

First-Time Home Buyer Tips

Buying your first home is a big deal. The process of buying your first home should be exciting and fun, not intimidating or confusing. With a KeyFactor&Co licensed loan officer by your side to answer your questions and guide you through every step of the first-time homeowner's journey, you'll feel more confident about your decision and excited about your future.

Ready to become a homeowner? Our twelve first-time homebuyer tips will teach you how.

1. Clean up your credit

Your [credit score](#) is not the only factor in getting approved for a mortgage, but it is an important part of determining what you will be able to qualify for. Here's how to make sure your score is on point:

Know your credit score

Know your credit score before meeting with a lender. It is important to know where you stand before applying for a loan. You can get a free credit report once a year online by visiting annualcreditreport.com.

Check your credit report

Verify that your credit report is accurate. Identify any errors and dispute them with the credit bureau as soon as possible. Any unresolved disputes may lower your credit score and delay your loan approval.

- Focus on paying down high credit balances. Chipping away at those bills may positively affect your credit score and help you get approved with a better interest rate.
- Set up payment plans on any delinquent credit lines. Call your creditors and work out a budget-friendly plan that won't harshly affect your debt-to-income ratio.

2. Learn mortgage terminology

Understanding the terms that are unique to the mortgage process prior to meeting with your licensed loan officer can make the process easier for you to understand.

- Explore our [Mortgage Glossary](#) to become more familiar with mortgage terms.
- Get to know the different [home loan types](#) that are available to you.

3. Establish your homebuying budget

When you're trying to figure out how much house you can afford, start with your income. Then be sure to include all your expenses, including:

- Monthly bills (utilities, loans, etc.)
- Your costs of living (food, entertainment, maintenance, etc.)
- Estimated property taxes
- Estimated homeowner's insurance
- Estimated private mortgage insurance
- Potential Homeowners Association fees

In addition to these recurring costs, remember to factor in one-time costs during the buying process, including closing costs and your down payment. Determine the home purchase range that aligns with your finances.

4. Calculate your debt-to-income ratio (DTI)

Traditionally, lenders will not qualify you for a mortgage unless your [DTI](#) is less than 40%. You can change your debt-to-income ratio by either increasing your monthly income or decreasing the amount of debt you carry each month. The second option is usually easier than the first, so pay down as many open credit accounts as you can.

5. Don't choose a mortgage lender based solely on rate

Everyone wants to save money. When it comes to mortgages, saving a bit on your **interest rate** is great! But it isn't as important as working with a reputable, trustworthy company that offers a wide variety of loan products and will work with you to get the best financing for your situation.

6. Get pre-approved, not just pre-qualified

You're not fully ready to start looking at homes until you understand the difference between pre-qualification and pre-approval.

- **Pre-qualification** determines your ability to repay a loan based on the information you provide. Your financial information is not verified at this point.
- **Pre-approval** is a written commitment from a lender to extend a mortgage to you for a specific dollar amount and time-period. This involves an analysis of your financial status and credit history.

With a pre-approval, you'll be able to set your budget, negotiate confidently and close faster. Realtors and sellers will often take your offer more seriously if you get pre-approved prior to house shopping. It lets them know you are ready to make a deal! Contact your KeyFactor&Co licensed Mortgage loan officer to discuss getting pre-approved today.



Pre-Approval vs. Pre-Qualification

Get more insight on the difference between pre-approval and pre-qualification.

LEARN THE DIFFERENCE

7. Choose a real estate agent carefully

Make sure you work with a real estate agent you can trust, who is experienced, and who has your best interests at heart. It's always a good idea to get referrals from family and friends who've been through the homebuying process.

8. Interview several agents before choosing one

Not sure what to ask? Here are some suggestions:

- How long have you worked in real estate?
- Is this your full-time job?
- Have you sold other homes in the area I'm interested in?
- How many total sales have you done in the last year?
- Will you be present for the closing of my loan?

9. Location is everything

When choosing a home, include neighborhood safety, public school ratings, your daily commute, and local amenities in your decision. If parks, libraries, pools, sports arenas, churches, restaurants, or shopping centers are important to you, make sure you consider their proximity to your neighborhood.

10. Don't make financial changes during the loan process

All aspects of your income and finances are on the table when applying for a loan. Don't make any major purchases like a car, large appliances, or furniture, and don't move untraceable money into or around your accounts. Also avoid changing employers during the home loan process. Steady employment will likely be a factor in determining what loan you qualify for.

11. Get a home inspection

Inspections are important, and in some cases required, to help you fully understand the condition of a home. They can also be helpful for negotiations to help drive prices down or have additional services stipulated in the contract.

12. Get all details in writing

During the purchase process, a seller may make a variety of verbal guarantees. For example, the seller may promise to fix the roof before you move in or provide all the kitchen appliances. Make sure this information is included in writing in any agreements you sign. If an agreement is not explicitly written in a contract, the seller is not obligated to abide by it. This also includes all the details of your loan. Make sure the amount, payments, rate lock, and other details are clearly stated in writing in a signed document.

Final Thoughts

Buying your first home is a big deal. If you're feeling a little overwhelmed or if you're ready to begin the mortgage process, we're here to help! Start the conversation with your licensed KeyFactor&Co loan officer today!