Article Supplied by Carol Alicea, CMP, NMLS #644374, Real Estate Loan Specialist, Service Credit Union

What To Know When Purchasing your First Home

Being prepared with the right information is key when purchasing your first home to ensure you get the best deal and most suitable mortgage for your needs.

Credit and Credit History

The credit scoring system shows how the consumer has been managing their credit and paying their liabilities. Scores range from 300 to 850. Lenders prefer a credit score of at least 660, with some government programs down to 620.

Before applying, obtain both your credit score and credit history report. Be sure to pull reports from all three major bureaus for free at *annualcreditreport.com*. Verify there are no errors. If you spot an error, write to that specific creditor and request a correction. In regards to any bankruptcies, foreclosures or short sales, there should be a period of at least four years after these events occurred, with the exception of FHA only two years for bankruptcy.

Lenders review your credit report to see that accounts have been open for at least a year and that there are no large outstanding debts. A lender will verify your rental history for any late payments in the past year.

Finances and Assets

The more you save for a down payment, the greater choice of mortgages will be available to you. Different loan programs require between 5% and 20%. If you qualify for an FHA loan or another special program, you may need to put as little as 3.5% down. There are also some zero down programs offered by the VA and other government agencies.

In addition to a down payment, you will typically need to pay application fees and closing costs. Closing costs can be paid using your own saved funds, a gift from a family member, seller concessions, a loan from your own 401k or asset account or any funds that can be verified to be yours. Be careful about saving cash at home or taking cash payment for an item you sell. All funds need to be verified.

Income and Job Stability

Lenders will look for a solid and stable job history for anyone listed on the mortgage and will want to verify two years of employment. Time spent receiving a degree can often be credited towards employment history as long as it immediately preceded employment in a related line of work.

For self-employed borrowers, it's best to have a business license showing you have been in business for at least two years accompanied by tax returns with the Schedule C showing a stable or increasing income.

Final Steps

Once your offer is accepted, it becomes a binding contract, be sure to include the necessary contingencies. Common contingencies are the sale being subject to approved financing, the sale of an existing home and/or a satisfactory home inspection.

The property you want to purchase should be complete and in safe condition. A home inspection will identify the need for any major repairs.

Finally, a lender will require an appraisal to confirm that the home is in fact worth what you intend to pay. The appraiser will do a walk-through of the property, sketch and photograph the property layout and look for any safety code violations. If there are any, they may need to be fixed before the loan is approved.

On closing day, the seller officially signs over the house to you. Sign the papers, get the keys, and move in to your new home!

This information has been provided by the Mortgage Bankers and Brokers Association of New Hampshire (MBBA_NH) in conjunction with the New Hampshire Union Leader. Any questions about the content should be directed to the MBBA-NH at 6 Garvins Falls Road, Suite 106, Concord, NH 03301, email at info@mbba-nh.org. Website mbba-nh.org. Article supplied by Carol Alicea, CMP, Real Estate Loan Specialist, Service Credit Union, NMLS #644374.