8 STRATEGIES TO SECURE A LOWER MORTGAGE RATE

Mortgage rates have been on a roller coaster ride this year, rising and falling amid inflationary pressures and economic uncertainty. And even the experts are divided when it comes to predicting where rates are headed next.[1]

This climate has been unsettling for some homebuyers and sellers. However, with proper planning, you can work toward qualifying for the best mortgage rates available today – and open up the possibility of refinancing at a lower rate in the future.

How does a lower mortgage rate save you money? The average new mortgage size in the U.S. is currently around $410,000.[2] Let's compare a 5.0% versus a 6.0% fixed-interest rate on that amount over a 30-year term.

With a 5% rate, your monthly payments would be about $2,201. At 6%, those payments would jump to $2,458, or around $257 more. That adds up to a difference of almost $92,600 over the lifetime of the loan. In other words, shaving a percentage point off your mortgage could put nearly $100K in your pocket over time.

So, how can you improve your chances of securing a low mortgage rate?
Try these 8 strategies:

1. RAISE YOUR CREDIT SCORE.

Borrowers with higher credit scores are viewed as "less risky" to lenders, so they are offered lower interest rates. If your credit score is low, take steps to improve it, like paying down revolving debt and making all future payments on time.[3]

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2. KEEP STEADY EMPLOYMENT.

When you apply for a mortgage, lenders will review your employment and income over the past two years. If you've earned a steady paycheck, you could qualify for a better interest rate.[4] A stable employment history gives lenders more confidence in your ability to repay the loan.

3. LOWER YOUR DEBT-TO-INCOME RATIOS.

Even with a high credit score and great job, lenders will be concerned if your debt payments are consuming too much of your income.[5] If your ratios are too high, you can take steps to lower them, like purchasing a less expensive home or paying down credit cards and auto loans.

4. INCREASE YOUR DOWN PAYMENT.

Why do lenders care about down payment size? Because borrowers with significant equity in their homes are less likely to default on their mortgages.[6] That's why conventional lenders often require borrowers to purchase private mortgage insurance (PMI) if they put down less than 20%.

5. COMPARE LOAN TYPES.

Not all mortgages are created equal. With a fixed-rate mortgage, you're guaranteed to keep the same interest rate for the entire life of the loan. Adjustable-rate mortgages have a lower introductory rate, but it can rise after a set period of time — typically 3 to 10 years.[7]

6. SHORTEN YOUR MORTGAGE TERM.

A mortgage term is the length of time your mortgage agreement is in effect. The majority of homebuyers choose 30-year terms, but if your goal is to minimize interest, crunch the numbers on a 15- or 20-year term. Each monthly payment will be higher since you'll be making fewer payments, but you'll save money over the long term.

7. GET QUOTES FROM MULTIPLE LENDERS.

When shopping for a mortgage, be sure to solicit quotes from several different lenders or brokers to compare the interest rates and fees. And don't forget that we can be a valuable resource during the process. After a consultation, we can connect you with loan officers or brokers best suited for your situation.

8. CONSIDER MORTGAGE POINTS.

Even if you score a great rate, you can lower it even further by paying for points. When you buy mortgage points, you pay your lender a fee in exchange for a lower interest rate. You'll need upfront cash to pay for the points, but you can more than make up for the cost in interest savings over time.

Getting Started

Sources: 1. Washington Post 2. BTrading Economics 3. Debt.org 4. Time 5. Bankrate 6. NerdWallet 7. Bankrate

If you're ready and able to buy a home, don't let mortgage rate uncertainty sideline your plans. You can always refinance if rates go down, but you can't make up for lost years of equity growth and appreciation. If you have questions or would like more information about buying or selling a home, reach out to schedule a free consultation. We'd love to help you navigate this shifting market and reach your real estate goals!

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