

Comparison Shopping When Re-Financing

Homeowners who are re-financing their home for the first or even the second or third time should thoroughly research all of the available options to ensure the best possible interest rate and terms are secured. Homeowners are sometimes lazy when it comes to re-financing. There may be a large drop in interest rates or a change in the financial situation which warrants a re-finance. Although the homeowner may be aware that a re-finance is warranted, the homeowner may not be aware that it sometimes takes a great deal of work to find the best possible rates and terms.

Homeowners are often inclined to re-finance with the same lender who granted the original mortgage or with the same lender who handled prior re-finances. The theory behind this reasoning is along the same lines as, "If it ain't broke, don't fix it." These homeowners figure their current mortgage is adequate and they are happy with the current lender so there is no need to investigate further options. However, this cavalier attitude can be quite costly for the homeowners.

Try All the Options

Homeowners who are considering re-financing their home should contact a number of lenders and obtain rate quotes from each of them. When soliciting quotes the homeowners should consider all of their available options but should limit these options to established lender. While a newer lender may be offering fantastic rates and loan terms it is considered quite risky to go with this type of lender as opposed to a more established lender.

Homeowners who wish to further investigate smaller lenders who do not have an established history should proceed with caution. Unless the lender has trusted friends or family members who are willing to vouch for the lender, the homeowner should investigate these smaller lenders carefully. Visiting a website address is not the best way to ensure credibility. Designing a professional looking website is a fairly simple process. Most website designers could design and upload such a website in less than a day.

Friendly Competition

When comparison shopping for the most favorable rates, homeowners should make it well known that they are shopping around for rate quotes and are not making a decision immediately. Lenders who know they have some competition may be more likely to offer a lower interest rate than they would if they did not think the homeowner was considering other options. Although this may not seem quite fair to the lender, the business of re-financing is a competitive business. Just like a plumber might offer his most competitive rate if he knows the homeowner is seeking estimates from a number of different plumbers, lenders are apt to do the same. They make their money from homeowners and having a homeowner re-finance their mortgage does not help them out at all financially.

Some lenders may think the homeowner is bluffing and may not offer the best rate initially. However, if the homeowner rejects the offer and states they have a better offer with another lender, the first lender may be enticed to offer an even lower interest rate just to see if they can sway the homeowners. While cost is certainly important, it is not the only factor to consider. Some homeowners might re-finance with a lender who offers slightly higher rates if the homeowner feels as though this lender is more responsive to his needs.

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