How to Shop Mortgage Rates: Fees That Matter, Fees That Don't

Comparing lenders the right way — which fees are really the lender's price, how lender credits offset costs, and when a higher rate with lower fees actually wins.

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Two lenders quote you the same day. One says 6.5%, the other 6.875%. Easy choice? Not yet — because the 6.5% quote charges $6,000 more at closing, and depending on how long you keep the loan, the "higher" rate may be the cheaper mortgage. Shopping rates without comparing fees is like comparing cars by the monthly payment alone.

Here's how to read quotes the way lenders do.

Rate and Fees Are One Dial, Not Two

Every lender prices along the same trade-off: **pay more upfront, get a lower rate; pay less upfront (or get money back), accept a higher rate**. "Discount points" slide the dial one way; "lender credits" slide it the other. Neither is a discount or a gift — they're positions on the same dial. The real question is never "which rate is lower?" but **"which combination costs less over the years I'll actually keep this loan?"**

Which Fees Are Actually the Lender's Price

Every Loan Estimate itemizes costs the same way (that's the point of the form). Here's what deserves your attention:

Loan Estimate section	What it is	Compare it?
Section A: Origination charges	The lender's own fees — origination, points, underwriting, processing	**YES — this is the lender's real price**
Section B: Services you cannot shop for	Appraisal, credit report, flood cert	Barely — similar everywhere
Section C: Services you can shop for	Title work, survey	Shop the providers, not the lender
Sections E–G: Taxes, prepaids, escrow	YOUR property taxes and insurance, prepaid	**NO — same money regardless of lender**
Lender credits	Money the lender contributes toward your costs	**YES — subtract from Section A**

The classic trap: a lender looks "expensive" because their Loan Estimate shows higher prepaid taxes and escrow — but those are *your own bills*, estimated differently, and they'll true up at closing no matter who lends. The honest comparison is **rate + Section A − lender credits**. Everything else is noise.

Lender Credits: The Other Direction

A **lender credit** is the reverse of points: you accept a somewhat higher rate, and the lender pays part (or all) of your closing costs. On the Loan Estimate it appears as a negative number offsetting the fees. This is exactly how "no-closing-cost" loans work — the costs aren't gone, they're financed through the rate. That's not a scam; it's a legitimate strategy — *when the horizon is right*.

The Break-Even Math (This Decides Everything)

$350,000 loan. Option A: 6.5% with $3,500 in points — payment $2,212. Option B: 6.875% with a $4,000 lender credit — payment $2,299. Option B costs $87 more per month but puts $7,500 more in your pocket at closing ($3,500 not spent + $4,000 credit). Break-even: $7,500 ÷ $87 ≈ **86 months**. Keeping the loan more than ~7 years? Option A wins. Selling or refinancing sooner — which is what most borrowers actually do? **Option B was the cheaper loan all along.**

This is why "buy points, rates are high" and "never pay points" are both bad advice — the answer is a calculation, not a slogan. Your realistic time horizon (and the odds you'll refinance if rates drop) decides it.

What About APR?

APR folds fees into the rate to make one comparison number — useful as a smell test, but it assumes you keep the loan for the **full 30 years**. Almost nobody does. Spread over 30 years, big upfront fees look tiny — so for a borrower likely to move or refinance within 5–10 years, APR flatters high-fee/low-rate loans and undersells low-fee/higher-rate ones. Use the break-even math over your real horizon instead; it's one division.

How to Shop Fairly (5 Rules)

1. **Same day, or the comparison is meaningless** — rates reprice daily, sometimes intraday.
2. **Same structure:** loan amount, down payment, program, and lock period (a 45-day lock costs more than a 15-day one).
3. **Compare rate + Section A − credits.** Ignore prepaids and escrow differences.
4. **Get it in writing** — a Loan Estimate or an itemized fee worksheet, not a rate quoted over the phone with "around" in it.
5. **Don't fear the inquiries** — mortgage pulls within the shopping window count as roughly one.

Where a Broker Fits In

This comparison is literally our job description: we run your one application across 50+ wholesale lenders and do the rate-versus-fee math over *your* horizon — including structures a single bank won't show you, like credits that cover most of your closing costs. Bring us any quote you've received and we'll put it side by side with ours, line by line, in English, Portuguese, or Spanish. If the other quote wins, we'll tell you that too.

Let's Talk About Your Mortgage

Our team serves you in English, Portuguese, and Spanish — no cost, no obligation.

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