

BANK 34

5 Myths About Buying a Home

The perfect storm of low inventory, high buyer demand, and historically low mortgage interest rates have created a hot real estate market in 2021. In such a competitive market, it's important for buyers to do their due diligence and make sure they're ready to navigate the ins and outs of the home buying process. We're here to help you make sense of this tumultuous time in real estate history and give you the tools you need to buy the home of your dreams. Here are five common myths about buying a home, and real facts you should know.

Myth #1: You need a down payment of 20% to get a mortgage

In the past, you almost always needed a 20% down payment in order to secure a mortgage, but that's no longer the case. Today, there are many mortgage lenders and programs that accept lower down payments, including first-time homebuyer and FHA loans that may require as little as 3% down. You should, however, aim to put down as much as you can, even if it's less than 20%. A higher down payment can translate to lower interest rates and lower monthly payments. It can also protect you from having to pay extra in the form of PMI, or primary mortgage insurance—a fee that is charged to protect your lender in the event that you can't make your monthly payments.

FHA loans

Federal Housing Administration (FHA) loans have been around since the 1930s to help stimulate the housing market by making loans accessible and affordable. FHA loans are not just for first-time home buyers, and have traditionally helped groups like military service members, low-income families, handicapped individuals, and the elderly achieve the American dream of home ownership. FHA loan options available through Bank 34 include FHA and FHA Streamline Refinance.

Myth #2: You need a perfect credit score to buy a home

A perfect credit score is not required to buy a home. But, your credit score is a critical influence on the mortgage process. Having good or great credit can result in you getting better rates and/or lower fees from lenders. Before buying a home, it's a good idea to familiarize yourself with your FICO score.

FICO scores are used by many lenders, and often range from 300 to 850. A FICO Score above 670 is considered a good credit score on these models, and a score above 800 is usually perceived to be exceptional.

300-579	Very Poor	17% of people	Credit applicants may be required to pay a fee or deposit, and applicants with this rating may not be approved for credit at all.
580-669	Fair	20.2% of people	Applicants with scores in this range are considered to be subprime borrowers.
670-739	Good	21.5% of people	Applicants in this score range will likely receive average rates from lenders.
740-799	Very good	18.2% of people	Applicants with scores here are likely to receive better-than-average rates from lenders.

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800-850	Exceptional	19.9%	Applicants with scores in this range are at the top of the list for the best rates from lenders.
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If you're planning on buying a home, it's recommended to improve your credit score to at least a 580. FHA loans require you to have a credit score of 500 or higher. Non-government backed loans require a credit score of at least 640. You can obtain a free credit report every 12 months from each of the three national credit bureaus (Equifax, Transunion, and Experian) from [Annualcreditreport.com](https://www.annualcreditreport.com). This is the only authorized online source for free credit reports under federal law.

The bottom line is, you shouldn't feel as though homeownership is out of reach just because your credit score isn't perfect. At Bank 34, our mission is to provide [mortgage solutions](#) to everyone. Even if you have recent credit events like bankruptcy, short sale, foreclosure, or a history of late payments, our mortgage loan consultants are available and ready to work with you.

Myth #3: Your down payment is the only thing you pay at closing

There are a number of fees associated with taking out a mortgage and buying a home. As a buyer, you will be responsible for taxes, inspection costs, insurance, fees, and more. You may also be responsible for closing costs, which can range between 2-5% of the home's purchase price. By working with the experienced mortgage professionals at Bank 34, you can rest easy knowing that we'll walk you through all the financial considerations of buying a home, so you can budget appropriately.

Myth #4: You don't need a home inspection

This myth could cost you a lot of money down the line. In today's competitive home market, waiving a home inspection is a tactic some buyers use to make their offer more attractive to the seller. But, if you elect not to pay for a home inspection, you run the risk of buying a home with serious underlying problems. A home inspection can uncover everything from mold and carbon monoxide to electrical problems and issues with the home's foundation. Additionally, many lenders require a home inspection as a condition of your mortgage. Even if you find yourself locked in a bidding war, don't waive your home inspection.

Myth #5: You have to pay off all your debt before buying a home

If you're in the process of paying off debt like student loans, you may find it more difficult to save up for a down payment. However, simply having debt in the first place doesn't completely disqualify you from being approved for a mortgage. Lenders do not look at your total debt. Instead, they look at your debt to income ratio, or DTI. This measures the amount you owe each month compared to how much you earn. For example, if your debt costs you \$2,000 a month, and you have an income of \$6,000 a month, your DTI would be 33%. In most cases, you'll need a DTI of 45% or less in order to get a mortgage.

Bank 34: Mortgage products to make you feel right at home

No matter if you're a first time buyer or you've been through the home buying process before, we're here to help you achieve the goal of finding the home of your dreams. We work closely with you and take the complete picture of your financial situation into account in order to provide mortgage products tailored to your needs. You can [apply for pre-approval](#) online or contact our mortgage loan consultant at [\(575\) 556-2276](tel:5755562276).