORTGAGE**Consultants**

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