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6 Things You Must Know About Mortgages

Mortgage regulations have changed significantly over the last few years, making your options wider than ever. Whether you are about to buy your first home, or are planning to make a move to your next home, industry research has revealed that there are 6 common mistakes that most home buyers make in mortgage shopping that can have a significant impact on the outcome of this critical negotiation.

1) You can, and should, get pre-approved for a mortgage before you go looking for a home

Pre-approval is easy, and can give you complete peace of mind when shopping for your home. Your local lending institution can provide you with written pre-approval for you at no cost and no obligation, and it can all be done quite easily over the phone. More than just a verbal approval from your lending institution, a written pre-approval is as good as money in the bank. It entails a completed credit application, and a certificate that guarantees you a mortgage to the specified level when you find the home you're looking for.

2) Know what monthly dollar amount you feel comfortable committing to

When you discuss mortgage pre-approval with your lending institution, find out what level you qualify for, but also pre-assess what monthly dollar amount you feel comfortable committing to. Your situation may give you a pre-approval amount that is higher (or lower) than the amount of money you would want to pay out each month. By working back and forth with your lending institution to determine what this monthly amount is, and what value of home this translates into at today's rates, you won't waste time looking at homes that are not in your price range.

3) Consider your long-term goals and expected situation in order to best suit your needs

Before committing yourself to a certain type of mortgage, there are a number of questions you should be asking yourself. How long do you think you will own this home? What direction are interest rates going in, and how quickly? Is your income expected to change (up or down) in the near term, impacting how much money you can afford to pay to your mortgage?

4) Understand what prepayment privileges and payment frequency options are available to you

More frequent payments (for example weekly or biweekly) can literally shave years off your mortgage. Simply by structuring your payments so that they come out more frequently, will significantly lessen the amount of interest that you will be charged over the term. For the same reason, authorized prepayment of a certain percentage of your mortgage, or an increase in the amount you pay monthly, will have a major impact on the number of years you will have to pay and could shorten your payment term considerably. However, not every mortgage has these prepayment privileges built in, so make sure you ask the proper questions.

5) Ask if your mortgage is both portable and/or assumable

A portable mortgage, where available, is one that you can carry with you when you buy your next home and avoid paying any discharge penalties. This means that you will not have to go through the entire mortgage process again unless you are making a move up to a much more expensive home. An assumable mortgage is one that the buyer for your home can take over when you move to your next home. This can be a very powerful tool at the negotiating table making it much easier and more desirable for a buyer to buy your home, and again saves you any discharge penalties.

6) You should seriously consider dealing with a Mortgage Expert

Consider dealing only with a professional who specializes in mortgages. Enlisting their services can make a significant difference in the cost and effectiveness of the mortgage you obtain. For example, they can make the process faster thereby avoiding costly delays. Typically, there is no cost or obligation to enquire.

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