GENERAL

100 questions every first time home buyer should ask with answers from top brokers from around the country

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Introduction

Buying your first home is an exciting milestone, but it can also feel overwhelming. Between market trends, financing options, inspections, and legal paperwork, the sheer volume of questions can leave even the most organized buyer feeling lost. That's why we've compiled **100 essential questions every first time home buyer should ask**–with answers from top brokers across the country. Whether you're in a bustling city, a suburban neighborhood, or a rural area, these insights will help you navigate the process with confidence and clarity.

Financial Foundations

1. Question: How much can I realistically afford?Answer: Brokers recommend using the 28/36 rule: keep monthly housing costs under 28% of your gross income and total debt payments under 36%. Adjust for local cost of living.
2. Question: What is the difference between a pre approval and a pre qualification?Answer: Pre qualification is a quick estimate based on self reported info. Pre approval involves a lender's review of documentation and a credit check, giving sellers confidence you're serious.
3. Question: What are the typical down payment requirements?Answer: Conventional loans usually require 3%–20% down. FHA loans can allow as low as 3.5%, while VA and USDA loans may require 0% down for eligible buyers.
4. Question: How do I determine my credit score threshold for a good mortgage rate?Answer: Aim for a score of 740+ to qualify for the lowest rates. Scores 680–739 still secure competitive rates, though with slightly higher APRs.
5. Question: Are there first time homebuyer tax credits or incentives I should know about?Answer: Many states offer down payment assistance, tax credits, or low interest loan programs. Check your state's housing finance agency for eligibility.
6. Question: What are closing costs and how much should I budget for them?Answer: Closing costs typically range from 2%–5% of the purchase price. They include lender fees, title insurance, appraisal, and escrow charges.
7. Question: Should I consider a fixed rate or adjustable rate mortgage?Answer: Fixed rate mortgages provide stability; ARMs may offer lower initial rates but can increase over time. Align the choice with your long term plans.
8. Question: How does my debt to income ratio affect loan eligibility?Answer: Lenders look for a ratio below 43%. A lower ratio improves your chances of approval and may secure better terms.
9. Question: Can I use gift funds for my down payment?Answer: Yes, many lenders allow gift funds from family or friends, but you must provide a gift letter and documentation.
10. Question: What is a private mortgage insurance (PMI) and when is it required?Answer: PMI protects the lender if you default and is required when your down payment is less than 20% of the purchase price.
11. Question: How do I compare mortgage rates from different lenders?Answer: Request an Annual Percentage Rate (APR) quote, which reflects the true cost of borrowing, including fees.
12. Question: Are there any hidden fees I should watch out for?Answer: Watch for appraisal fees, loan origination fees, and title search costs. Ask for a detailed estimate in writing.
13. Question: What is escrow and how does it work?Answer: Escrow holds funds for property taxes and

insurance, ensuring they're paid on time. Your lender typically manages the escrow account.

14. Question: Should I refinance after purchase?Answer: Refinance can lower rates or change loan terms, but weigh the closing costs against potential savings. Most experts recommend waiting at least 3–5 years.

15. Question: How does a 15 year mortgage compare to a 30 year mortgage?Answer: A 15 year mortgage has higher monthly payments but saves on interest. A 30 year mortgage offers lower payments but more interest over time.

16. Question: What is an interest only mortgage?Answer: An interest only loan requires you to pay only interest for a set period, after which payments increase to include principal.

17. Question: How do I protect myself against rising interest rates?Answer: Lock your rate with a rate lock agreement or consider a fixed rate mortgage if you anticipate rate hikes.

18. Question: What is a loan estimate (LE) and why is it important?Answer: An LE provides a snapshot of loan terms, closing costs, and total payment obligations. It helps you compare offers.

19. Question: Can I get a mortgage if I have a side business?Answer: Yes, but you'll need to provide detailed financial statements and tax returns to prove consistent income.

20. Question: What documentation is required for a mortgage application?Answer: Typical documents include W 2s, tax returns, bank statements, employment verification, and proof of assets.

Mortgage & Financing Insights

1. Question: What is the difference between a conventional loan and a government backed loan?Answer: Conventional loans aren't insured by the government, while FHA, VA, and USDA loans offer lower down payments and more flexible credit requirements.

2. Question: How does a VA loan work for eligible veterans?Answer: VA loans often require no down payment or mortgage insurance and offer competitive rates for active duty, veteran, and surviving spouse borrowers.

3. Question: What is a USDA loan and who qualifies?Answer: USDA loans target rural and suburban homes in eligible areas, providing 100% financing and low interest rates to low to moderate income buyers.

4. Question: Can I use a home equity line of credit (HELOC) to fund a down payment?Answer: Some lenders allow HELOCs as down payment sources, but you must meet specific criteria and provide documentation.

5. Question: How do I choose between a 30 year fixed and a 15 year fixed mortgage?Answer: Consider your budget, how long you plan to stay, and whether you want to pay less interest over time.

6. Question: What is a rate lock and how long does it last?Answer: A rate lock guarantees a specific interest rate for a set period—typically 30 to 60 days—protecting you from market fluctuations.

7. Question: What is the impact of a pre payment penalty?Answer: Some loans charge a fee for paying off the mortgage early. Verify if your loan has such a penalty before making extra payments.

8. Question: How can I improve my credit score before applying?Answer: Pay bills on time, reduce credit card balances, avoid new inquiries, and correct any errors on your credit report.

9. Question: What is an escrow analysis and why is it necessary?Answer: An escrow analysis ensures your escrow account has enough funds to cover future taxes and insurance premiums.

10. Question: Should I consider a balloon mortgage?Answer: Balloon loans offer low initial payments but require a large lump sum at maturity. They're best for buyers who plan to refinance or sell before the balloon date.

11. Question: How do I know if my loan is "rate eligible" for refinancing?Answer: Rate eligible loans can be refinanced without a full appraisal. Verify with your lender if your loan type qualifies.

12. Question: What is the difference between a "hard" and a "soft" credit check?Answer: A hard inquiry may slightly lower your score; a soft check doesn't affect your credit. Lenders perform hard checks during approval.

13. Question: How does my employment history affect my mortgage approval?Answer: Stable employment history (3+ years) signals reliability. Lenders prefer consistent income streams.

14. Question: Can I use a co borrower to improve my loan terms?Answer: A co borrower can boost your credit score and income, potentially qualifying you for better rates.

15. Question: What is a “no closing cost” mortgage?Answer: These loans shift closing costs to the lender, often resulting in a higher interest rate to offset the waived fees.

16. Question: How do I handle a large gift or inheritance for a down payment?Answer: Provide a gift letter, bank statements, and documentation proving the funds are not a loan.

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