

Ten Tips for Buying Your First Home

#1 Before you start looking for a home, get pre-qualified for a loan.

Banks, credit unions, and mortgage bankers make home loans, while mortgage brokers process loans through a variety of lenders. All of these institutions can pre-qualify you for a loan by looking at your income and expenses and determining the amount of money they are willing to lend you. 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 may need a down payment.

Down payment requirements vary depending on the type of loan. Many government and nonprofit organizations offer down payment assistance programs. 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 insurance company
- ◆ Mortgage insurance fees
- ◆ Fire, flood, and homeowners insurance
- ◆ County Recorder fees for recording your deed
- ◆ Loan origination fees

Consult your lender for an actual estimate of these costs.



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#5 Some loans have “points” and some do not.

A point is a fee charged by a lender equal to 1% of the loan amount. Some lenders may charge points in exchange for a lower interest rate. It is important to comparison shop lenders to make sure your loan is competitive and will work with your long-term finances. A CalHFA loan does not have points, and other lender fees are capped.

#6 Mortgage rates can be fixed or adjustable.

The type of interest rate that is right for you 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. If interest rates are low you might want to take a fixed rate to protect yourself against the possibility of rising interest rates.

All CalHFA loans have fixed interest rates.

#7 There are 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) loans, Veterans Administration (VA) loans and USDA loans.

These loans typically include a fixed interest rate.

CalHFA is not a direct lender and uses private mortgage lenders to qualify consumers and make all mortgage loans. Sample loan terms: (Amount: \$225,000; Term: 30 years; 4.00% sample interest rate, 4.9118% Annual Percentage Rate (APR) includes lender fees and insurance; Est. monthly payment: \$1,203 includes principal, interest, taxes and insurance).



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#8 If you are a low to moderate income first-time homebuyer, there are special programs designed to help you.

These loans are sometimes available through private lenders, cities, counties and state housing agencies like CalHFA. Most lenders specializing in real estate mortgage loans are aware of these types of loan programs.

#9 You may have to pay mortgage insurance.

Mortgage insurance protects the lender from potential loss if you should default on your mortgage loan payment. Home loans with a down payment of less than 20% are required to have mortgage insurance. Mortgage insurance is required on most CalHFA loans, and on all FHA mortgage loans.

#10 You should attend first-time homebuyer counseling.

Many organizations provide classes for homebuyers to outline 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 first-time homebuyer programs require homebuyers to attend this type of class to be eligible for selected programs. CalHFA loans require homebuyer counseling, which may be offered in person or online.

Got questions?
We have answers.

Call us toll free at **877.9.CalHFA**
(877.922.5432) or visit our web site,
www.calhfa.ca.gov.