

Get the Facts on Homeownership

*Separating Fact From Fiction in the
Homebuying Process*



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These days, information about homeownership seems to change frequently, causing many could-be homeowners to wonder if now is a good time to consider a home purchase. For many, it's tough to determine what the facts are, versus the many myths and misconceptions about homeownership. You could find that homeownership is much closer than you think.

1. Myth: It's a bad time to buy a home and I'm afraid I'll end up in foreclosure.

For working families with stable incomes and good credit, this is a time of opportunity.

The 30-year fixed-rate mortgage, the mainstay of America's home finance system, provides stable payments and long-term savings for homebuyers. Now may be a good time for you to consider homeownership, particularly if mortgage interest rates are at attractive levels and there's a large housing supply in your area.

The idea of foreclosure is understandably frightening. While you can't always solve for the unexpected changes in your life (job loss, divorce, illness), good planning and preparation in addition to responsible use of credit can decrease the likelihood of foreclosure.

2. Myth: I need almost perfect credit to buy a home, but I can't do anything to improve my credit rating.

It is true that getting a mortgage today requires a stronger credit history than in past years. You do not need perfect credit, but the higher your score, the more options you have when looking for a mortgage. Your credit score will affect your mortgage loan approval and interest rate.

If you have a handle on your finances, it's possible to take measures to improve your credit:

- Always pay your bills on time.
- Pay at least the minimum amount required.
- Review your credit report and correct any errors you may find.
- Keep your debt-to-income ratio below 20 percent (excluding housing costs).
- Don't max out on your credit cards.

3. Myth: I can't get a mortgage if I've changed jobs several times in the last few years or if I'm self-employed.

You can change jobs several times or be self-employed and still get a mortgage loan to buy a home. The important thing is to show that you've had a stable income and good credit.

Most lenders would like to see you working for two years in the same field with steady or increasing income. If you have not worked at your current job for at least two years, or if you have multiple jobs, you will need to provide information on all jobs going back until you have a two-year history.

If you're self-employed and don't have a steady income to prove to lenders your ability to make the necessary payments, be prepared to provide documentation as proof of your income, including tax returns for at least the last two tax years, profit and loss statements, details of your investments, etc.

4. Myth: Homeownership is too expensive and I don't have the 20 percent down payment needed to get a mortgage.

There are many expenses to consider when buying a home – including your down payment, closing costs, property taxes, maintenance costs, etc.

A 20 percent down payment is not the golden rule. You should expect to make a minimum of 3 percent for your down payment and more typically between 5 and 10 percent for your down payment. (Note that you may be required to pay private mortgage insurance if you make a down payment of less than 20 percent.)

Many factors come into play in determining the amount of down payment that will be required, depending upon your individual situation:

- The value of the property
- The amount you are financing
- Your credit rating
- Your debt-to-income ratio

To supplement whatever down payment you have, ask about potential sources of down payment or closing

cost assistance if you are a first-time homebuyer or a household of modest means.

Owning a home has both personal and financial advantages:

- Tax benefits
- Stable payments with a fixed-rate mortgage
- Potential for appreciation

5. Myth: The mortgage process is too complicated and risky.

With the right resources and information, the process of buying a home and obtaining a mortgage can be easier to understand. Seek an experienced housing counseling professional, loan officer, or real estate agent to walk you through your options.

Follow these steps as you begin the process of buying a home:

- Start by determining how much you can afford based upon your spending plan and comfort level.
- Talk to a loan officer, who will review your income, expenses, and savings to help you determine the type and amount of mortgage loan you qualify for.
- Seek assistance from a credible housing or credit counselor to obtain information on how to establish or improve your credit history.

Follow these helpful tips to protect yourself against organizations that don't have your best interests in mind:

- Say no to "easy money."
- Ask about additional fees.
- Understand the total package.
- Shop around.
- Find out about prepayment penalties.
- Work with HUD-certified credit counselors.
- Make sure documents are correct and complete.
- Make sure all promises and terms are in writing.
- If you're not sure, don't sign!

Homeownership Could be Closer Than You Think

- Complete the Get the Facts on Homeownership workshop
- Find a HUD-approved counseling agency in your area at <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>
- Determine if you qualify for homeownership
- Attend a CreditSmart® workshop or homebuyer education class
- Meet with a mortgage lender or real estate professional.

For More Information

- Free, online CreditSmart tutorial helps you learn how to achieve your financial and homeownership goals. Available in English and Spanish @ http://www.freddiemac.com/creditsmart/consumer_training.html.
- My Home by Freddie MacSM, an online, one-stop resource on topics that include the ins and outs of homebuying, homeownership, renting, and more. Visit <http://myhome.freddiemac.com/>.
- To find a HUD-approved housing counseling agency near you, visit <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm> or call 800-569-4287.

- Through our on-the-ground Freddie Mac Borrower Help Centers and national Network, we work with trusted national nonprofit intermediaries to support Freddie Mac's ongoing commitment of preparing prospective buyers for responsible homeownership and helping struggling borrowers with Freddie Mac-owned mortgages avoid foreclosure. Visit http://www.freddiemac.com/singlefamily/housingpros/help_centers.html for more information and a directory of Borrower Help Center/Network locations.

Source

Content adapted from the following:

- Get the Facts on Homeownership, a set of tools that facilitate an interactive workshop to dispel common myths about homeownership and foreclosure.
- Freddie Mac's award-winning CreditSmart, a multilingual financial education curriculum designed to help consumers build and maintain better credit, make sound financial decisions, and understand the steps to sustainable homeownership.
- My Home by Freddie MacSM, an online, one-stop resource to help consumers become smart homebuyers, homeowners, and renters. Visit <http://myhome.freddiemac.com/>



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