

## 5 Mortgage Tips For First-Time Home Buyers

Buying a home for the first-time can be one of the most fun and meaningful experiences in your life. But finding your dream home is just one step in the process. Applying and acquiring for a mortgage is another key step toward homeownership. The following tips should help you prepare for the mortgage process.

### Save For A Down Payment

A sizable down payment can help you in multiple ways. Most importantly, it might help you qualify for a lower mortgage interest rate. A substantial down payment can also help you reduce your monthly payments. Therefore, it is a good idea for first-time home buyers to put down as much as 20 percent as a down payment.

First-time home buyers might be able to avoid paying for private mortgage insurance (PMI) if they can put down a 20 percent or larger down payment. Play around with a free mortgage calculator and see the impact of a 20 percent down payment.

Some tips for saving for a down payment include: living below your means, transferring tax refunds into a savings account, setting aside work bonuses, creating and staying within a monthly spending budget and setting up an automatic savings plan.

### Check Your Credit

Let's face it; your credit history is one of the most important factors during the mortgage application process. Your credit score has an impact on your loan options. If you want lenders to compete for your business, you need good credit. The first step is to check your credit - even if you think that you have outstanding credit. To avoid surprises, check your credit for free at [Annual Credit Report.com](https://www.annualcreditreport.com).

If you find any inaccuracies on your credit report, you can submit a dispute or request changes with the credit bureaus.

### Get Pre-Approved

Shopping for your dream home without a mortgage pre-approval is like walking into a mall without your wallet. Yet, many first-time home buyers fail to get a pre-approval. A pre-approval requires a bit of working ahead, but it can save you a lot of headaches during your home buying process.

### Organize Documents

A great way to prepare for both the pre-approval and mortgage application process is to organize your documents in advance.

Lenders might ask you for any of the following and more documents:

- Tax returns for the last two years
- W-2s for the last two years
- Bank statements
- Social security number - The lender can require anyone on the loan to provide a social security number. The social security number is also used to pull your credit.
- Proof of employment - You have to provide pay stubs and a list of jobs for at least the last two years.

## **Manage Your Mortgage**

Your mortgage payment is one of your most important bills. With every monthly payment, you are one step closer to owning your home, free and clear. An additional benefit is that on-time payments might improve your credit score. You should be able to set up automatic mortgage payments with your bank. If you are unable to set up automatic mortgage payments, you might want to set up automatic payment reminders. If, for some reason, you are unable to make a payment, contact your lender immediately. It also helps to set up a rainy day fund to cover unexpected expenses. Try to make extra mortgage payments in order to pay down your loan faster.

## **Bonus Tips:**

- Buy what you can afford.
- Research current mortgage rates.
- Set aside money for after you move-in.
- Decide if paying for discount points makes sense.
- Seek out a real estate professional that specializes in first-time buyers.
- Don't look at homes above your pre-approved limit.
- Consider a fixer property.
- Buy homeowners insurance.
- Don't change jobs before or during the home buying process.
- Pause new credit activity.
- Budget for closing costs.
- Consider the type of property to buy.

The home buying process includes a lot of moving parts. As a first-time home buyer, you can take steps to improve your chances to qualify for a mortgage. Following the tips in this article should help you decrease stress and enhance your home buying experience.