

5 tips for getting the best mortgage deal

Your broker may be expecting a commission from the lender, so do some research, seek advice and don't let yourself be rushed into signing anything.

By Ruth Mantell, MarketWatch

Think you're getting a good deal from your mortgage broker? Try looking at the fine print.

Your mortgage broker could be getting paid by a lender to sell you a loan. The practice is perfectly legal. It's also controversial. Critics complain that brokers looking for a fat check from a lender can lead consumers into unnecessarily pricey loans.

"One thing that consumers need to understand is that a broker's interest is not always aligned with theirs," said Ira Rheingold, general counsel with the National Association of Consumer Advocates. "You need to be very wary, despite what the broker may say about getting the best loan for you."

Mortgage brokers can get paid two ways. They can get a fee from you. They can also collect a premium from a lender that is based on the rate of the loan -- and the higher the rate, the more they make.

And that's where the trouble begins, consumer advocates say. Brokers describe themselves as independent contractors, meaning that they provide services to consumers as well as lenders.

Borrowers don't need to despair, though. Experts say there are ways to make sure you're getting a good deal from your mortgage broker.

1. Do your homework

Some fees and rates are negotiable -- so don't say yes to the first deal you hear.

"My first advice would be to shop around. Check with a variety of lenders," said L. Jean Noonan, a partner at law firm Hudson Cook and former associate director for credit practices in the Federal Trade Commission's Bureau of Consumer Protection.

Also, consumers should be wary if their broker is offering a nontraditional mortgage that doesn't require full documentation of income and assets.

"Those mortgages almost always carry a high interest rate, and the consumer should be very sure that that's the right mortgage for them," Noonan said. "If they are able to document their income and assets, it's almost always worth doing that and getting a more favorable rate."

It's important to understand all of the fees, as well as the interest rate, associated with a loan.

"An inexperienced or fast-talking broker may not explain it well. A good broker understands his business is largely referral business, and unhappy customers don't give

referrals," Noonan said.

2. Bring a buddy

If you're no real-estate expert, get help from someone you trust -- other than the broker.

"It's fine to bring someone with you who can help stand up for you if you're feeling pressured," Noonan said.

The key is to ask for help from someone who isn't getting paid. You can turn to a homeownership counselor, or friends and family with professional expertise or at least experience in real estate.

"Consumers should not rely on brokers, when all is said and done, to find them the best loan to take. They ought to turn to experienced professionals who can give them candid and informed advice," said Allen Fishbein, director of housing and credit policy at the Consumer Federation of America.

3. Don't be shy

It's important to ask questions, experts agree.

"You want to look for the loans that best meet your needs and budget," said Carole Reynolds, a senior attorney with the Federal Trade Commission's Division of Financial Practices.

You need to know whether the loan has a fixed or adjustable interest rate, whether it includes a balloon payment and how soon you could face an interest-rate adjustment.

"You should understand these points before you become obligated, because otherwise you may end up in a mortgage that is not truly right for you and that can lead to a payment shock," Reynolds said.

And, perhaps most important: Be wary of terms such as "no cost" and "no fees."

"You really need to look into the loan," Reynolds said. "You should be comfortable and understand the terms before you sign."

4. Don't sign under pressure

Take a deep breath, and remember that you are in charge of choosing the best mortgage for yourself.

"When brokers use high-pressure tactics, if a broker presses them to sign a contract, that should be a telltale sign that this broker is someone they should be wary of," Fishbein said.

Don't sign a contract you don't understand just to get the process over with.

"You are paying for settlement services, and you shouldn't sign the papers and leave before you understand everything," Noonan said. "Don't rush to the settlement. When a

purchase is hanging in the balance, they can still walk away, but it is much harder to do. There's a time pressure to close by a certain date."

It's easy to be intimidated at a closing. After all, there are many pages of loan documents to review, and some of the language is cryptic or in small type.

"They may feel that they are slowing things down, or they appear dumb if they ask questions," Noonan said. But don't let fear get the better of you when it comes time to choose a loan.

5. Know the score

Before you enter negotiations, look at your credit score. That way you can research loans ahead of time and find out what sort of rates you qualify for. You can get free credit reports from AnnualCreditReport.com.

Also, credit scores can be wrong. "If you see problems with your credit report, you need to get that fixed," said Rheingold, of the National Association of Consumer Advocates.