



OFFICE OF SINGLE FAMILY HOUSING

FEDERAL HOUSING ADMINISTRATION



Dispelling Homebuying Myths

Tips for Buying Your First Home

June 22, 2022

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Myths

Myth 1: I should use the maximum loan amount I've been qualified for to purchase a home.

Myth 2: I know what I can afford, so I do not need to get pre-qualified by a lender.

Myth 3: If you have a lot of debt, you should pay it off to be approved.

Myth 4: Rates are dropping, so I will get a better rate if I wait.

Myth 5: A home inspection is mandatory.

Myth 6: Newly-built homes are maintenance-free.

MYTH 1

I should use the maximum loan amount I've been qualified for to purchase a home.

MYTH 1: I Should Use the Maximum Loan Amount I've Been Qualified for to Purchase a Home

Fact: Neither true nor false.

Getting a loan for the maximum amount you qualify for is a matter of what's best for your financial situation and lifestyle.



MYTH 1: I Should Use the Maximum Loan Amount I've Been Qualified for to Purchase a Home (cont.)

Debt-to-income refers to the amount of money coming in each month compared to the amount of money going out each month.

What is your overall debt compared to your income?

MYTH 1: I Should Use the Maximum Loan Amount I've Been Qualified for to Purchase a Home (cont.)



What does your lifestyle look like? Do you meet your friends for coffee each morning before work or have an expensive hobby?

MYTH 1: I Should Use the Maximum Loan Amount I've Been Qualified for to Purchase a Home (cont.)

When considering loan amounts, make sure to factor in your lifestyle and home purchase expenses.



MYTH 2

I know what I can afford, so I don't need to get pre-qualified by a lender.

MYTH 2: I Know What I Can Afford, so I Don't Need to Get Pre-Qualified

Fact: No.

Getting pre-qualified from a lender is the smartest thing you can do before writing an offer.



MYTH 2: I Know What I Can Afford, so I Don't Need to Get Pre-Qualified (cont.)

Equifax

TransUnion

Experian



Know your credit score.

MYTH 2: I Know What I Can Afford, so I Don't Need to Get Pre-Qualified (cont.)



Getting pre-qualified helps ensure you can make an offer.



A majority of realtors won't make an offer without prequalification.



Getting pre-qualified makes the process easier.

MYTH 2: I Know What I Can Afford, so I Don't Need to Get Pre-Qualified (cont.)

Getting pre-qualified helps you target homes you can afford.



MYTH 3

If you have a lot of debt, you should pay it off to be approved.

MYTH 3: If you have a lot of debt, you should pay it off to be approved.

Fact: No.

Paying off all your debt may cause more harm than good.



MYTH 3 If you have a lot of debt, you should pay it off to be approved. (cont.)

Debt-to-Income

Amount Coming In

Such as income from your job, social security, pensions, and child support or alimony

Must be
greater
than

Amount Going Out

Such as credit accounts, car payments, house payment, and student loans

MYTH 3: If you have a lot of debt, you should pay it off to be approved. (cont.)

Other Qualifying Factors



Down Payment



Cash Reserves



Credit History

MYTH 3: If You Have Too Much Debt to Qualify, Pay It Off (cont.)

Never pay off debt just because you think it will increase your chances of loan approval, before consulting with your lender.



MYTH 4

**Rates are dropping, so
I will get a better rate if I wait.**

MYTH 4: Rates Are Dropping So I Should Wait

Fact: Neither True nor False.

Mortgage loan interest rates fluctuate daily, just like the stock market, making this strategy risky.



MYTH 4: Rates Are Dropping So I Should Wait (cont.)

If you wait, several things can happen:



Someone else may make an offer.



You may need a bigger loan,
If home prices rise.



Rates may rise unexpectedly.

MYTH 4: Rates Are Dropping So I Should Wait (cont.)

Lenders have two options:

- Float your interest rate; or
- Lock in a rate.



Talk to your lender.

MYTH 4: Rates Are Dropping So I Should Wait (cont.)

The best time to buy your first home is when you are financially ready to take on the responsibility of homeownership.



MYTH 5

A home inspection is mandatory.

MYTH 5: A Home Inspection Is Mandatory

Fact: No.

FHA does not require a home inspection,
but does require an appraisal.



MYTH 5: A Home Inspection Is Mandatory (cont.)

Optional

Home Inspection

A home inspection gives you the opportunity to discover the overall condition of the property before you get too deep into the process.

You may be able to make a purchase based on its results.



MYTH 5: A Home Inspection Is Mandatory (cont.)

FHA
required

Appraisal

FHA requires an appraisal.

The purpose is to estimate the value of the property for lenders.



MYTH 5: A Home Inspection Is Mandatory (cont.)

Getting a home inspection helps you be an informed buyer.



MYTH 6

Newly-built homes are maintenance-free.

MYTH 6: Newly-Built Homes are Maintenance-Free

Fact: No.

All homes have ongoing maintenance requirements either immediately or over time.



MYTH 6: Newly-Built Homes are Maintenance-Free (cont.)

Brand-New Home

Newly-built homes can be more expensive, and they still have to be maintained.



MYTH 6: Newly-Built Homes Are Maintenance-Free (cont.)

Resale/Older Home

It's a good idea to request a home inspection on resale homes.



MYTH 6: Newly-Built Homes Are Maintenance-Free (cont.)

Newly-built homes require maintenance.
Don't be afraid to purchase a resale home.



Resources

[FHA Frequently Asked Questions \(FHA FAQ\)](#)

[Information on buying a home](#)

[Find a HUD-approved Counseling Agency](#)

[Find HUD-approved lenders in your area](#)



HUD Info

[Consumer Financial Protection Bureau \(CFPB\)](#)

[– Home Loan Toolkit](#)

[US Department of Housing & Urban Development \(HUD\)](#)

[– First-Time Homebuyers #1](#)

General Info

**Thank you
for joining us today!**

