Money Matters

There's A Lot More To A Mortgage Than Just Your Interest Rate

(NAPS)—A home mortgage is one of the biggest expenses a consumer will undertake. That's why it's important to look beyond interest rates to help get the lowest possible costs.

"When homebuyers look purely at interest rates, they don't get a complete picture of what they're paying for a mortgage," says Glenn Brunker, mortgage executive for Ally Home, the direct-to-consumer mortgage unit of Ally Bank. "Ignoring other aspects may mean you're not getting the mortgage that's right for your specific financial situation or leaving you without extra cash for home improvements or emergency funds."

To find a mortgage that's right for your budget, evaluate such factors as points, loan closing fees and other funds that may be required upfront at closing.

Points

You might have heard someone mention "points" when talking about a mortgage.

Discount points, commonly known as points, are fees borrowers pay directly to a lender at closing to get a lower interest rate. One point is equal to one percentage point of your mortgage. For example, if you have a 30-year, $275,000 mortgage and your lender charges you one point, you'll have an upfront charge of $2,750.

Points can be your friend to help lower the rate—but only when you understand how points work and the right strategies to use them.

Closing Costs

When purchasing a home, most consumers are focused on the amount of interest on their mortgage and rightly so. But you also need to prepare for expenses associated with closing, such as appraisal fees, escrow payments and deed preparation fees.

The real estate site Zillow reports closing costs typically run around 2 to 5 percent of a home's purchase price. But closing costs can differ from lender to lender by hundreds or even thousands of dollars—so be sure to compare fees to help keep some cash in hand.

When you buy a house, it's a good idea to make sure you understand all the costs involved.

Future Expenses

Buying a home comes with a variety of ongoing expenses. Repairs and potential renovations are obvious costs, but don't forget about expenses such as homeowner's insurance premiums and property tax.

Homeowners are often required to pay these charges up front as part of their monthly mortgage payment. Lenders hold the funds in what's called an escrow account and then make the insurance and tax payments on your behalf. This ensures these expenses are paid on time and protects the lender from tax liens and other financial losses.

To understand more about the mortgage process, you can download the free Mortgage Playbook at www.ally.com/playbook. Getting the house of your dreams at a price you can afford is the smart way to truly call it "Home Sweet Home."

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