



## 10 Tips For First-Time Home Buyers

1. Before you start looking for a home, [get pre-qualified for a loan](#). Banks, credit unions and mortgage bankers make home loans; mortgage brokers process them. The lenders will take an application, process the loan documents, and see the loan through to the funding stage.

2. If you have marginal or bad credit, consult your lender. You may be able to qualify for a loan depending on how long ago and what reason(s) caused the bad credit. A lender should be able to advise you on whether your credit history will prevent you from qualifying for a home loan.

3. You will need a down payment. Down payment requirements vary depending on the type of loan. Many down payment assistance programs exist. These programs may loan or grant you the funds necessary for the down payment. Consult with a lender about programs available in your area.

4. You will need funds for closing costs. Closing costs are charges for services related to the closing of your real estate transaction. They include, but are not limited to:

- Escrow fees charged by the company handling the transaction
- Title policy issuance fees charged by the title company
- Mortgage insurance fees
- Fire and homeowners insurance
- County Recorder fees for recording your deed
- Loan origination fees

Consult your lender for an actual estimate of these costs, as well as information about loan programs which can assist in financing your closing costs

5. Some loans have “points” and some do not. A point is a loan origination fee equivalent to 1% of the loan amount. Together with the interest rate they constitute the yield on your loan for the lender. Some lenders charge a higher interest rate to compensate for charging no points. It is important to comparison shop lenders to make sure your loan is at a competitive yield.

6. Should you select a mortgage with a fixed rate or an adjustable rate? The answer to this question depends on whether mortgage rates are at a high or a low point when you purchase, and on how long you plan to live in the home. If rates are high, an adjustable rate might be attractive since subsequent rate drops could reduce your monthly payments. Additionally, lenders may offer a low rate during the first few years of an adjustable mortgage to make it appealing to you. If interest rates are low you might want to take a fixed rate to protect yourself against the possibility of rising interest rates.

7. Be aware of the two main types of loan categories.

- **Conventional Loans.** Conventional mortgage loans are available with fixed or adjustable interest rates. Some loans may require mortgage insurance.
- **Government Loans.** These include Federal Housing Administration (FHA) fixed and adjustable rate mortgage loans, and Veterans Administration (VA) fixed rate mortgage loan

8. If you are a low or moderate income homebuyer, there are special programs designed to help you. These loans are available through private lenders, as well as local and state housing agencies, like the California Housing Finance Agency (CalHFA). Most lenders specializing in real estate mortgage loans are aware of these types of loan programs.

9. Why might I have to pay mortgage insurance? Mortgage insurance protects the lender from potential loss if you should default on your mortgage loan payment. Generally, conventional loans that require larger down payments do not require mortgage insurance. Mortgage insurance is always required on FHA mortgage loans.

10. Many organizations offer home loan counseling to prospective homebuyers. These organizations provide classes for homebuyers to cover the steps to homeownership. They will cover home selection, realtor services, lenders, loan programs, homeownership responsibilities, saving for a down payment, and other important pieces of information. Many homebuyer programs require homebuyers to attend this type of class to be eligible for selected programs. **For additional information, please contact Brad Schmett Real Estate Group.**

Source: Website - California Housing Finance Agency, "What You Should Know Before Buying A Home".

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