

Get the Facts on  
Homeownership

Homeownership Myths

CreditSmart®



new york mortgage  
coalition  
*Maximizing Affordable Homeownership*



We make home possible®

# Homeownership Myths

- It's a bad time to buy a home and I'm afraid I'll end up in foreclosure.
- I need almost perfect credit to buy a home, but I can't do anything to improve my credit rating.
- I can't get a mortgage if I've changed jobs several times in the last few years, or if I'm self-employed.
- Homeownership is too expensive and I don't have the 20 percent down payment needed to get a mortgage.
- The mortgage process is too complicated and risky.

# MYTH #1

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

A green rounded rectangle with the text "THE TRUTH" in white, bold, sans-serif capital letters. A thin green horizontal line passes behind the rectangle.

# THE TRUTH

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

# Let's Get the Facts on Myth #1

- For qualified homebuyers, now is a good time to consider homeownership.
  - Fixed mortgage rates are still historically low, creating stable payments and long-term savings for today's homebuyers.
  - House prices have fallen from their peak.
  - The combination of these factors generally results in greater affordability.
- While you can't always solve for 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.

# MYTH #2

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

# THE TRUTH

- 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.



# Let's Get the Facts on Myth #2

- Your credit history is one of the primary factors a lender uses to determine if you are a qualified borrower.
  - A lender is not expecting you to have perfect credit, but you will need a good credit history that demonstrates you will repay your loan obligation.
- The good news is that you can improve your credit over time. Follow these tips and you're on your way:
  - 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.



# MYTH #3

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

# THE TRUTH

- Not true. 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 have a stable income and good credit.

# Let's Get the Facts on Myth #3

- Most lenders would like to see you working for two years in the same field with steady or increasing income.
  - The more stable your income, the more stable your ability to repay your debt, reducing the risk for the lender that you'll go into default.
- 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 proof of your income.

# MYTH #4

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

## THE TRUTH

- 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 mortgage insurance if you make a down payment of less than 20 percent.)

# Let's Get the Facts on Myth #4

- 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

# MYTH #5

The mortgage process is too complicated and risky.



# THE TRUTH

- 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.

# Let's Get the Facts on Myth #5

- 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.

# Let's Get the Facts on Myth #5 (continued)

- 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