

The Truth About Mortgage Rates

A report from

TOMO mortgage



The Truth About Mortgage Rates

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- Deep analysis of hundreds of thousands of loans since 2008
- Survey of 900 recent homebuyers
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01

The real cost of confusion capitalism

01. Confusion Capitalism

Confusion capitalism will cost homebuyers \$11 billion.

It's an open secret that mortgage lenders use inflated interest rates and excessive fees to increase profits. To get away with these added costs, lenders use deceptive sales and marketing tactics that ultimately keep people confused about what they're really buying—we call this practice “confusion capitalism.”

Now, for the first time, Tomo Mortgage is using its TrueRate analysis to put a number on the problem: American homebuyers will overpay \$11 billion in 2025.* Or, to put it another way: 7 out of 10 homebuyers end up paying \$4,500 more than they should—just because they picked the wrong lender.

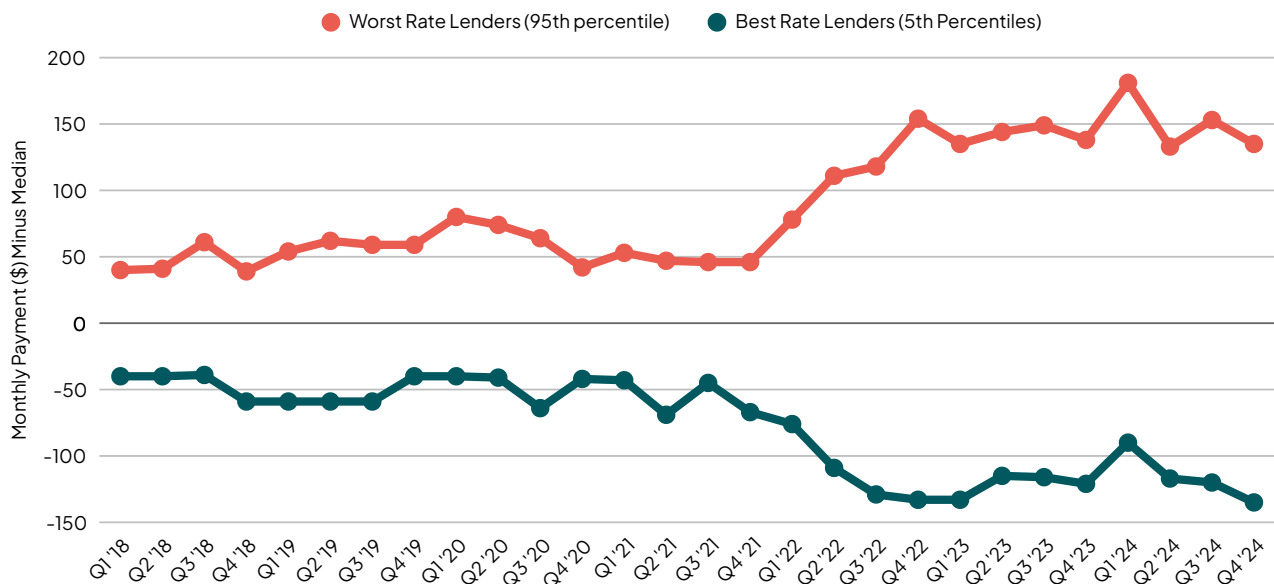
*This is an estimate based on 2025 loan volume projections from the Mortgage Bankers Association and assumes a normal distribution of rate disparity (i.e., “overpayment”) holds constant across loan types. Overpayment is defined as the sum of (a) the additional cost at closing to purchase 0.35 interest rate points to reach the median “good” interest rate range on a \$346,645 home loan; and (b) the average origination fees on a comparable loan.

01. Confusion Capitalism

Confusion capitalism is getting worse.

Back in 2018, if a typical home buyer picked a lender with the highest rates, it would cost them about \$80 more each month, compared to picking a lender with excellent rates.* Not great—but not devastating. Today, that mistake is a lot more expensive. If you go with a high-rate lender now, you could pay \$287 more every single month for the exact same loan, compared to what you'd pay for a lender with excellent rates. That's over \$3,400 more per year—just because of the lender you picked.

Difference in Monthly Mortgage Payments for a Typical Homebuyer*



*Estimate based on roughly 1 million 30-year fixed rate purchase mortgages in the United States. Monthly payment is a principal and interest estimate only, based on the median home sale price. It does not include taxes, homeowners insurance, or mortgage insurance.

01. Confusion Capitalism

There's some macroeconomic reasons for the added squeeze, but the impact on homebuyers is the same—people pay more for the same house. More concerning, the typical home buyer has no idea that they're overpaying.

When you think of mortgage lenders that offer the lowest prices, which companies come to mind?*



A system stacked against homebuyers.

Mortgage lenders make more money the more they charge a customer for their mortgage—it's a business model designed to squeeze as much money from homebuyers as possible. On top of this, a mortgage brokers can add an additional 3% of the loan amount as a fee—that's a \$10,500 fee on a \$350,000 loan.

Tomo Mortgage broke from industry convention to provide flat-rate commissions to our loan officers, ensuring there's no incentive for a loan officer to offer someone an inflated interest rate or excessive fee, or provide preferential treatment to people who have higher loan amounts. (In fact, it's just the opposite—their only real incentive is giving someone the best possible price.)

*Based on a national survey of 501 recent home buyers directly involved in choosing a mortgage lender.

01. New Solution

Tomo Mortgage invented TrueRate to change the industry for good.

Lack of personalized, public information about good and bad mortgage rates on a specific day and for a specific financial situation left homebuyers in the dark.

Now, for the first time, people can find out what's a great rate, and what's a ripoff, using impartial information from over a thousand lenders.

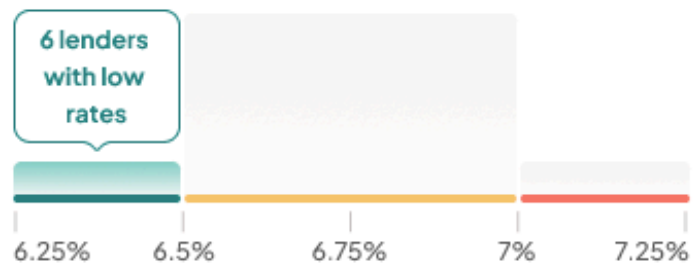
Lenders can't pay to be listed on TrueRate, and the rates shown control for deceptive "as low as" pricing by normalizing for points and listing historical origination fees.

Learn more at tomo.com/truerate

Who has low mortgage rates?

A good rate for a primary, single-family home in Seattle, WA for \$600,000, 20% down, and 740-759 credit score is:

6.25% - 6.5%



02

What the industry knows

02. What the Industry Knows

The industry knows what buyers don't know.

Buying a house is complicated. Unfortunately, the mortgage industry takes advantage of this complexity. By using mortgage jargon, irrational math, and other sales tactics, they're able to convince people to pay more without realizing it.

One major example is discount points or "rate buy down" points. According to the Mortgage Bankers Association, nearly 50% of buyers purchased points in late 2023 and early 2024. Yet, in our own survey of recent homebuyers during that same period, only 27% felt that they could explain what "rate points" even are.

The Fed flagged [this](#) last year when they discovered that lenders with high interest rates also had high points on their loans.

Homebuyers who pay thousands of dollars for interest rate points.



Homebuyers that can explain what interest rate points are.*



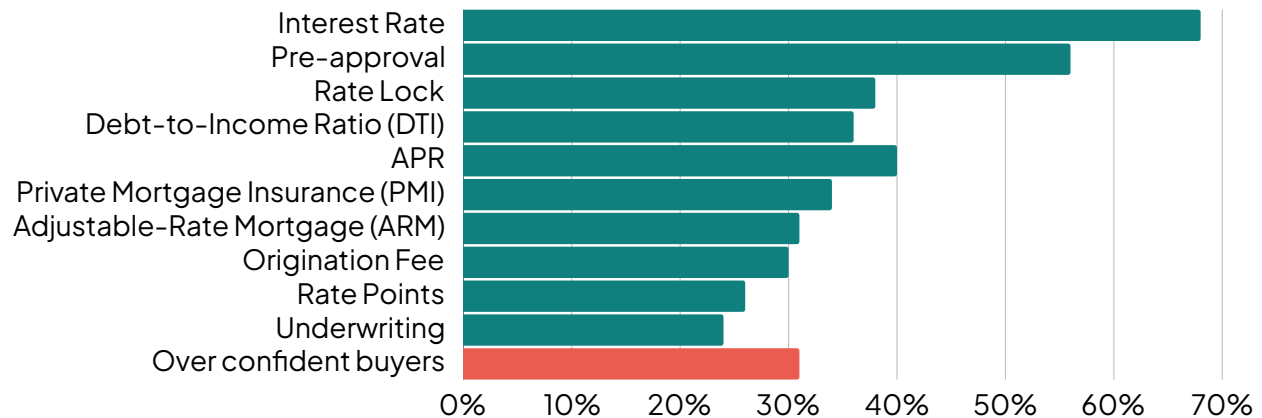
*Based on a national survey of 501 recent home buyers directly involved in choosing a mortgage lender.

02. What the Industry Knows

Only 30% of recent homebuyers can explain origination fees—they paid for.

Very few recent homebuyers were able to explain common and essential terms that consumers need to both understand a mortgage rate or make an informed decision about pricing. Only 40% could explain what an APR is and only 38% could explain a Rate-lock (the moment in time that they lock-in their interest rate).

And these numbers control for the large portion of homebuyers who are over-confident in their knowledge. To test this, we made up a few terms that sounded mortgage-y, but have no basis in reality: a “rate recovery rider” and a “principle protection provision (PPP).” A full 31% of recent homebuyers said they could explain one or both of these terms to a friend.



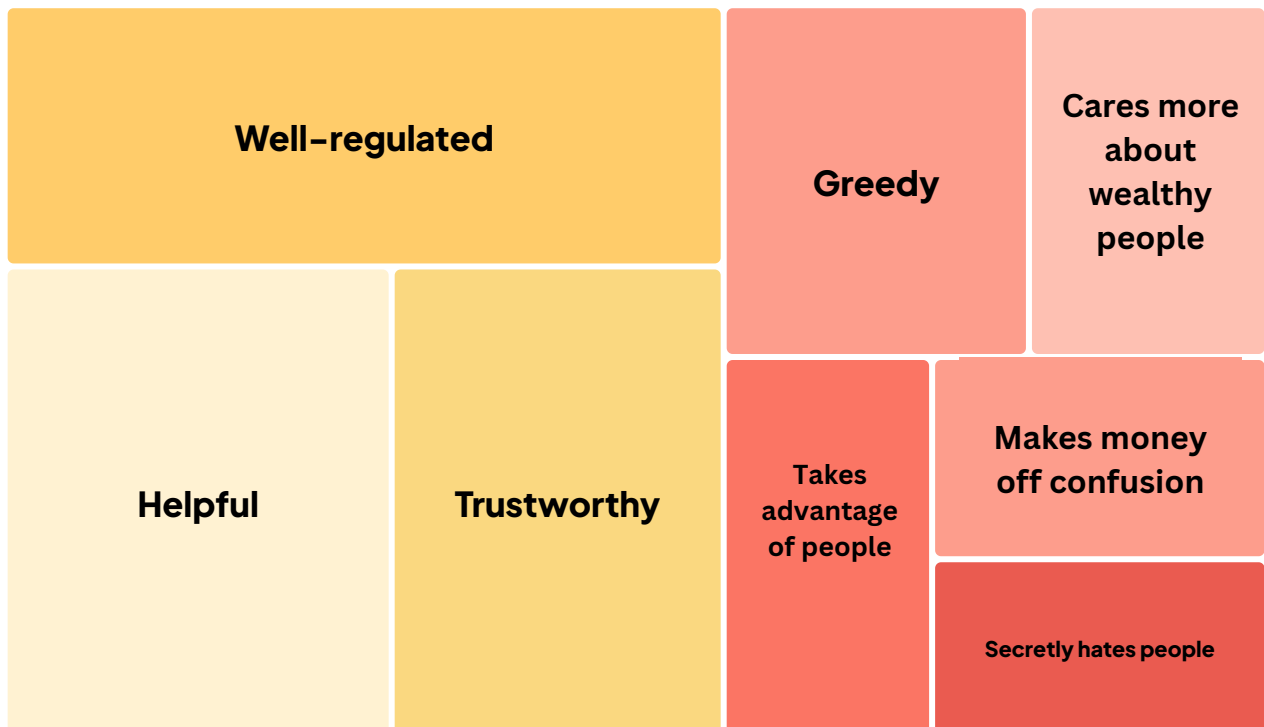
*Based on a national survey of 501 recent home buyers directly involved in choosing a mortgage lender.

02. What the Industry Knows

And yet mortgage companies earn the trust of roughly half of all homebuyers.

Among the most familiar homebuyers, attitudes toward mortgage companies range dramatically—extremely positive and negative.

When you think of a typical mortgage company, what words or phrases come to mind (select all that apply)?



*Based on a national survey of 501 recent home buyers directly involved in choosing a mortgage lender.

03

Tricks of the trade: how to sell a bad rate

How do lenders sell inflated rates?

To understand why consumers overpay, we examined the sales and marketing practices of lenders with consistently high pricing. We spoke to former employees of these lenders, too, in order to better understand the “tricks of the trade.” What we found were consistent patterns of misleading and deceptive information—a phenomenon we’re calling “confusion capitalism.”

Some of the most common examples include:

- Point traps—where advertised rates include excessive interest rate “buy downs” that few homebuyers understand.
- Not free “free refi”—selling consumers on the idea of a “free refi” that is far from free, but gives consumers a false sense of security at a time of high interest rates.
- Under-counting the cash to close —methods of hiding fees in a loan estimate by under-estimating the total closing costs.
- Needlessly “standard” fees—fees use all kinds of jargon to appear common, but there’s little reason for them to be there.

03. Tricks of the Trade: Point Traps

Trick One: Point traps.

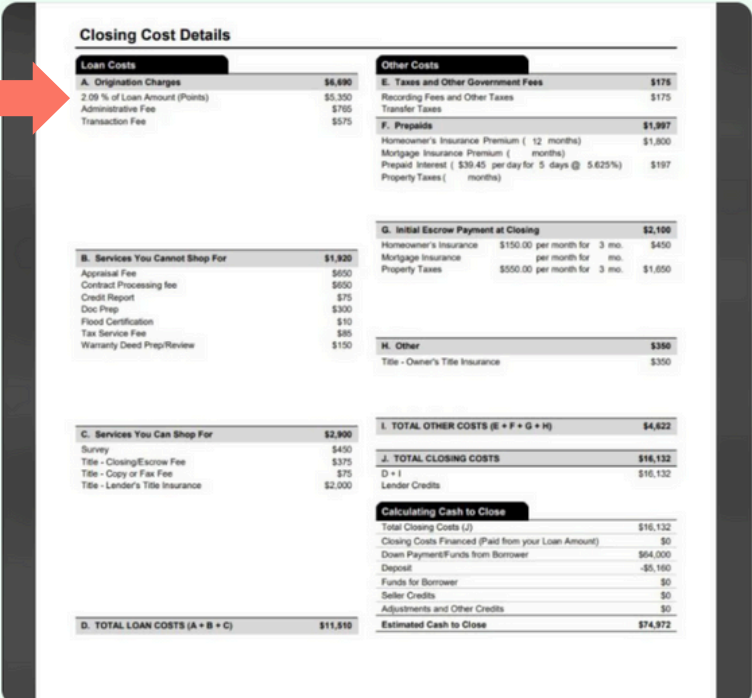
Points are confusing—every lender can offer homebuyers the same interest rate (including extraordinarily low interest rates), but the difference is how much you need to pay upfront to get that rate. Lenders exploit this confusion by offering seemingly low interest rates with exorbitant “point buy down” fees attached.

This is a classic example of rate vs. cost confusion: a buyer is offered a low rate, but their closing costs are significantly higher than expected due to an added \$5,350 fee for 2.09 rate points. What’s worse, with 3 weeks to close, it’s unlikely that this buyer will be able to change lenders fast enough to get a fair rate—they’re stuck with the bait-and-switch.

This often happens because the lender hasn’t made it clear that the lower rate comes from buying points—something that may not be worthwhile if the buyer doesn’t plan to stay in the home long-term or rates are expected to drop in the next 3-5 years.

← [r/FirstTimeHomeBuyer](#) ...

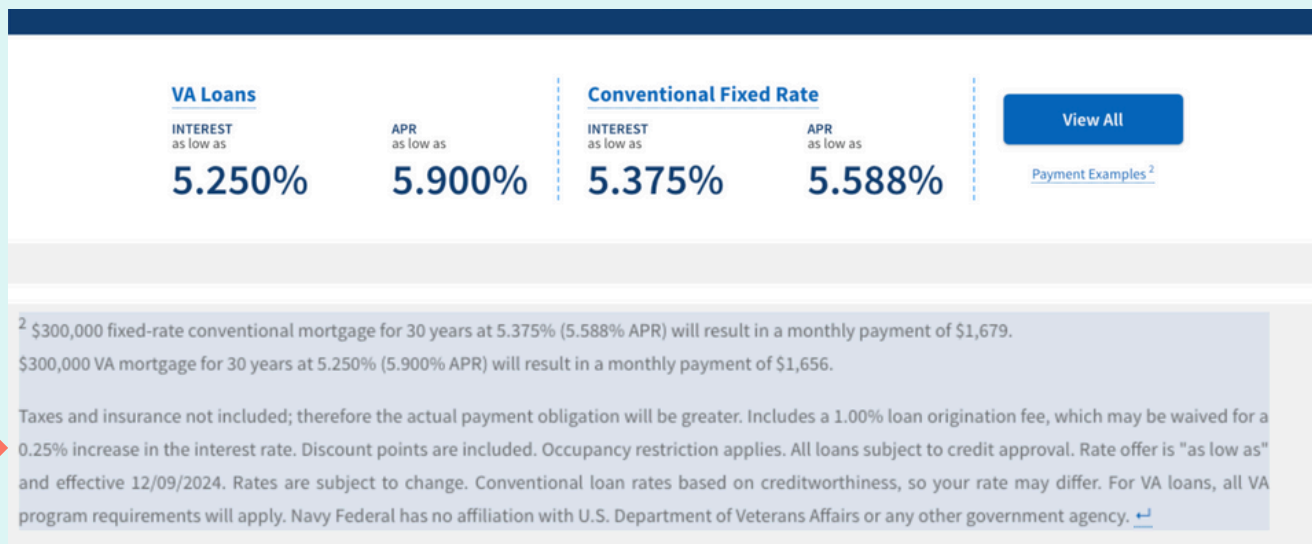
The \$16k closing cost seems really high to me. I am offered 5.625% rate on this 320k house. We will pay 20% down payment and need to close in the next 3 weeks. Any advice?



Closing Cost Details	
Loan Costs	
A. Origination Charges	\$6,690
2.09 % of Loan Amount (Points)	\$5,350
Administrative Fee	\$750
Transaction Fee	\$375
B. Services You Cannot Shop For	
\$1,920	
Appraisal Fee	\$650
Contract Processing fee	\$650
Credit Report	\$75
Doc Prep	\$300
Flood Certification	\$10
Tax Service Fee	\$85
Warranty Deed Prep/Review	\$150
C. Services You Can Shop For	
\$2,900	
Survey	\$450
Title - Closing/Escrow Fee	\$375
Title - Copy or Fax Fee	\$75
Title - Lender's Title Insurance	\$2,000
D. TOTAL LOAN COSTS (A + B + C)	
\$11,510	
Other Costs	
E. Taxes and Other Government Fees	\$175
Recording Fees and Other Taxes	\$175
Transfer Taxes	
F. Prepaids	
\$1,997	
Homeowner's Insurance Premium (12 months)	\$1,800
Mortgage Insurance Premium (months)	\$197
Prepaid Interest (\$39.45 per day for 5 days @ 5.625%)	\$197
Property Taxes (months)	
G. Initial Escrow Payment at Closing	
\$2,100	
Homeowner's Insurance	\$150.00 per month for 3 mo. \$450
Mortgage Insurance	per month for mo.
Property Taxes	\$500.00 per month for 3 mo. \$1,650
H. Other	
\$360	
Title - Owner's Title Insurance	\$350
I. TOTAL OTHER COSTS (E + F + G + H)	
\$4,622	
J. TOTAL CLOSING COSTS	
\$16,132	
D = I	
\$16,132	
Lender Credits	
Calculating Cash to Close	
Total Closing Costs (J)	\$16,132
Closing Costs Financed (Paid from your Loan Amount)	\$0
Down Payment/Funds from Borrower	\$64,000
Deposit	-\$5,160
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0
Estimated Cash to Close	\$74,972

03. Tricks of the Trade: Point Traps

Let's take a closer look at the fine print.



VA Loans		Conventional Fixed Rate	
INTEREST as low as	APR as low as	INTEREST as low as	APR as low as
5.250%	5.900%	5.375%	5.588%

[View All](#)
[Payment Examples²](#)

² \$300,000 fixed-rate conventional mortgage for 30 years at 5.375% (5.588% APR) will result in a monthly payment of \$1,679. \$300,000 VA mortgage for 30 years at 5.250% (5.900% APR) will result in a monthly payment of \$1,656.

Taxes and insurance not included; therefore the actual payment obligation will be greater. Includes a 1.00% loan origination fee, which may be waived for a 0.25% increase in the interest rate. Discount points are included. Occupancy restriction applies. All loans subject to credit approval. Rate offer is "as low as" and effective 12/09/2024. Rates are subject to change. Conventional loan rates based on creditworthiness, so your rate may differ. For VA loans, all VA program requirements will apply. Navy Federal has no affiliation with U.S. Department of Veterans Affairs or any other government agency. [↗](#)

At the time this lender posted their “as low as” interest rate on their website (5.375%), the median interest rate nationally was 6.63% (December 9, 2024). So, 5.375% would look like a really excellent deal. But “as low as” is doing a lot of work here. The “loan origination fee” can be waived with an increase in 0.25% interest rates - meaning, there’s a full point baked into this rate. And, on top of that, they say in the fine print “discount points are included.” The APR at 5.588% isn’t telling the whole story, either, as it doesn’t necessarily reflect the entire fees associated with the loan.

03. Tricks of the Trade: Point Traps

		Est. Monthly Payment	
FHA 30-Year ⓘ	 5.750% 6.740% APR	\$2,287/mo ⓘ	apply now
30-Year Fixed ⓘ	6.625% 6.982% APR	\$2,305/mo ⓘ	apply now

On Total Mortgage’s website, if you can read the very fine color contrast, the sole advertised rate has an APR that’s almost one percentage point higher than the stated interest rate.

The Fed raised alarm bells about this phenomenon last year.

They discovered that lenders with high interest rates also had high points on their loans. The underlying behavior was obvious to anyone in the industry: lenders are selling “low rates” that aren’t low at all, under the guise of point buy-downs that consumers don’t understand.

In our review of independent mortgage companies, for example, it’s become standard practice to see two or even three full points included on an advertised rate online. In fact, because points are so common on third-party rate comparison websites, any lender who wants to appear at the top of the list needs to include them to appear competitive (we do this too, but give customers much more control and visibility into what exactly they’re buying on our website).

03. Tricks of the Trade: Point Traps

Mortgage Home equity


Purchase Refinance VA Loans Home Equity Loans HELOC Cash-out Refinance

Term	Rate	APR	Points (cost)
30-yr fixed ^⓪	6.000%	6.236%	2.48 (\$3,967)

See my rates

This is from Better.com's rate page on April 3, 2025.

The advertised rate includes 2.24 points—nearly \$4,000 in added costs—but to see a rate at “par” with no points, you have to create an account on their site.



Hi, future homeowner!
Let's get your custom rates.

It won't affect your credit score. Plus, see:

- ✔ One Day Mortgage eligibility¹
- Ⓢ How much home you can afford
- 👤 Your Loan Officer's contact info

Next



03. Tricks of the Trade

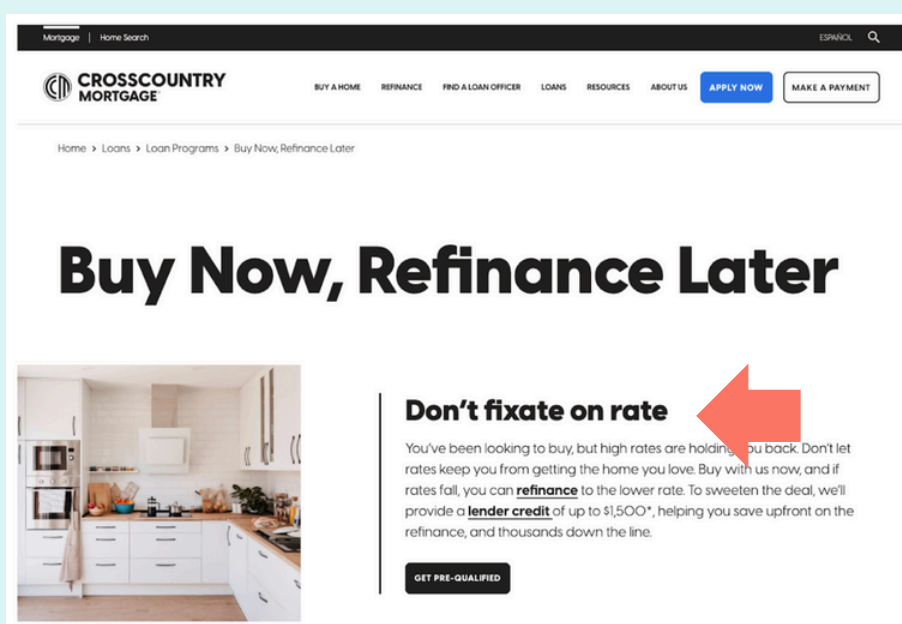
Trick Two: The unfree “free refi”

Largely preying on first time homebuyers, the “free refi” or “no-closing-cost” refinance has been popping up a lot in the last few years. The pitch goes like this—“Yes, rates are high right now, but don’t worry about it. When rates come back down again, we’ll give you a free refinance.”

Here’s the problem with this promise—the lenders who offer the “free refi” are actually offering a “no extra fee” refi. They will likely recover their origination costs in the form of higher interest rates for the refinance (e.g., about 0.25 percentage points added to the interest rate corresponds to a typical lender fee on a \$300,000 loan), additional fees, or both. And in the case of the “no closing cost” refinance, even the [CFPB warns](#) that they will simply add the cost of the refinance to the loan itself. And, as we outline in the last section, the fees themselves aren’t really necessary or even fair to begin with.

03. Tricks of the Trade

For example, CrossCountry Mortgage has a “Buy Now, Refinance Later” promotion. A large national lender with historically higher interest rates, CrossCountry is offering an “up to \$1,500” credit to cover lender fees associated with a refinance. The message on its website is a little on-the-nose: “Don’t fixate on rate.” They don’t want homebuyers to even think about their current interest rates when making a purchase.



But, what’s more problematic is the idea that the free refinance is a way to beat high mortgage rates. First, there are no guarantees that interest rates will decline, so you’ll be stuck paying an inflated rate for as long as it takes. Second, even if we assume that the lender is 100% honest and they aren’t offsetting the lender fees on the refinance interest rate outright, the cost of getting a “free refinance” can be significant for the home buyer—roughly \$1,500 to \$4,500 between appraisals, title insurance, processing, recording fees, and attorney and settlement fees. And, this doesn’t account for the amount someone could save by shopping for the lowest refinance rates. For example, if the typical distribution between a median (50th percentile) and low cost lender (30th percentile) is roughly 0.25%, the \$1,500 in savings is negligible compared to the tens of thousands of dollars a typical home buyer could save over the life of the loan.

03. Tricks of the Trade: Sleight-of-Estimate

Trick Three: Under-counting the cash to close

When the CFPB set standards on what must be included in a loan estimate, they unwittingly created a huge opportunity for lenders to game the official-looking estimate by providing a calculation of closing costs that can vary significantly from reality.

Like a magician's sleight-of-hand, which uses misdirection and a little dexterity to conceal the object, this trick is a little like a "sleight-of-estimate." You shift a homebuyers focus away from the very real fees the lender charges in "Section A: Origination Charges" and directs them to the thing they're most anxious about in the last section of the document: "Estimated Cash to Close."



03. Tricks of the Trade: Sleight-of-Estimate

To better explain, here are two Loan Estimates from two different lenders (neither are Tomo Mortgage, by the way).

LENDER A

LENDER B

Closing Cost Details	
Loan Costs	
A. Origination Charges	\$290
0.125% of Loan Amount (Points)	\$290
Other Costs	
E. Taxes and Other Government Fees	\$252
Recording Fees and Other Taxes	\$252
Transfer Taxes	
F. Prepays	\$4,469
Homeowner's Insurance Premium (12 months)	\$1,489
Mortgage Insurance Premium (months)	
Prepaid Interest (\$45.92 per day for 24 days @ 7.125%)	\$1,102
Property Taxes (6 months)	\$1,878
G. Initial Escrow Payment at Closing	\$1,311
Homeowner's Insurance	\$124.10 per month for 3 mo. \$372
Mortgage Insurance	per month for mo. \$939
Property Taxes	\$312.96 per month for 3 mo. \$939
H. Other	\$746
Title-Owner's Title Policy (optional)	\$746
I. TOTAL OTHER COSTS (E + F + G + H)	\$6,778
J. TOTAL CLOSING COSTS	\$9,905
D + I	\$9,905
Lender Credits	
Calculating Cash to Close	
Total Closing Costs (J)	\$9,905
Closing Costs Financed (Paid from your Loan Amount)	\$0
Down Payment/Funds from Borrower	\$58,000
Deposit	\$0
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	-\$3,511
Estimated Cash to Close	\$64,394
Services You Cannot Shop For	
B. Appraisal Fee	\$645
Credit Monitoring Service	\$4
Credit Report	\$50
Flood Determination Fee	\$8
Flood Life of Loan Coverage	\$5
Life of Loan Tax Service	\$48
MERS Registration Fee	\$25
Services You Can Shop For	
C. Tax Certification Fee	\$25
Title-Abstract or Title Search	\$175
Title-Express Mail/Courier Fee	\$35
Title-Lenders Title Policy	\$1,342
Title-Recording Service	\$300
Title-Survey	\$250
Title-Tax Service Fee (Closing Agent)	\$25
D. TOTAL LOAN COSTS (A + B + C)	\$2,155



Closing Cost Details	
Loan Costs	
A. Origination Charges	\$850
% of Loan Amount (Points)	\$850
Underwriting Fee	
Other Costs	
E. Taxes and Other Government Fees	\$242
Recording Fees and Other Taxes	\$242
Transfer Taxes	
F. Prepays	\$1,007
Homeowner's Insurance Premium (12 months)	\$960
Mortgage Insurance Premium (months)	
Prepaid Interest (\$46.72 per day for 1 days @ 7.25%)	\$47
Property Taxes (months)	
G. Initial Escrow Payment at Closing	\$682
Homeowner's Insurance	\$80.00 per month for 2 mo. \$160
Mortgage Insurance	per month for mo. \$522
Property Taxes	\$261.00 per month for 2 mo. \$522
H. Other	\$1,453
Title - Title - Owner's Title Policy (Optional)	\$1,453
I. TOTAL OTHER COSTS (E + F + G + H)	\$3,384
J. TOTAL CLOSING COSTS	\$5,539
D + I	\$5,539
Lender Credits	
Calculating Cash to Close	
Total Closing Costs (J)	\$5,539
Closing Costs Financed (Paid from your Loan Amount)	\$0
Down Payment/Funds from Borrower	\$58,000
Deposit	\$0
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0
Estimated Cash to Close	\$63,539
Services You Cannot Shop For	
B. Appraisal Fee	\$450
Credit Report	\$170
Flood Determination Fee	\$10
Services You Can Shop For	
C. Title - Attorney Fee	\$300
Title - Settlement Fee	\$375
D. TOTAL LOAN COSTS (A + B + C)	\$2,155



The trick works like this: If you're a lender with a higher price, you can trick someone into thinking you'll actually cost less by under-calculating the "estimated fees" and directing their attention to the "total closing costs" at the bottom of the page. Lender A has a lower rate (7.125% vs. 7.250%), lower fees (\$850 vs. \$290), and is offering \$3,511 in credits—but, if you only look at the estimated costs to close, it appears to be \$4,366 more than Lender B. That's because Lender B under-counts the costs in Section C (doesn't account for Title Insurance or Recording, for example) and Section G (under-counts Homeowner's Insurance and Property Taxes, and assumes only 2 months vs. 3 months). These costs will be identical when someone goes to the closing table, and the lender doesn't take any responsibility for these fees.

Now, if you're a lender with higher prices, the easiest way to avoid looking like you're over priced is to simply avoid giving someone a Loan Estimate. We spoke to several Loan Officers who admitted that it's common practice at some lenders to simply avoid sending a home buyer an estimate, stringing someone along as long as possible—until it's too late for them to change lenders.

03. Tricks of the Trade

Trick Four: Needlessly “standard” fees

Just about every lender charges some form of origination or processing fees. And, as we covered earlier, few people know what these fees are or what they cover.

It's easy for lenders to explain away these costs as just “standard practice,” without explaining that these fees are there to offset the costs of giving someone a loan. Lenders make money on the loan already (that's why there's an interest rate), but they know that homebuyers care a lot about finding the lowest interest rate. So, many add fees to artificially lower the rate while appearing more competitive in price (without giving up any money). And, for a variety of economic reasons—inflation, sales compensation, and the overhead on technology that's supposed to lower the cost but does the exact opposite—these fees are on the rise.

In a 2024 [report from Freddie Mac](#), origination costs have gone up 35% (an increase of roughly \$3,000 per loan) in the last three years. And, unfortunately, homebuyers are picking up the tab on these increases.

03. Tricks of the Trade: Needlessly “Standard” Fees

Lenders describe their origination fees in a wide variety of ways. They all essentially represent the same work, but the differences in cost can be extreme.

Loan Costs		Loan Costs	
A. Origination Charges	\$1,090	A. Origination Charges	\$9,088
% of Loan Amount (Points)		% of Loan Amount (Points)	
Application Fee	\$175	Lenders Attorney Fee	\$200
Commitment Fee	\$915	Loan Origination Fee	\$7,838
		Underwriting Fee	\$1,050

Loan Costs		Loan Costs	
A. Origination Charges	\$1,682	A. Origination Charges	\$3,472
% of Loan Amount (Points)		% of Loan Amount (Points)	
Processing Fee	\$1,595	Loan Origination Fee	\$2,323
Tax Service Fee	\$87	Underwriting Fee	\$1,149



In addition to the “common fees,” we’re also noticing more lenders adding a battery of unconventional “little fees” to obfuscate the overall origination charges. For example, one lender decided to charge a particularly frustrating “satisfaction fee” for \$15, in addition to other generic fees added to the “origination” fee, including fees for “admin,” “processing,” “underwriting,” and “doc prep.” It’s essentially six separate fees to do something that shouldn’t cost anything extra in the first place.

Loan Costs	
A. Origination Charges	\$2,000
% of Loan Amount (Points)	
Admin Fee	\$15
Doc Prep Fee	\$50
Origination Fee	\$1,500
Processing Fees	\$100
Satisfaction Fee	\$15
Underwriting Fees	\$150

In this example, it’s like ordering a coffee for \$5, then finding out it’ll be an extra \$0.10 to grind the beans, \$0.50 to brew the coffee, \$0.25 for the cup, \$0.15 to fill it with coffee, \$0.15 to put the lid on the cup, and \$0.10 for a smile when they hand it to you.

03. Tricks of the Trade

Now hiring whistleblowers.

We know many loan officers are tired of the greed and deception in the mortgage industry—we've hired a lot of them! So, we're inviting them to call out the industry for its deceptive practices or misleading information. Together, we can raise awareness and change an industry.

And, to thank these courageous professions for doing the right thing, we're offering anyone who posts "tricks of the trade" content on social media the opportunity to interview with our CEO, Greg Schwartz. Just use the hashtag #LOconfessions.



04

What every homebuyer needs to know

How to get the best rate on a mortgage.

1. Check TrueRate.

See what rate is good for you, and where to get it.

2. Talk to multiple lenders.

Since rates move constantly, get an official loan estimate on the same day and roughly the same time from each lender.

3. Get accurate estimates.

When you get a loan estimate, make sure it's based on your real credit score (soft pull, so it doesn't affect your credit) and that the estimate reflects your specific loan scenario (e.g., 30-year fixed rate conventional loan for single family home that's a primary residence).

4. Negotiate the fees.

Anything in Section A of a Loan Estimate, in particular, is open to negotiation.

The Truth About Mortgage Rates

TOMO mortgage



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