

REAL ESTATE

TONI MOMBERGER

Real Estate Editor
909.483.9380

ONLINE INLAND VALLEY, SAN BERNARDINO AND REDLANDS-HIGHLAND MARKETS

WHAT THE HEADLINES MEAN TO YOU

Changes in Federal Reserve rules ban bonuses

By Tim Harrison

The recent change by the Federal Reserve to ban lenders from paying bonuses to mortgage brokers and loan officers who get borrowers to agree to a higher interest rate is welcome and sensible, and any ethical loan professional will applaud the change. Many have noted that the bonuses encouraged unethical professionals in the industry to lead borrowers to choose a higher priced loan, rather than the loan that is best for the client.

To be clear, loan professionals still will receive compensation calculated as a percentage of the



TIM HARRISON
Manager of Broadview Mortgage
in Upland

overall loan amount, (you may have heard the term "point," which refers to the fee the lender receives for processing the loan.)

When brokers receive bonuses for giving borrowers a higher interest rate, tricky lenders could

lure a consumer into focusing on an initial interest rate instead of the total cost of a loan. I have long stated that an informed client will understand that interest rates are part of the big picture in a home loan, and the essential factor is the lowest overall cost of a loan.

Always keep the big picture in mind. Don't limit your home mortgage research by focusing on the interest rate alone. There are many reasons why.

- The rate may be misleading.
- The rate may include a quote that does not include the 'points' charged in the loan.
- The rate quoted may be fixed for only a set number of

years (even when the quote states a 30-year term, the loan maybe be fixed for a shorter period).

Any legislative change that ensures clearer communication and true protection of consumer interests is welcomed. Another rule finalized by the Federal Reserve requires borrowers to be notified when their mortgage has been sold or transferred. This is long overdue.

Ask questions. Take your time. Understand your options and focus on your long-term financial well-being when you compare options in a home loan.

Tim Harrison is the manager of Broadview Mortgage in Upland