

## How to shop for your mortgage rate

**We can help you understand mortgage rates and find the right loan options.**

Your home is probably the biggest investment you will make and it's also probably your biggest expense. So when you are looking for a mortgage rate, you want one that will keep your payments affordable and save you money throughout the life of the loan. Here are a few factors that will affect your rate and what you can do to secure the best mortgage rate.

### 1. Check your credit

Lenders will look at your credit score to determine if you qualify for a loan and at what interest rate. The better your credit score, the lower your rate will be, so it's important to get a copy of your credit score in advance to correct any issues.

### 2. Determine the type of mortgage you need

- VA loans. If you're a veteran, there are special VA loans backed by the U.S. Department of Veteran Affairs which offer benefits such as a lower credit score requirement, no down payment and lower interest rates. [VA loans](#) can only be used for your primary residence.
- Conventional loans. These loans require a down payment of at least 20% to avoid paying Private Mortgage Insurance (PMI), but you can use it to buy a primary, secondary or investment home. In addition, a higher credit score is usually needed for a conventional mortgage loan.
- FHA loans. These loans are insured by the Federal Housing Administration. FHA loans have low down payments and more forgiving credit score requirements. An [FHA loan](#) requires a monthly mortgage insurance premium (MIP), but premiums may be lower than PMI payments you may get from a conventional loan. Like VA loans, they can only be used for a primary residence.
- USDA loans. These loans are guaranteed by the U.S. Department of Agriculture for eligible rural homebuyers. USDA loans offer no down payment, low interest rates and are attractive for low- or moderate-income applicants. The goal of the program is to provide an opportunity for individuals to own an "adequate, modest, decent, safe and sanitary dwelling as their primary residence in eligible rural areas." Check out the USDA website for a map of eligible areas to

see if your location qualifies.

### **3. Consider your loan terms.**

- Fixed interest rate. This is a loan that offers the same rate for the life of the loan. There are terms such as 15, 20 or 30 year, which spreads the repayment period of the loan out over the time you choose. A benefit of a fixed rate is that the payments are the same throughout the loan. It's best for buyers with a steady income and who plan to stay in their home for a longer period.
- Adjustable interest rate. An adjustable-rate mortgage (ARM) is a loan where the interest rate varies throughout the life of the loan. The interest rate may be fixed for a period of time (i.e. introductory rate) after which the rate adjusts periodically based on an index. When your interest rate adjusts, monthly payments can go up or down.

### **4. Contact some mortgage lenders.**

Research the lenders and make sure the company you choose is one you feel comfortable with and know will be with you every step of the way. They should be focused on making the process easy for you and have your best interest in mind. A good lender will be responsive to your questions and keep everything on track through closing. Freedom Mortgage is that personal lender dedicated to providing the best customer experience and helping you sort through the various mortgage loan options available.

### **5. Consider all the borrowing costs.**

When doing your research look at all the costs that go into the loan. Ask your lender for a list of fees and what they cover, so you're prepared and can determine if you can pay them at closing or will need to roll them into your loan.

### **6. Pick the mortgage interest rate.**

Look at all factors when choosing your rate. Make sure you compare the term, points, and other requirements. Points can add more costs to the loan (each point is 1% of your loan amount) but can also help keep your interest rate low. If you plan on staying in your home for a while, you may want to pay points. Also, look at the rate compared to your term. If you have a higher interest rate



on a shorter term, you'll pay less interest over the life of the loan since you'll be paying the loan back faster. Make sure you choose a rate you feel comfortable with and are able to pay for the duration of the loan.

## **7. Lock in the rate.**

Once you determine the best rate for your needs, lock it in. There may be a lock-in fee, but some lenders will apply it to the loan after closing. Get the rate in writing, finish your application and get pre-approved. This will help you move the process forward more quickly and show your official intent to buy to the seller and realtor.

Check out our [affordability calculator](#) to help you compare rates and get a general idea of your monthly mortgage payment.

Freedom Mortgage is committed to helping Americans achieve the dream of homeownership. Would you like to speak to one of our loan specialists about your mortgage rate options? Then call 877-220-5533 or visit our [Get Started](#) page.

**NOTES & REMINDERS**