



# National Association of Responsible Loan Officers

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## Salisbury, MD

### [Don Trader](#)

Traco Mortgage  
327 Tilghman Road  
Salisbury, MD 21804  
410-713-3100  
[www.tracomortgage.com](http://www.tracomortgage.com)

## 6 Mistakes To Avoid When Obtaining A Mortgage

### **MISTAKE #1: Over shopping your loan**

Your credit score is based on the perceived risk associated with extending you credit. Over the years, the credit reporting agencies have determined that a borrower who seeks credit from many different lenders is riskier than others. Therefore, they decrease your credit score each time a lender pulls your credit report.

Each time you call a lender seeking the best possible rate and terms for your home mortgage, he has to pull your credit report. This is factored into your credit score, and a lower score decreases your likelihood of getting the best rate and terms.

While some consumers are ONLY focused on rates, you should seek the guidance of a National Association of Responsible Loan Officers member that is willing to speak with you about your loan options. There are literally hundreds of loan products available and every borrower has a different financial situation and financial goal. We highly recommend having a consultation with your loan officer so they can tailor a program to meet your individual needs instead of focusing exclusively on rates and points. You may likely find a better product than the one you were shopping for.

### **MISTAKE #2: Trying to hide past financial difficulties**

One of the important services a responsible loan officer offers is helping you overcome past financial difficulties that may hinder your ability to have your loan approved. Your loan officer is on your side.



Supply the information that will help your loan officer provide you with the best possible rate and terms and minimize the impact of your past credit history. The fact that you have recovered from past financial problems makes you a better risk than others who haven't yet faced challenges. Overcoming past financial difficulty proves that you honor your commitments and don't give up.

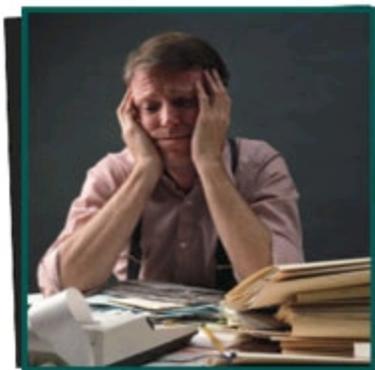
### **MISTAKE #3: Allowing a loan officer to put misleading or untruthful information about your income, expense or cash available for down payments on a loan application in order to get a loan**

Providing untruthful information on a loan application is fraud. Mortgage fraud is prosecuted by federal authorities, and they *will* find out about the fraudulent information. Do not allow yourself to become an accomplice of a loan officer's fraudulent loan application.

Even if a loan officer fills in the information for you, if you do not believe the loan application is 100% truthful, you should refuse to sign it until the loan officer corrects the application. While many loan officers try to "help" borrowers by misstating the facts, the truth is that they are simply getting themselves and their borrowers into a lot of trouble.

### **MISTAKE #4: Borrowing more than you can repay**

All of us understand that we may have to stretch our monthly budgets a bit to afford the homes we want. However, you will put your entire financial health in jeopardy by buying a home you simply cannot afford.



If you buy an expensive home and find you cannot make the monthly payments, you could face a huge loss when you have to sell that home quickly to get out from under your mortgage. Or worse, you could be forced into foreclosure or bankruptcy.

It is much better to be patient, buy a home you can comfortably afford, make payments, build equity and then transition into a larger home after a couple of years. Yes, the larger home will cost more than, but the home you purchased will also have appreciated during that time. Most importantly, you will have built a successful financial foundation that allows you to experience all of your dreams, including that dream home.

### **MISTAKE #5: Not Getting It In Writing**

Since purchasing a home is often the largest financial transaction of a consumer's life it pays to always get a copy of all of the documents you sign at the time of loan application. Don't be afraid to ask your loan officer any questions that arise during the process. Remember, there is no such thing as a dumb question, especially with a financial transaction of this size.

Some of the documents to pay particular attention to are the Good Faith Estimate that will provide you with a break down of your proposed monthly payment, your closing costs, and the amount of funds you will need to come to the closing table with. It is mandatory that a lender provide you with this document within 72 hours of your application. Pay close attention to the Rate Lock Agreement as well. Your lender should provide you with a written description of the rate you are being offered, the amortization term of the loan, and any points associated with this loan. These agreements should also include the expiration date of the agreed upon locked in rate. This is the date that you have to close your loan to get that locked-in rate.



### **MISTAKE #6: Relying on interest rate advertising**

Some loan officers use interest rates to get your attention; however, they may actually end up costing you more. Such rates are often derived by using a 30-year mortgage coupled with an accelerated payment plan.



You may decide you like that option, but you cannot directly compare the APR on that mortgage to other opportunities. This loan could cost more than other mortgages with seemingly higher interest rates.

It is critical to find a loan officer you can trust to review the options available to you and the best possible rates for your financial situation. Only a responsible loan officer can give you all of your options in an understandable way.

## Members of the National Association of Responsible Loan Officers are different from ordinary loan officers in 4 important ways.

1. We've dedicated our businesses to helping you and other consumers understand how to choose a reputable, experienced loan officer. That is why our association has published this consumer guide and offers our consumer awareness messages.
2. Our members have been through extensive training and testing. This ensures you will receive professional, no-hassle mortgage services.
3. For your protection NARLO enforces the strictest code of ethics in the mortgage industry.
4. With the NARLO customer protection program, you always have a place to turn for answers and assistance with your mortgage services.

The National Association of Responsible Loan Officers has a free dispute resolution program for any consumer that uses a NARLO member for their mortgage loan. Look for the NARLO logo when you are shopping for mortgage services.



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