



How do you "buy" a better rate?

Do you plan on keeping your loan for a while? Then it may make sense to "buy" a lower interest rate by paying one or more "points."

Even if you're unsure of how long you plan to keep your mortgage before you move or refinance, paying points now for a lower rate may make sense. For example, do you have a high-paying job now but you think you might change careers in the next few years? A Mortgage Planner will sort it all out with you and find the right loan for you.

A point -- which equals one percent (1%) of the total loan amount -- is an up-front fee that lowers your monthly interest rate and total interest due over the life of the loan. So, a one point loan will have a lower interest rate than a no point loan. Basically, when you pay points you trade off paying money later in favor of paying money now. You can pay fractions of points, meaning there are a lot of points packages that can make a loan's terms more favorable if that's what's right for you.

There are a variety of rate and point combinations available. When you look at different loan programs, don't look just at the rate -- you absolutely have to compare the whole package. Federal law requires lenders to publish their loans' Annual Percentage Rate, or A.P.R., but this tool for comparison can be misleading at best. For an accurate comparison of different loan options, we'd be glad to do some research and prepare a written plan that finds the best loan option for you.