



## Is a First Time Home Buyer Loan Right for You?

Is homeownership one of your lifetime goals? Are you worried that you might not ever be able to save up enough to get started on that goal? Or maybe you have saved up a tidy sum for a down payment but are unsure of how to proceed. Either way, sometimes getting into a home is a lot easier with the help of a first-time home buyer loan.

A first-time home buyer loan is a mortgage program designed to help buyers overcome the initial stumbling blocks of owning a home. For many first-timers, these obstacles include coming up with enough money for a down payment, getting rid of debt, or having a poor credit score. Lenders basically lower the standards required for first-time buyers in order to boost them in to homeownership. But these loans are not a free ride; they do carry their own stipulations and requirements.

Depending on your specific financial and credit situation, a first-time home buyer mortgage could be a helpful program for you. Consider the following pros and cons.

### Advantages

Many lenders have their own version of this type of loan. You can also apply for one through the government with the Department of Housing and Urban Development (HUD.) Some of the following features may be offered in the various programs you come across.

- One of the biggest advantages of these loans is that they will often allow you to pay a very low down payment for your first house. Some programs even permit no down payment at all. Frequently these loans make use of down payment gift or grant contributions. Down payment grant organizations will either have the seller basically pay for your down payment, or the group will simply donate the money itself. In some cases, you can have up to 10% of your home's price gifted to you for the sale!
- Some of these first-time programs will pay all or part of your interest costs, making it much easier to afford the monthly payments.
- You might find some programs that will forgive former loans and offer Mortgage Credit Certificates, both designed to increase your income by lowering your debt and tax obligations.
- Some loans also allow you to defer monthly payments if needed.
- Many programs accept not only first-time buyers but also those who have not been homeowners for the past three years.
- These programs are especially beneficial to those with poor credit scores, about 680 or below.

### Disadvantages or Limitations

As stated earlier, there are many restrictions and obligations. In some cases, first-time home buyer loans may not offer the best rates and terms.

- If you have a good credit score, 720 or above, you can usually get a better deal on a traditional mortgage loan.
- You must meet the income restrictions of the loan. You will not qualify if your salary is above the limit.
- These loans usually limit the price of the home you can buy. This might restrict your choice of homes to less desirable neighborhoods.
- There may be only a few loan types available with this program, not the wide variety you will



find in the traditional mortgage spectrum.

- There may be some restrictions placed on how soon you can sell your home after taking out the loan.

Obviously, your own financial situation will determine if the advantages outweigh the limitations. The first-time home buyer mortgages are designed for those who truly need assistance to become homeowners. If you have a good income and a decent credit score, you may do better with a traditional loan, but if you don't, these helpful programs may be the best way to help you achieve your dream!