



# THE 10 GREATEST MISTAKES



A PERSON CAN MAKE  
WHEN FINANCING A HOME!

BY DERICK HUNGERFORD

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# Derick Hungerford

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Derick Hungerford has more than 15 years of experience in the mortgage industry. He has built an excellent reputation providing financial expertise for his clients and the community at large. He is a Certified Mortgage Planning Specialist (CMPS), which is a title held by only 5% of the mortgage professional population. As an accomplished corporate and financial strategist, his vision and expertise in mortgages has contributed to the increase of home ownership in the Washington Metropolitan Area.

Derick is an industry transformer who has created a unique system for managing home equity, called the Mortgage Empowerment Process.<sup>™</sup> This process helps the client realize that a mortgage is a tool that can be used to ultimately achieve their short and long term financial goals. Derick has a unique ability to help people grow fiscally, by introducing financial principles to empower them to make clear profitable choices for the future.

Derick is an industry educator and an instructor at RMC University and is the Chief Editor and Publisher of “the Strategic Homeowner”, a monthly magazine geared to helping homeowners manage their mortgage and home equity properly. Derick was a host of the “The RMC Home and Wealth Show” on Heaven 1580 am. from 2000 - 2007. He is a licensed Mortgage Consultant, Certified Mortgage Advisor (CMA), Certified Mortgage Planning Specialist <sup>™</sup>, Real Estate Agent, Certified Housing Counselor, and Insurance Agent. He holds memberships in the National Association of Mortgage Brokers, Prince Georges County Association of Realtors, National Reverse Mortgage Lenders Association, Maryland Association of Mortgage Brokers, National Association of Realtors and Certified Residential Mortgage Advisors (CRMA). Derick has a BS in Business Management from Hampton University. He is a member of Kappa Alpha Psi Fraternity, Inc. and a member of From the Heart Church Ministries (under the pastoral leadership of John A. Cherry II) where he serves in the Financial Stewardship Ministry.

# THE 10 GREATEST MISTAKES A PERSON CAN MAKE WHEN FINANCING A HOME!

By Derick W. Hungerford

Our economy has suffered tremendously over the last few years primarily due to the downslide of the Mortgage and Financial Markets. I believe that now more than ever, it's important to make decisions about your mortgage to include your overall short and long term financial goals. I believe that many of the victims of the recent foreclosure epidemic should have escaped these financially difficult times by avoiding the mistakes and pitfalls of financing a home. A mortgage may be the biggest asset and debt you'll have in life. Therefore it's extremely important to have clarity when applying for your mortgage. Over the past few years, Mortgage Loans have become a commodity of sorts which hasn't worked out for many homeowners. Instead, finding the right mortgage FOR YOU is all about relationship. Having a professional, experienced character driven Mortgage Consultant will pay you dividends for years to come. Because I've heard so many stories about Mortgage Tragedies over the last 17 years of my career, I thought it was imperative to write this handbook for your use as you navigate through today's mortgage market. I hope that this information will be a blessing to you.

## Mistake Number 1.

### Not having a relationship with a Certified Mortgage Planning Specialist.

A person will form several business relationships in their lifetime. These include relationships with a doctor, attorney, accountant, financial planner and even your barber or beautician. But you don't find that many people have a consistent relationship with a mortgage banker.

In the past, homeowners averaged a new home loan only once every seven years. But because interest rates have been so low, the average has gone up due to the number of times homeowners are refinancing to get lower rates. Many homeowners/homebuyers tend not to have a relationship with a mortgage lender because the need for the home financing arises much less often than our need to get a hair cut.

Part of the reason for the lack of mortgage related relationships are not only the consumers fault. With the mortgage industry going through major ups and downs and the changing economic cycles, sometimes mortgage companies come and go. Regardless of the reason, if you have no relationship with a qualified mortgage professional you are less likely to find qualified advice when you need it. When rates go down, you could be one of thousands trying to seek refinancing options, you will have little time to develop a relationship with a qualified professional that you know has your best interest at heart.

## Mistake Number Two

We have no idea whether the lender we pick is qualified.

Because many homeowner/homebuyers do not tend to have a long-term relationship with a Certified Mortgage Planning Specialist, we do not tend to shop for a Mortgage correctly. We know how to ask about mortgage company's rates (or, at least we think we do) but not the background of the company or the individual with whom we are dealing. For example, what is the experience level of the loan officer? Most major mortgage companies do not have formal training programs due to industry transition. Why not require a resume from the person with whom you are working? What about this question...Mr./Mrs. Loan Officer, how many families have you served during your career. Or, Do you have a home Mr./Mrs. Loan Officer? You'll be surprised at the number of Loan Officers who do not own a home themselves. It would make sense to get an idea of the company's background and the company's business philosophy as well. Community involvement is important as well. As lenders, we ask you "a million" questions...why not interview your Loan Officer as well?

## Mistake Number three

### We do not know how to shop for a mortgage.

The most popular and frequently asked question from those shopping for a mortgage is: What is the current mortgage interest rate? Most homebuyers/homeowners don't know that there are a variety of programs available and that future plans will have a major impact on the type of program including whether or not to get a loan that will require you to pay mortgage insurance. Although asking for the current interest rate is a VERY IMPORTANT question, it may not be the best question. Low rates can be quoted at any point and changed at the last minute by Loan Officers who do not have your best interest at heart. That is why it is paramount to be comfortable with who you choose to as your Loan Officer more so than an interest rate quoted. Furthermore, your Loan Officer should be able to explain the why's behind interest rate volatility. Knowing when to lock your loan is the key in saving as much money as possible. That is why it is paramount to be comfortable and confident with who you choose to as your Loan Officer more so than an interest rate quoted. A person with principles will not change the rate at the last minute. A person with principles will make sure that all information being shared is honest and accurate. A low interest rate on the wrong program can land you into foreclosure. As a consumer, it's advisable to find a competitive rate, on the right program, from a trusted advisor. Shopping doesn't simply mean looking for the best rate solely. The Loan Officers background, company background, track record in addition to other factors all play a big part in shopping for a mortgage.

## Mistake Number four

1. We do not know enough about mortgages in general-especially how the choice might affect our economic gains or losses.

Many homebuyers/homeowners do not know that there are options, which may require less of a down payment or closing cost. Some tend to be clueless when asked how the down payment might affect the overall rate of return on our investment in the long term. We tend to know that there are fixed rates and adjustable. We do not know that there are options, which may require less of down payment or closing costs. This relates to the concept of leverage; the less we put down, the greater the return in the long run if the home appreciates in value. Many also don't know how the payments of points might affect our return. Again, knowing that you have hired a loan officer that has the necessary experience and resources will help you to navigate through the mortgage maze. A mortgage isn't simply a mortgage as viewed in the past. A mortgage should be used as a financial tool linked to short and long term financial goals.

## Mistake Number five

We think we know what type of mortgage we would like-without knowing the major mortgage options.

Many begin by shopping for a 30-year fixed mortgage or a one-year adjustable. With only one or two options many have made their decision based only on what we are familiar with. There are several additional major mortgage types, which should be considered. The best option for you may change with your own changing financial plans or changes in the economic environment surrounding you. For example,

If you are going to be in a home for a long time, you will look to stretch your loan out to a 30 or 40 year term. Allow your equity to grow as you continue to payoff your mortgage.

If you are nearing retirement AND plan to stay in your home- You may want to consider a fixed rate, because your income at that point will be fixed. If your current income can support paying a higher note, then a 15 year may be advisable so that your home will be paid soon after retirement.

If you plan to move within 3 years- you may want to look into a 1, 3 or 5 yr adjustable. This way you get the lowest rate possible which will allow you to save for your next purchase.

The point here is that you may not want to shop for a particular type of mortgage but shop for your particular need. You should work with a professional to evaluate which is best for you under your present financial scenario.

## **Mistake number six**

When we refinance our mortgage, we forget about the long term.

With lower interest rates, everyone thinks that we come out ahead when we refinance. Refinancing without a plan is dangerous. Always think about the end result before pursuing. You must stay in the house long enough to recoup the closing cost that was paid. There are specific reasons to refinance that can help you in your financial long run. However, there are bad reasons to refinance as well. Your home should not be used to consume your equity. Your home should only be used to increase your asset base.

## **Mistake number seven**

We have no idea how the mortgage approval process works.

Some homebuyers don't know that it makes more sense to obtain a mortgage approval first. Getting a mortgage after signing a contract is virtually going through the process backwards. In addition, by getting pre-approved first, if problems do arise during the approval process, this allow us to confront these problems up-front with plenty of time, since we do not have a settlement date staring us in the a face.

## Mistake number eight

We do not know that the lock options may be as important as the rate.

Most shoppers have no idea that many lock options exist. There are options, which allow us to lock in the rates and points for 10, 15, 30, 45, 60, 90 or more days. Some of the lock options may cost money up-front. These up-front fees may or may not be applicable to final closing costs. Other options allow us to lock in a rate and then relock if rates go lower before settlement. Many shop with different companies in order to save \$250 in points and then make wrong decision with regard to lock options. Again, having a relationship with a Mortgage Professional is the best way to make sure you are locking or floating according to market fluctuations.

## Mistake number nine

We do not know what to ask the lender with regard to the services they offer.

We assume that all mortgages are the same. In addition to being interested in the variances of mortgages, Its important to want to know of the quality of services, . Other lenders may not have the programs that suit your needs, therefore may struggle with your application for months. Some lenders process and approve your loans with their own staff. Others send their loans to other lenders for processing or approval. Smaller brokers who send your loan to a larger lender might offer you a wider range of programs than larger lenders. The important thing is that you are aware of what services are available and tradeoffs must be made in order to make a final decision.

## Mistake number ten

We allow the entire process to intimidate us.

Buying and financing a home seems to be a very large task, one which most of us would rather avoid. Many turn to jelly at the thought of shopping for a mortgage. Many get defensive: "Why do you need my tax returns?" The reason we become intimidated is that we are not knowledgeable regarding the subject of mortgages. The mortgage decision is important enough to spend some time learning. Certainly, it is as important as learning about the latest four-wheel drive vehicle. We all had similar feelings about personal computers 15 year ago.

With knowledge comes confidence. With confidence comes power.

**Homeownership is a good financial choice if you can determine that now is the right time to buy and you can afford your monthly payments.**

Homeownership has been a blessing for millions of families. Conversely, many families have experienced hardship after buying their home. In other words, buying a home can be a double edged sword. Again, it is the largest asset you may ever manage, but it may also be the largest debt you may ever have to pay. Link up with the right team of professionals and you'll be just fine. Many Blessings to you and your family and I wish you much success in your Home Buying journey.

To contact Derick for your no obligation Mortgage Consultation:

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