

## **Less Points or Lower Interest Rates?**

When you receive a quote from a lender, it will usually include the interest rate and points. A point is one percent of the loan amount, and lenders can charge from one to several points on a loan. Points are paid as part of closing costs.

Discount points are prepaid interest; the more points you pay at closing, the lower the interest rate on your mortgage is.

Origination points are basically just a fee to cover the lenders cost of making a loan.

Discount points are tax deductible, but origination fees are not. When choosing between loans with points or no points, consider how much money you have available for closing, and how long you plan to own the home.

If you do not have much money for closing, a loan with no points will require less money up front. However, if you plan to live in the home for a long time, a lower interest rate will ultimately be better for you.

You can ask the seller to pay the points as part of the purchase agreement; if they agree to pay the points, you still get the tax deduction.