Seven Factors That DetermineThe Interest Rate You Will Pay On Your Mortgage.

If you are in the market to buy a home, there is a lot for you to consider, one of the most important factors is the interest rate on your mortgage.

Mortgage Rates

HOUSTON, TEXAS, USA, August 6, 2017 /EINPresswire.com/ -- Seven Factors That DetermineThe Interest Rate You Will Pay On Your Mortgage.

If you are in the market to buy a home, there is a lot for you to consider. One of the most important factors is the interest rate on your mortgage. The reason that this is so important is that a difference of just a fraction of a percent on your rate can mean a difference of tens of thousands of dollars throughout the duration of your mortgage.

1. Credit Score

> “Tip - Prior to submitting a loan application, obtain your credit report and check it thoroughly to ensure that any potential errors are fixed.
> Tip -How Credit Scores Are Calculated.”
>
> *Patrick Mansfield*

Your credit score is a number that is based on your financial history and is used to assess how risky lending to you may be. Your lender will pull your credit score when evaluating your loan application. The higher the score, the less risky the loan will be considered and the lower your interest rate will be. Therefore, it is important that prior to submitting a loan application, you obtain your credit report and check it thoroughly to ensure that any potential errors are fixed.

Tip -How Credit Scores Are Calculated.

2. Down Payment

You can generally decrease your interest rate by making a higher down payment, as this will result in less risk for the lender. It is generally the convention to pay 20 percent down when buying a house. However, this is not required and in many cases, even a five or ten percent down payment is sufficient to get a mortgage, albeit with a higher rate.

3. Loan Duration

This refers to the amount of time that you will have to repay your loan. A lower duration will mean lower interest rates but higher monthly payments. 30-year and 15-year terms are the most common in practice.

4. Home Price and Loan Amount

Your loan amount is the difference between the purchase price of the home and the down payment. There is not always a clear guideline here, but as a general rule of thumb, loans for particularly low or high amounts will result in higher rates.

5. Interest Rate Type

There are two common types of interest rates: fixed and adjustable. They mean just what they say: a fixed loan carries a fixed interest rates for the life of the loan while an adjustable loan means that the rate can change at any time. Because of the fact that fixed loans are riskier for the lender, they typically come with higher rates at the start of the loan. For this reason, you need to be careful; although an adjustable loan may be tempting due to the lower interest rate, there is a risk that the rate can adjust throughout the duration of the loan, resulting in higher payments

6. Home Location
The location of a home will affect your interest rate. Two homes selling for the same price will usually have different rates depending on the cities and states in which the homes are located.

7. Loan Type
There are various types of loans, such as conventional, FHA or VA. The type that you choose will impact your mortgage interest rate. You can learn more about different types of loans using our guide.

Related: Getting An FHA Mortgage With A Low Credit Score.

Patrick Mansfield
Info Seek Media, Inc.
8329473607
email us here
