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Studies have shown that the biggest barriers to home ownership are: saving for the down payment and closing costs, problems with past credit, fear of a larger monthly payment, and lack of knowledge on how to obtain a loan. Indeed, these are worthy concerns for potential home buyers. Yet, when it comes right down to it, the real question in the minds of potential home owners is how much house can they afford to buy? With the wide variety of loans and programs available through area mortgage lenders, you may be surprised that you can afford more than you think.

Before you can determine exactly how much of a home you can afford, you must first look at several elements. Three such elements that are crucial to the purchase of a home are the down payment, closing costs and qualifying for a mortgage. Let's look at these a little closer:

Down Payment: The amount of the down payment you'll need depends on how the transaction is structured and the type of financing you obtain. Typically, conventional loans are the most popular and down payments of as little as three percent are available. If a down payment of less than 20 percent is made, the buyer likely will have to pay private mortgage insurance, which guarantees that the lender will be repaid in case of default.

Single-family mortgages insured by the Federal Housing Administration (FHA) also have lenient down payment requirements. In most cases, FHA financing requires down payments of less than five percent. Mortgages guaranteed by the Department of Veterans Affairs (VA) require no down payment on loans up to \$203,000, but you must be a qualified veteran to obtain this type of loan.

Closing Costs: Closing costs, which are paid at settlement, vary considerably. However, the most common costs include discount points (one point equals one percent of the loan amount), title insurance, escrow fees, attorney fees, a termite report, recording fees, appraisal fees, document preparation fees, notary fees and a loan underwriting fee.

Loan Qualification: Determining how large a mortgage for which you qualify is based mainly on the interest rate offered and your income. The higher the interest rate, the higher the monthly payment. And, the higher the monthly payment, the more income you will need to qualify for the mortgage. For conventional financing, lenders generally limit the monthly payment to 28 percent of your gross monthly income, although exceptions can be made depending on individual circumstances.

A point to remember -- the monthly payment will be calculated to include taxes and insurance, along with the principal and interest on the mortgage. Besides checking your income, the lender also will require a credit report, as well as a statement confirming your employment. Be prepared to show financial statements proving that you have the money to cover your down payment and closing costs.

In addition to typical conventional, FHA and VA programs, Dayton area mortgage bankers also offer several programs that do not require a down payment and that will allow you to finance your closing costs. To get that list, contact a member of the Dayton Area Board of REALTORS®.

Again this year, the Dayton Area Board, in cooperation with the Dayton Mortgage Bankers Association, has published the Affordable Housing Handbook. This handbook outlines several loan programs designed to help first-time home buyers, economically disadvantaged home buyers and home buyers who need down payment assistance. Ask your REALTOR® if they have a copy.

The purpose of this handbook is to let people know what types of help are available to realize the American Dream of home ownership. In addition to outlining actual loan and down payment assistance programs, the handbook lists credit counseling services which help those persons who have experienced past credit problems to get back on their feet and work on overcoming those credit report blemishes. In fact, by attending these credit counseling courses, many lenders will overlook minor credit problems and allow for flexibility in the approval process.

Buying a home does require some financial resources. But, savvy buyers can make the maximum use of their money to get what they want.

The last concern that potential home buyers often have is how to go about obtaining a loan. Of course, home buyers can shop around for a mortgage company, but why? There is an easier way -- contact a REALTOR®. A REALTOR® can not only provide you with information on obtaining an affordable loan, but can also guide you through the entire home buying process, helping you realize the American Dream of home ownership.