



5 Tips for First-Time Homebuyers

Navigating your first-time home purchase can be both exciting and stressful. Check out the list below for five tips to help set you up for success throughout the home-buying process.

1. Ensure you have an emergency fund of 3-6 months in living expenses.

The expenses of buying and owning a home can add up fast, from all the related fees in the buying process to repair and maintenance after the purchase. For this reason, it's important to save up an emergency fund of up to 3-6 months in living expenses. Try to pay off your existing debts as much as possible to set yourself up for success and long-term home ownership.

2. Learn about types of loans available & get pre-approved for one.

There are a variety of loans available, and they each have different requirements regarding down payments, mortgage insurance, interest, and standards for the loan amount. The right one for you will depend on where you live, how long you plan to stay, etc. If you are in the process of searching for the right loan, take some time to research the list of loans below.

- Fixed rate loan
- Adjustable rate mortgage
- FHA loan
- VA loan
- USDA loan

Getting pre-approved for a loan will set you ahead in the buying market, letting sellers know you are serious as a buyer. At Lampco Federal Credit Union, we offer a variety of loans with competitive rates and a wide range of terms designed to be customized for your unique situation. Learn more about loan options at Lampco: <https://www.lampco.com/loans/home-mortgage-loans.html>

3. Aim for 20% down in a down payment.

It's ideal as a homebuyer to have enough saved up for a 20% down payment. If you meet that minimum requirement, you won't have to pay PMI (Private Mortgage Insurance), a payment designed to protect the mortgage company in case you can't make your payments. PMI generally costs up to 1% of the total loan amount, charged every year.

While low to no down payment loan options may be tempting, you will find that they cost you more in the long run. However, if you can't make that 20% minimum down payment, you do have access to certain tax breaks, federally backed loans, and state programs designed for first time homebuyers.

4. Make buying decision based on multiple factors including price, home condition, neighborhood quality, and location.

As you search for a home in your price range, send your decision factors to your real estate agent to help guide them on what you are looking for. As you search for a home, remember to take into account more factors than just the price of the home.

- **Neighborhood quality** - Check out the quality of and distance to schools in the area. Visit the neighborhood a few times and observe to see if you feel safe and comfortable in it.
- **Location** - Note how far the house is from the local schools and other places you frequently visit. Check out how long the commute would be to your job.
- **Condition of house** - Have a trained inspector do a thorough inspection of the house to check for weaknesses and potential repairs that the owner may not have told you about. This will prevent you from getting stuck with a home with a lot of repairs that may not be obvious on the surface.

5. Decorate your new home at the rate you can afford it

Owning your own home and being able to decorate it in any way you wish is exciting. However, regardless of how much you want to transform that living room with the outdated wallpaper, take some time first to consider your financial goals. Set aside the money needed to decorate each room as it comes in rather than spending all your savings or collecting debt.

Although it may take longer to get your dream home looking the way you want, your budget and your future self will be at a much better place if you decorate as the money comes in.