

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. California law requires mortgage insurance any time you have 20% or less for your down payment. Mortgage insurance is required on most CalHFA loans, and on all FHA mortgage loans.

10. You should consider 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 recommends home loan counseling, although it is not necessary for receiving a CalHFA loan.



thesmarterhomebuyer.com
1-800-279-4815 X100
Or to contact us directly
805-383-4400

Ten Tips For First-Time Homebuyers



CalHFASM

California Housing Finance Agency

10 Tips You Should Know Before Buying a Home

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 loans through a variety of lenders. 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. CalHFA loans are all 100%-financed, which means you do not need a down payment. CalHFA offers many down payment assistance programs and 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 may 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. CalHFA and other organizations have loan programs that can be used for some of these costs.

5. Some loans have "points" and some do not. A point is a fee charged by a lender equivalent 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 limits the fees a lender can charge you.

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.** CalHFA conventional mortgage loans are available with fixed rates. Most loans require mortgage insurance.
- **Government Loans.** These include Federal Housing Administration (FHA) loans, Veterans Administration (VA) loans and USDA loans. All these types of loans will work with CalHFA.

8. If you are a low to 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 CalHFA. Most lenders specializing in real estate mortgage loans are aware of these types of loan programs.

10 Tips
continued...