



Homebuying Myths

If you are thinking of buying a home, there are many factors to consider. Are you financially prepared, are you ready to take on the responsibility of home maintenance, does this decision fit into your life goals? In taking this major step, you will undoubtedly receive plenty of advice from well-meaning family and friends. To help you sort through the information overload, allow me to tell you why I think home purchase is a good idea in 2022 and then to debunk a few myths about the home loan process.

Economists forecast that mortgage rates will rise later this year, after an extended period of historically low interest rates. Yet most forecasters predict that the average 30-year fixed rate mortgage loan will stay below 4% for the remainder of 2022. In addition, home prices are expected to rise at a slower pace this year than in 2021 creating a slightly more stabilized market. And spring and summer seasons are usually the time of year when there are more houses available. To give you additional perspective in your decision, let me deal with some of the mis-information I frequently hear.

Here are a few home buying myths:

- 1. You need a 20% down payment.** There are multiple types of home loans with differing down payment requirements. In fact, the US average down payment is 12%. Veterans Loans (VA) are available with 100% financing for qualified buyers. Government-backed loan options, such as FHA and other specialty programs, are ideal for first-time homebuyers with down payments from 3.5% to 5% and a little more leniency in qualifying.
- 2. You need perfect credit.** While having a good credit score will qualify you for better rates, having less than perfect credit does not mean you will not be able to qualify. Lenders look at several factors: income, property type, debt levels in addition to credit score. You can check your credit score for free at www.AnnualCreditReport.com or we can check it for you at the Bank.
- 3. Your down payment is the only thing paid at closing.** For closing preparation, keep in mind your down payment is merely a portion of the money you will need. The amount needed will vary and may include origination fees, appraisal, and inspection fees. Some of these costs may be split between the buyer and seller. You can use a ballpark estimate of 1% to 2% of the property purchase price as a guide in planning.

4. **You don't need a home inspection.** You may have heard that in today's vibrant market, buyers have waived the home inspection fee to win a bidding war. I must caution you that this tactic will put you at risk. Home inspections are designed to identify potential problems in a home. I have seen inspections uncover things as simple as a stuck window and plumbing leaks to cracked foundation and mold infestations. You want to be aware of problems to negotiate for repairs or walk away from the deal.

5. **You should pay off all debt before applying for a home mortgage loan.** Lenders look for borrowers who have responsibly carried debt, this shows they are able to manage their finances and have made timely payments in the past. However, you should avoid applying for any new credit three months before beginning the mortgage loan process.

If you need help sorting through mortgage loan information or help getting started, come talk to us at Anahuac National Bank. We can give you a realistic picture of the entire process. We have a great deal of experience in this area, and we will be delighted to help navigate the path to home ownership. As always, we thank you for your business.

