



Home-Buying Process

Types of Financial Institutions

Home-Buying Process: Types of Financial Institutions

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There are many options when looking for a mortgage loan. Institutions can be local or out of state, nonprofit or for profit. Regardless of where you decide to apply for your mortgage loan, it is important to research the lending institution. Visit at least three organizations and determine what each has to offer. Here are some questions to help you get started:

Where do you start when looking for a financial institution?

Begin where you currently bank or visit the Better Business Bureau. You also can ask friends, neighbors, club and organization members, church members and people involved in your community. Recent homebuyers can offer their experiences with different financial institutions.

How do you research a financial institution?

At the Better Business Bureau you can see if recent complaints have been filed about an institution, and if so, the type of complaints. You also can research consumer reports that rank the larger mortgage companies. J.D. Power and Associates also ranks mortgage lenders. Visit your state's financial institution division to determine if a financial institution has a license to do business in your state. In New Mexico you can call (505) 476-4885 or visit:

<http://www.rld.state.nm.us/FID/index.htm>.

Institution Options:

For Profit:

Commercial Banks – Commercial banks cater to

customers with established credit histories. They offer consumer loans, credit cards, debit cards and mortgage loans and may make short-term loans to good customers. Banks often require items for security and interest rates may vary according to the type of loan. Their rates may be lower than other lenders because they take fewer risks and lend money from customers' savings.

Mortgage Broker – Mortgage brokers are companies that represent many mortgage lenders. Because they work with many mortgage lenders, they can help you compare different mortgage companies and try to find the best mortgage loan. Most mortgage brokers are reputable and provide excellent service. They get a fee from the lender who makes the loan to you. Because not all lending companies pay the same fees, some brokers may encourage you to take the loan that pays them the highest fee. This is why it is important to research companies and shop around.

Online Mortgage Company – There are many online mortgage companies that offer the same services as a local provider. As with any service, it is important to do your homework and investigate the company you are considering. One thing to consider with online companies is who you would contact if you had problems with the transaction. It also is important to know if your complaint will be filed and processed in the state where you live or in the state where the company is located. To get an idea of the company's reputation, find where comments about the institution have been

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filed and take time to review them. There are times when online companies can offer lower interest rates, but be sure to look at the whole picture. There may be fees for services that a local provider does not commonly charge. Another disadvantage to consider is never meeting face to face with your loan officer.

Not-For-Profit Organizations:

Credit Union – Credit unions usually lend only to members, however, most people in a geographical area can become a member of a credit union. These organizations offer consumer loans, credit cards, debit cards and mortgage loans. Rates are usually lower than other lenders because credit unions loan members' money, are eligible for federal tax exemptions, and generally take fewer credit risks.

Nonprofit Housing Organization – Nonprofit housing organizations help people of all income levels. They may have access to loan programs to help you purchase a home with little or no down payment. Other programs can include self-help and home rehabilitation programs. Some organizations have certified housing counselors that can provide free one-on-one help in purchasing your home. To find a certified housing agency go to <http://www.hud.gov/buying/index.cfm> and click on the icon “Find a [housing counselor](#) near you.”

Habitat for Humanity International – Habitat for Humanity is a nonprofit, ecumenical Christian housing ministry that seeks to eliminate poverty housing and homelessness. Habitat invites people of all backgrounds, races and religions to build houses together in partnership with families in need. For more information visit <http://www.habitat.org>.

United States Department of Agriculture (USDA) Rural Development– If you are planning to buy a house in a rural area USDA Rural Development may be an option to help you purchase your home. There are income requirements that must be met to qualify. For more information contact your local USDA office or go to <http://www.rurdev.usda.gov/rhs/>.

Housing Authorities – A housing authority (HA) is responsible for the management and operation of local public housing programs. HAs also may provide special homeownership opportunities to qualified families. To find the local HA call 1-800-955-2232 or visit the U.S. Department of Housing and Urban Development Web site at <http://www.hud.gov/offices/pih/pha/contacts/index.cfm>.

This resource is one in a series on the Home-Buying Process which include:

Financial Readiness

What Creditors Look For
Finding Mortgage Money
Types of Financial Institutions
Mortgage Options
Down Payment and Closing Costs
Pre-Qualification or Pre-Approval

Factors to Consider in Housing Selection

Personal Needs and Wants
Location
Type and Style of House
Type of Construction
Interior and Exterior Space
Special Needs
Building as an Option

Locating a House

Finding the House
Using Real Estate Professionals
Buying Direct From Owner

The Sales Contract

Components
Acceptance

Home Inspections

Reasons for Home Inspections
Locating an Inspector
What Inspections Include
Limits of Liability

The Mortgage Process

Loan Application Process
Approval or Rejection
The Mortgage Payment

Purchasing Homeowners Insurance

Before You Start Looking for a Home
Stability of the Insurance Company
Costs and Coverage
Customer Service

Warranties

The Closing

Preparation for Closing
Final Walk Through
Closing Day Procedures

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