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Home mortgages: Everything you wanted to know

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For most homeowners, a mortgage is an essential part of owning their home. I wanted to give people a little bit more insight as to how these home loans are created, and then, what happens to them after they are created, whom they're sold to, and how the industry works.

To do this, I turned to two local experts in the mortgage industry, Eric Union and Granger Hodgson.

The first expert is mortgage planner, Eric Union. He is president of Union West Financial in La Jolla. Union is a certified mortgage planner and a nationally recognized speaker and author in the mortgage banking industry. Here is his perspective:

"The traditional way to obtain a mortgage is for the borrower to walk into a bank, meet with a mortgage broker or go online. There are about 400,000 loan officers in the country who support these origination channels. The borrower tells the loan officer what the loan amount is and then puts their boxing gloves on to fight for the absolute lowest rate and closing cost on a 30-year fixed or 15 -year fixed loan. The loan officer does their best to cut the costs enough to get the loan and make a commission. Both parties part ways when the transaction closes.

"When I started in this industry in 1998 I was amazed at this reality. It was like walking into your doctor's office and saying, 'Doctor, I have this pain in my gut and I want this type of treatment so please quote me your lowest cost for this treatment and how long it will take.' Obviously, we rely on the doctor's expertise and experience to diagnose our condition and to advise a treatment plan. In my opinion, obtaining a mortgage should be conducted in the same manner.

"You should have a completely different mortgage experience. The loan officer should interview for the right to become your trusted advisor to help you make important mortgage decisions that not only impact your budget and cash flow but also your income taxes, cash reserves and ability to fund investments so you can achieve your short and long-term financial goals.

"I enjoy working with people who aspire to grow their assets by six, seven and eight figures so they can become financially bulletproof, achieve personal freedom and have the impact they want with their life. People working with an expert mortgage planner consistently achieve these results unlike using a traditional loan officer.

“Most people view their mortgage as a necessary evil rather than a strategic financial tool. Our culture tells us to focus on how much debt we have and when we can pay it off because the key to financial happiness is to be debt-free.

“There is a safer and quicker path to true financial freedom. Focus on your cash flow/budget making sure you always have enough income to meet your expenses and building assets so you can reach the freedom point where assets generate enough income to meet your working budget. That’s financial freedom.

“Most Americans store more than two-thirds of their net worth in their home as equity, home value minus mortgage balance. Instead of giving the lender your cash by paying off principal as fast as possible, or using a big down payment when buying a home or leaving all the appreciation in your home, you may want to consider keeping control of your cash in a safe, liquid side-account so it is available for emergencies —job loss, sickness — and opportunities.

With hundreds of strategic financial tools, mortgages, available, an expert mortgage planner can help you make great decisions which will make you safer and significantly grow wealth over time.”

Now for the Granger Hodgson’s perspective, He is a wholesaler to the mortgage industry and has vast experience in many areas of the process and is a true expert.

“What Eric points out so nicely is the role the loan officer or mortgage broker in the mortgage industry. The loan officer bridges the gap between consumer and the greater lending industry. His role is to educate the customer on options and to fulfill his needs as far as a mortgage is concerned. Once Eric and his customer come to terms on what mortgage product and what price that will cost, the loan takes on a life of its own.

“The loan proceeds as though it were an automobile on an assembly line. The first person handling the file is a processor. They assist the loan officer and work to put together a loan file. Processors coordinate third party services including escrow services, title insurance, appraisers, credit, and realtors if the transaction is a purchase.

“Once required documentation is obtained, the file is submitted to a lender. The key function in a lender is the underwriter, who makes the credit decision. Once approved, and all required documentation is obtained by the lender, loan documents are drawn by the lender and sent to escrow. The customer signs in front of a notary public. The documents are then sent back to the lender for review except for the Deed of Trust, which is sent to the County Recorders Office for recording. If all conditions are received by the lender, the loan funds, which means money is physically wired from the lender to escrow. And thus, a loan is born.

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