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Mortgage-hunters: Let the Web do your legwork

James Turner

Few things in life create as much uncertainty as applying for a house loan. Any homeowner can easily recall the hours of searching for the best rates, filling out endless paperwork, waiting for a response from the lender - and then starting all over again if the purchase fails.

And, of course, there's all that time spent traveling back and forth to the bank.

Even before the Internet, home-mortgage companies were becoming user-friendlier, offering applications over the phone and fast-decision turnaround.

Almost any major bank will accept loan applications online these days, and filling out the application via the Web gives you the luxury of digging out the detailed information needed for approval at your own pace.

This certainly is an improvement over realizing halfway through a phone application that you're missing some critical numbers, or forgetting some important document while visiting your loan officer.

But you still have to research which lenders offer the best deals and face the possibility of being turned down for a loan.

The good news: As in many other aspects of financial life, the Web is making some drastic changes in the lending process.

No site perhaps illustrates that point better than LendingTree.com. Once at the site, prospective borrowers type in four pages of particulars about the type of loan they want, and add details about their finances.

LendingTree compares that information against the "filtering criteria" provided by more than 100 lenders. The site then picks as many as four lenders that match your criteria.

These lenders are sent your application material. Within three days, they make a determination and reply to LendingTree, which then notifies the borrower.

Would-be borrowers, meanwhile, can then go to their status page on LendingTree's site and view the progress of each application as well as any offer made by a lender.

If they get a positive response, they can accept the loan by clicking a button, refuse the terms, or request more information. Accepting the loan gets the finalization process rolling. (This still, alas, involves title searches and house inspections.)

The benefits to this approach are many. First, mortgage-seekers can apply for loans with a number of institutions all at once (and since the information is saved, apply to more lenders later if they wish).

Because lenders know they are competing against each other for your business, they may make more

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aggressive offers. And since the lenders are preselected by LendingTree to match a borrower's financial situation and loan type, they are more likely to be approved.

In our case, a request for a \$12,000 home-equity loan on a house with a \$72,000 first mortgage (at 7.75 percent) outstanding was sent to three lenders, and received three offers. One was for a refinance of the entire amount (\$84,000) at 9 percent, which we wisely took a pass on.

The second was the amount requested, but it included nearly \$1,800 in closing fees (that's 15 points!).

The final offer, however, was a winner. An acceptable rate, with no closing costs, and available for the short period (3 years) we were looking for.

Better still, all arrangements were made by phone (such as scheduling an inspection), and the closing will be done at our house at a time we choose.

LendingTree, of course, makes its money from fees paid by the lenders for successful referrals. But since these fees don't impact the cost you pay for your loan, you can use LendingTree to find a good deal without incurring an extra expense.

Priceline.com, which made its name letting consumers make an offer for a price they were willing to pay for airline tickets, has branched out into home mortgages too.

Several quirks in the Priceline procedure make it less than ideal, however. For example: Unlike LendingTree, which has no up-front commitments, Priceline takes applicants' credit-card information before processing an application.

If a lender agrees to the rate you suggest, it can charge you a \$200 "good faith" deposit. In other words, you can't shop around, you're locked in as soon as a lender says yes.

Interestingly, Priceline is affiliated with LendingTree. (LendingTree provides the database of lenders that Priceline uses to shop out offers.)

If you want to shop for yourself, check out www.bankrate.com. This site offers a comprehensive database of current mortgage rates (as well as car loans and interest rates) from 4,000 financial institutions, as well as providing phone numbers and links to the Web sites of the lenders.

*James Turner is a computer consultant and avid Web user.

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