

Ask these questions when choosing a mortgage lender

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Choosing the right mortgage lender could save you thousands of dollars. Shopping for one should be one the first steps you take when buying a house.



Comparing lenders and lining up preapprovals early gives you some benchmarks to work from, and when your real estate agent recommends lenders, you'll have a better sense of whether they're offering a good deal. Plus, having preapprovals in hand lets buyers and agents know you're serious.

Real estate agents typically have a roster of recommended lenders, often built on years of repeat business. "Choosing a lender is not just about obtaining financing," says Matthew Martinez, a California real estate broker. "It is about choosing one of the most important members of the transaction team." Agents vet lenders to add to their networks, and they know what separates a good one from a bad one. Here are the four questions they say you should ask any lender you're considering.

Ask: What loan programs do I qualify for?

A lender may offer a special program based on your profession, income or location that can make the mortgage more affordable.

Physician mortgage loans are one such example. Certain lenders offer mortgages for medical professionals that come with no down payment, higher loan limits and less stringent debt-to-income requirements. Some lenders offer preferential mortgage terms to executives or professionals who relocate for work. First-time or low-income homebuyers may qualify for closing cost or down payment assistance.

Ask your lender about these programs, because not every real estate agent is clued in. "My hot take is real estate agents are abysmal at being able to direct clients to the right place to get the best loan for them," says Michael Perna, a Michigan Realtor.

Some cost-saving programs are hard to find, but even for a relatively common product — like an FHA loan — it helps to work with a lender who has real expertise. According to Ken Sisson, a real estate broker and former loan officer in California, each lender has an "appetite" for writing different kinds of

loans and working with different kinds of borrowers. If you have an unusual financial situation, finding the right lender could mean the difference between being denied or approved.

Not sure what to look for? If you want help doing your own research, consider meeting with a HUD-approved housing counselor.

Ask: How much are rates and fees?

Mortgage rates have swung substantially over the past several years, bottoming out around 2.65% in 2021 and now edging closer to 7%. With the Federal Reserve raising interest rates at its latest meeting, it's no surprise buyers are looking for any edge they can get. Amanda Sweetz, a Florida Realtor, notes that getting a lower mortgage rate can set you up for long-term savings. "A small change can mean hundreds or thousands of dollars over the life of a loan," she says.

But the rate's not the only number to watch. Pay attention to the loan's other costs, like the application fee, origination fee and other closing costs. There are also loan options, like discount points and lender credits, that can affect how much you pay.

"The lowest advertised rate can sometimes be the most expensive loan, once all of the costs are added together," says Micheal Kelczewski, a Delaware real estate broker and mortgage loan officer.

Alex Hubler, a Minnesota real estate agent, saw this play out with a client who picked a national bank for its low advertised rate. "The origination charge was multiple times that of local lenders, which ballooned their closing costs," he says.

To get the true cost of a mortgage, you can compare lenders' mortgage loan estimates, a three-page document you'll receive after applying for preapproval. They list costs like the lender's rate and your estimated monthly payment, closing costs, prepaid interest and escrow expenses.

A mortgage calculator can also factor in monthly costs like property taxes, insurance premiums and HOA fees.

Ask: How quickly will I close?

Once a seller accepts your offer, most agents aim to close within two weeks. But a stalled underwriter or unresponsive loan officer can delay or botch the transaction.

"I have seen buyers choose a lender based primarily on a slightly lower rate, only to run into delayed appraisals, poor communication, last-minute underwriting conditions or closing extensions," says Martinez. "Those problems can cost a buyer money through rate-lock extensions, additional moving expenses, lost negotiating leverage, or, in the worst cases, the loss of the property or deposit."

The agents I spoke to prioritize good communication from the lender. "In a fast-moving market, I want a lender who will answer the phone, speak with the listing agent if needed and keep the deal moving," says Crystal Olenbush, a Texas Realtor. "The cheapest rate on paper can become the most expensive choice if the lender can't perform on the contract timeline," she says.

Your agent will also have a lender — or, ideally, a list of lenders — that they recommend, likely because they've worked together successfully in the past. You can consider getting preapprovals from a few of these lenders as well to see how the costs compare.

Ask: What's your relationship to my agent?

If you're considering a lender your agent recommends, ideally, they meet a high standard of low rates, quick closing times and strong communication. "(It) should be based on competence, communication and reliability, not on steering the buyer toward a particular company," says Martinez.

But that's not always how it goes. Some agents — typically those in partnership with real estate listing websites — say they're pressured to refer clients back to the website's partner lender. Agents can't get kickbacks for their referrals due to the Real Estate Settlement Procedures Act (RESPA), but their leads from the website might depend on them.

Sisson recalls working with a lender like this. "If I sent clients over to them ... I would get more opportunities from them in the form of referrals," he says.

He knew this wasn't always the best lender for the client. "But I can't say anything because I'll be kicked out of the partnership program," he says. Sisson has since parted ways with this lender.

By asking a lender — and your agent — what their relationship looks like, you can understand whether the lender referral comes in good faith or simply to fulfill an unwritten obligation. You can also ask both parties for a legal disclosure. Otherwise, you might end up overpaying for a mortgage that's not the right fit for you.

How to use this script

When you need a mortgage, it can feel like the lender holds all the power. But your mortgage is a valuable piece of their business, and you're choosing them just as much as they're choosing you.

When you start shopping, Andrew Fortune, a Colorado Realtor, suggests contacting three to five lenders on the same day. "If you get quotes from all of them on the same day, you'll get wildly different numbers back," he explains.

After getting preapproval offers, you can pick up the phone and ask the lenders these four questions — but they're a starting point, not an exhaustive list, so don't hesitate to dig deeper based on your own situation. Their responses may help you narrow down your list. You don't need to be a financial expert to find a good lender, you just need to ask the right questions.

