

Mortgage Traps

The Motley Fool

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If you're in the market for a mortgage, you'd do well to arm yourself with some knowledge before you go knocking on lenders' doors. I'll soon point you to where you can learn a lot in short order, but first, here are a few mortgage traps to be wary of, some courtesy of mortgagetraps.org:

Overcharging . When you get a mortgage, you'll unavoidably face a [flurry of fees](#). But not all of them are perfectly legitimate. Ask for itemization of fees and scrutinize them. (Know that if one lender quotes you a very low interest rate, it may make up the difference in steep fees.) If a mortgage broker is charging you an underwriting fee, question it, since the lender does the underwriting, not the broker. If you're charged \$100 for a credit check, question that, since these generally cost between \$10 and \$20. **Bait-and-switch** . Be on the lookout for lenders offering deals that seem too good to be true, such as exceptionally low interest rates, closing costs, and other fees. These low rates may be available only to those with perfect credit scores, and once the lender has you in the door, he or she will reel you in. Keep your eyes open and know that you can keep shopping around. You don't need to stick with a lender if you're not being given what you were told you'd get. **Prepayment penalties** . Avoid these at all costs, as they will either prevent you from paying down your mortgage aggressively, or will penalize you severely for trying to do so. They're exceptionally common in loans made to those with poor credit scores, but according to mortgagetraps.org, "About 10% of all ARMs (adjustable-rate mortgages) that are 'conforming' in nature have prepayment penalties per **Fannie Mae** (NYSE: FNM)." Read your mortgage paperwork closely, and have the lender verify that there's no prepayment penalty. **Pressure from real estate agents** . Don't let your real estate agent push you into using a particular lender. While many recommendations are made honestly, in good faith, some others are made because the agent is related to the lender or perhaps even gets a kickback. Agents are not typically experts in mortgage finance. You can accept suggestions, but explore all options.

Keep learning

You can learn a lot more about mortgages and the home-buying process in our [Home Center](#), which features many money-saving tips and even some special mortgage rates, as well as the following articles (it's actually pretty interesting stuff, once you get into it).

- [10 Things to Know About Mortgages](#)
- [Buying a House is Easy!](#)
- [So You Want to Be a Landlord?](#)
- [10 Home Enhancement Tips](#)
- [The Scoop on Buyer Brokers](#)
- [Mortgage Brokers Demystified](#)



Fannie Mae is an Inside Value recommendation.

Longtime Fool contributor [Selena Maranjian](#) owns shares of no company mentioned in this article. For more about Selena, view [her bio](#) and [her profile](#). You might also be interested in these books she has written or co-written: [The Motley Fool Money Guide](#) and [The Motley Fool Investment Guide for Teens](#). The Motley Fool is [Fools writing for Fools](#).

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