

CULTURE MORTGAGE

What are the required qualifications for a first time homebuyer?

Qualifying as a **first time home buyer** is not as difficult as some would have you believe. In today's market (12/2009) you are expected to be able to carry the debt you are applying for, and will need to document your income (among other things) to prove you are a capable borrower, and you will have to have credit scores above 620... however I believe your question is trying to pinpoint whether or not you will be approved as a first time homebuyer, and that type of calculation is next to impossible to provide, part because guidelines are always changing, but more importantly there are so many products and programs available one cannot cover all of them in an answer such as this one.

Questions to consider as a first time home buyer...

- Do you have a down payment? How much? What percentage of the home purchase does this amount equate to?
- (If you don't have a down payment, and you are a veteran - VA loans still offer 100% financing - although VA loan limits are set to change 1/1/2010 so check with a VA office for the new loan amount limits in your area)
- If you aren't putting down 20% are you prepared for the additional expense of mortgage insurance ?
- Do you have 2 to 4 months of liquid reserves remaining after closing... this refers to assets left over after handling all closing costs and the down payment. I'm not talking about money you are going to use to furnish your new home... this is money that will be left alone in case of emergency.
- What type of home will you be purchasing... single family residence, condo (low rise/high rise), manufactured home, duplex, etc.... what will the home be used for, primary residence, second home, investment property?
- Are you currently late on your rent? Have you been on time and paid in full for the last 12 months?
- How much money are you looking to borrow?

We haven't even touched on **employment questions**....

All of the above mentioned questions will influence what someone qualifies for. Moreover, just because you qualify for financing does not necessarily mean it's a good idea. Putting 3.5% down on an FHA loan with 620 scores, paying the funding fee, accepting a higher rate of interest due to your credit, and paying mortgage insurance, in a market that is stagnant could spell disaster, after all you're only 3.5% away from being upside down (point in fact if you were to buy and then immediately list the home, you would essentially be upside down because your listing agents commission is going to be larger than 3.5% which means if you sold the home for what you bought it for, you would not be able to cover their commission).

The best idea for a first time home buyer is to **contact a trusted real estate BROKER** and discuss financing options. I recommend a broker rather than a bank because 1) Brokers are licensed by the state to practice real estate and have the background (bankers do not have to be licensed or have any real estate background regardless of their title although legislation is starting to address this) 2) Brokers have more financing options than a single bank. 3) Brokers are required to fully disclose, banks can hide yield spread so you will not know the true cost of closing...

Once you are in touch with a trusted and respected broker, he or she will be able to answer all of your questions, and get you preapproved, or tell you what you need to work on to get you preapproved to buy a new home.

The internet is a good place to conduct general research, but a specific question such as this one "Will I qualify for financing in this market?" Is a specific question that you must answer with **a professional** after reviewing your particulars.

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