

# Impact of Mortgage Shopping on Affordability

## Situation:

Fannie Mae National Housing Survey® findings show that more than one-third of homebuying respondents do not shop around before selecting a mortgage lender. Lack of comparison-shopping can limit a buyer's understanding of their purchase power, and deter them from achieving their homebuying goal if they can't find an affordable and/or attractive option.

## Impact:

When consumers don't shop around for a mortgage, they can pay a steep price, including:

- Thousands of dollars in extra cost
- Diminished purchase power
- More money required to close

By understanding the potential cost savings of mortgage options, consumers' money may go further — opening up more **#AffordableHousing** options.

## Overview:

**As one of the biggest expenses most people will ever incur, shopping for multiple quotes can save borrowers thousands of dollars.**

**Those homebuyers who comparison-shopped their loans were significantly more likely to have received more financially favorable terms than those who didn't obtain multiple quotes.**

The reasons homebuyers say they didn't comparison shop generally weren't financially motivated and included:

- Familiarity of lender (most typical among repeat homebuyers)
- Satisfaction with first quote (most typical among first-time homebuyers)
- Real estate agent or family/friend recommendation of lender
- Customer service/responsiveness

Other consumer purchases, such as household goods, can be much easier to research, shop for, and compare online, which may explain why consumers are more inclined to shop around for them, as compared to a mortgage. Just evaluating the "price" of a mortgage involves looking at several interrelated components, including:

- Interest rate
- Fees
- Discount points
- Terms of mortgage

Individual borrowers' creditworthiness is often evaluated differently depending on the lender — and can sometimes lead to more competitive offers. These variables include

- Credit history
- Down payment
- Debt-to-income ratio

Although homebuyers who received only one quote usually didn't express regret, most still reported trying to negotiate mortgage terms with less success than those who did shop around. By not shopping around to give themselves better leverage when negotiating their mortgage, some homebuyers are leaving money on the table.

Those respondents who shopped around were generally more successful in negotiating better terms across the board — including on interest rates, discount points, origination fees, mortgage insurance, appraisal fees, title insurance, and prepayment penalties.



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## Fannie Mae Solutions:

There is an opportunity to provide homebuyers with **improved access to better tools** to understand, shop for, and compare mortgages quickly and easily. **Fannie Mae** is working to enable the end-to-end digital transformation of the mortgage process to better serve borrowers.

**Removing friction** from the shopping process may encourage homebuyers to get multiple quotes, thereby allowing homebuyers to save money. **Fannie Mae** is collaborating with lenders, financial technology (FinTech) firms, and other stakeholders to address existing challenges in the housing and mortgage markets, as well as ongoing issues that are expected to affect the industry for the foreseeable future, including a lack of #AffordableHousing supply.

## Quotes:

“By not shopping around to give themselves leverage when negotiating their mortgage, some homebuyers are leaving money on the table.” Doug Duncan, Senior Vice President and Chief Economist, Fannie Mae

“Simply knowing that one can save thousands of dollars by getting multiple mortgage quotes may motivate more homebuyers to comparison shop.” Doug Duncan, Senior Vice President and Chief Economist, Fannie Mae

## Sources:

Duncan, Doug. August 5, 2019. [Shopping Around for a Mortgage Pays Off for Consumers](#). Perspectives blog, Fannie Mae.

Fannie Mae. June 2019. “[Shopping Around for a Mortgage Pays Off for Consumers](#).” *National Housing Survey*.

## Social media #s and @s for use when posting this material:

#AffordableHousing

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## Best practices

When posting the quote or chart from the toolkit on social media (or within your communication network), please give context and a call to action. Feel free to use this post copy as an example. NOTE: The link is not real.

## MORTGAGE SHOPPING GRAPH

The [@FannieMae](#) National Housing Survey shows that one-third of homebuyers aren't shopping around for a mortgage, giving them less leverage when negotiating terms and possibly costing them thousands of dollars. Read more here: [blg.ly/1234567S9](http://blg.ly/1234567S9)

