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**AAFMAA Mortgage Services LLC**

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# **Finding the Best Deal: Comparing Mortgage Rates vs. Fees**

No one wants to be duped into a bad deal, but sniffing them out can be especially hard when it comes to shopping for mortgages. Lenders will often advertise low rates, while concealing hidden fees that may cost you an arm and a leg down the road. In this complimentary webinar from AAFMAA Mortgage Services, we'll show you how to compare the upfront cost of a mortgage to the monthly savings to determine the best deal for your home buying situation.



# AAFMAA Mortgage Services

**Our Mission:** to be the premier provider of Mortgage Services to the American Armed Forces community.





# AAFMAA Mortgage Services

Focusing exclusively on the needs of the military family, we work to provide innovative, personalized, and lifestyle appropriate mortgage services.

AMS only employs state-licensed loan officers and any advice or service we offer is always done in the best interest of our member.





# Agenda

- Lender Fees and Discount Points
- Lender 1 Example
- Lender 2 Example
- Determining the Best Rate
- Summary

Disclaimer: This presentation is for information purposes only and is not an offer. Mortgage consumers must apply and qualify. Equal Housing Opportunity. NMLS #1423968. States AMS is licensed: 17 states – complete list and disclosures may be found at [www.aafmaa.com/mortgage](http://www.aafmaa.com/mortgage). 844-422-3662. 639 Executive Place, Suite 203, Fayetteville, NC 28305.



# Lender Fees and Discount Points



- Lender fees go by a few different names, but, unlike 3<sup>rd</sup> party fees, they go directly to the lender's bottom line
  - Most Common Lender Fees:
    - Origination fees (flat or points)
    - Commitment fees
    - Underwriting fees,
    - Tax service fees
    - Processing fees
- Discount Points
  - Only used to explicitly to lower your rate



# Lender 1: \$200,000 Loan Amount for a 30-Year Mortgage

**Rate 4.25%**

- Lender Fees:
  - \$1,200 origination and 1% origination or \$2,000 for a total of \$3,200
- Payment (principle and interest):
  - \$200,000 at 4.25%=\$984



## Lender 2: \$200,000 Loan Amount for a 30-Year Mortgage

**Rate 4.25%**

- Lender Fees:
  - \$875 Commitment Fee
- Payment:
  - \$1,013



## Lender 1 vs. Lender 2: Which is the better deal?

- Lender 1 is charging \$2,325 **more** in fees (\$3200-\$875), **but** the payment is \$29 lower.
- Calculate the break-even:
  - Divide the fees by the savings:  $\$2,325/\$29=80$  months.
- **Conclusion:** It would take you six and a half years of saving \$29 monthly to equal the upfront costs!





# Comparing Different Rates with the Same Lender

- Scenario 1:
  - \$200,000 loan amount at a 4.75% rate with 1% discount or \$2,000
  - Payment=\$1,043
- Scenario 2:
  - \$200,000 loan amount at 5.0% with 0 discount points.
  - Payment= \$1,074





## What is the difference??

### Payment Difference: \$31

- $\$2,000/\$31=64$  months
- 5 years to break even
- This would not be in your best interest if your plan was to own the home for less than 5 years.





# Summary

- As consumers, we are conditioned to shop for the lowest rate.
  - This can often be exploited by lenders advertising a lower rate, while charging considerably higher upfront fees.
- It is especially imperative when shopping for rates online. You may have to do some digging through the fine print to determine the fees involved.

At AAFMAA Mortgage Services we are happy to provide a honest and fair comparison of your mortgage options. Our mission is to ensure you obtain the best mortgage possible even if it means doing business elsewhere.



# Questions?



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**Thank You!**



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