

BANK OF CAPE COD

Searching for the best mortgage in today's market

By Tracy Buckley-Scott

This is an excellent time to buy that dream home or to refinance an existing mortgage. Interest rates still are at historic lows; and despite national headlines to the contrary, there is plenty of mortgage credit available to qualified borrowers.

Where to start?

Mortgage providers compete with each other for your business; so it's advisable to shop around for the best deal. It's often a good idea to start with your current financial institution, since you might be offered an incentive as an existing customer. You should also consider what's available through other banks and credit unions, mortgage or finance companies, brokerage firms and online mortgage companies. In addition to getting rate information, be sure to ask about loan terms and fees. The Internet is a convenient place to find information about mortgage products and current rates.

Why are mortgage rates different?

Mortgage rates change as the cost of borrowing in the economy fluctuates, and the cost of borrowing differs from lender to lender. Each lender determines the interest rate it charges on a loan – much the same way two restaurants charge different prices for meals. For some lenders, perhaps the most significant factor determining the mortgage rate you are quoted is your credit score – the better your score, the lower the mortgage interest rate. Rates are certain to vary, so be sure to shop around.

What do lenders look for?

Mortgage lenders look at a borrower's ability to repay, stability of income, credit history and collateral values, to start. In general, debt-to-income ratios of 35 percent or less for the total of your mortgage payment, real estate taxes and home insurance are acceptable. Overall debt-to-income ratios of less than 45 percent are more favorable, but other programs may allow for higher ratios. In addition to a good credit score and acceptable ratios, borrowers need a down payment of 20 percent to avoid Private Mortgage Insurance (PMI). However, there are programs designed to help homebuyers that do not require high down payments.

It's a great time to buy a home; and with a little investigation, you can be assured of getting the right mortgage that fits your needs.

To learn more about mortgages and refinancing at The Bank of Cape Cod, please contact Tracy Buckley-Scott 508-568-2300.