



Common First-Time Home Buyer Mortgage Questions

If you are considering your first home purchase, you probably have lots of questions. There are many issues to consider and many confusing terms that you will hear as you start the home-buying process. The following are some of the more common questions that first-time home buyers have about mortgages and they may help you in your quest for homeownership.

How much money will I have to pay upfront to buy a home?

The answer to this question is not a simple, one-size-fits-all answer. The exact amount will depend on the price of the home you buy as well the type of mortgage financing you choose. The basic costs for any home loan though will include the down payment and the closing costs. Depending on your loan program, your down payment could be as much as 20% of the home's price, although there are loans available that require as little as 2-3%, and even some loans that will let you get by with no down payment at all. Be aware however, that the lower your down payment, the higher your interest rate on the loan will be. Closing costs account for all the fees associated with processing your loan. These include appraisal or inspection fees, title search costs, lawyer fees, insurance, and points. The typical range for closing costs is between 3% and 6% of the loan value. So if you are buying a \$150,000 home, your down payment could be anywhere from \$0 – 30,000 and your closing costs would likely be between \$4,500 and \$9,000.

Can I buy a home if I do not have money for a down payment?

The answer is yes! In addition to "no down payment" loans, you can also try getting a government insured loan like an FHA mortgage where you can have down payment funds gifted to you. You can either arrange for the home seller to cover the down payment costs, or you can contact one of several non-profit organizations designed to grant down payment money to first-time home buyers. And don't despair if you have little or no money for closing costs either. There are gift programs available for closing costs as well. Another option is to find a mortgage lender that will allow you to roll the closing costs into the total loan amount. It is not a good idea to buy a house if you have no money at all to contribute, but if you have enough income to afford the monthly mortgage payments, there are ways to finance your closing costs and down payment.

Will I qualify for a home mortgage loan?

The only way to determine the answer is to do some research. You need to have some important figures handy. You need to know your annual income, your annual or monthly debt payments, and an idea about what your credit score is. (You can obtain a free copy of your credit report once a year from any of the three credit reporting agencies.) Lenders are able to work with a variety of financial situations, but they will definitely want to see that you have income sufficient to afford a monthly mortgage payment and that your current debt will not be so big of a burden that it keeps you from making those payments. They will also expect that you have a credit score between a certain range. There are lenders who will loan you money no matter what your score is, but basically, the better your score, the better the loan and interest rate you will receive.



Your approval for a loan may also largely depend on the price of the home you are buying. You may be able to qualify for funding, but just not for the amount you are seeking. You may have to start with a smaller or cheaper home to get a loan.

There are many, many more questions involved in making your first home purchase, but answering these basics will help point you in the right direction. Be sure to counsel with your financial advisor or a mortgage professional to determine all the specifics for your situation.