REAL Homebuyer Tips

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Homebuyer's Budget

Living from one paycheck to the next may be the norm for many people. But homebuyers need a better strategy. If buying a home is your goal, then it needs to be your priority. A good budget plan begins one or two years before a buyer makes an offer. Here are great four tips for renters who plan to become homeowners.

1. Build strong credit

When it comes to securing a loan at the best mortgage rate, credit is king. The most important focus for all potential buyers should be improving your credit score. A low score can prevent a buyer from qualifying for an affordable mortgage rate or from getting approved at all. It's important to check your credit at least one time per year at AnnualCreditReport.com, which is a truly free site for annual credit checks. It can take months to fix mistakes on credit so it's important to check for accuracy long before your home searching process starts.

To improve your credit score you should pay off past-due bills, pay every bill on time and reduce your balances on every account to less than 30% of the credit limit. Also, it is best to have credit for a year or longer, credit depth is an important aspect to your score so it is not recommended to switch credit cards frequently to get the best rate. What's best is to create a budget that allows you to pay your credit card bills in full each month. With this method, you will not pay interest on your credit cards and your credit score will soar. Believe it or not your credit cards can actually make you money. Visit the Saving Money page of our website www.MainstreamMortgage.net for more details. Finally, lenders do not like to see a lot of credit inquiries or too many new accounts because this could indicate someone who is about to take on a lot of extra debt. For more information see our "Guide to strong credit".

2. Save cash

Since you will more than likely need a down-payment anyway, while renting you should plan ahead and practice with the mortgage payment you intend to have or wish to have. If you anticipate your mortgage payment will be $400 more than you pay in rent then save that amount every month in a special savings account. Not only will you be giving yourself an idea of how the new payment will feel in your budget you will be saving money for your down-payment at the same time. If finances feel tight with this method you know you will need to change your budget plans. This savings plan also demonstrates to a lender that you can afford a higher housing payment.

3. Reduce debt

While you work on increasing your savings, you should also reduce your debt. Lenders want to see that you are managing your debt and keeping your credit-card balances low. Having debts in check should be a priority over savings because managing debt load will naturally lead to adding to the savings account. So how much debt is too much?

> ***Debt-to-Income Ratios***
>
> To determine your maximum mortgage amount, lenders use guidelines called debt-to-income ratios. This is simply the percentage calculated from your total minimum monthly payments (cars, credit cards, loans, mortgage, taxes and insurance) divided by your monthly gross income (before taxes). The lower your debt to income ratio the stronger your file looks to a lender. If you are over 45-50%, including your anticipated new mortgage, you need to reduce your debt.
>
> There are two calculations, there is a "front" ratio and a "back" ratio and they are generally written in the following format: 33/38 conventional and 38/43 for FHA. The front ratio (the lower of the 2 numbers) is the percentage of your monthly gross income (before taxes) that is used to pay your housing costs, including principal, interest, taxes, insurance mortgage insurance (when applicable) and homeowners

association fees (when applicable). The back ratio (the higher of the 2 numbers) is the same thing, only it also includes your monthly consumer debt; Consumer debt being your car payments, credit card debt, installment loans, and similar related expenses.

A common guideline for conventional financing for debt-to-income ratios is 33/38. A borrower's housing costs should consume no more than 33% percent of their monthly income. Add their monthly consumer debt to the housing costs, and it should take no more than 38% percent of their monthly income to meet those obligations. Same holds true for FHA loans except the requirements are a little less strict at 38/43.

These guidelines are just that-guidelines-and they are flexible. If you make a small down payment, the guidelines are more rigid. If you have marginal credit, the guidelines are more rigid. However, If you make a larger down payment or have sterling credit, the guidelines are less rigid. The guidelines also vary according to loan programs.

Example: If you make $5000 a month, with 33/38 qualifying ratio guidelines, your maximum monthly housing cost should be around $1650. Including your consumer debt, your monthly housing and credit expenditures should be around $1900 as a maximum.

4. Get educated

Although it might be premature to visit a lender two years before a home purchase, it can be valuable for consumers to know if they qualify for a mortgage and what steps might be needed to make corrections to credit or personal finances. The more you know the more prepared you will be when it comes time to purchase. A smart consumer will also do research on different areas and their corresponding home prices. It's never too soon to start getting prepared in every facet of the home-buying process!

THE BASIC HOMEBUYERS CHECKLIST

- ✓ Be financially and mentally prepared by educating yourself
- ✓ Know your credit and what changes may need to be made
- ✓ Determine your housing budget and debt to income ratio
- ✓ Know your home needs: size, location, amenities etc
- ✓ Have your paperwork ready for a pre-approval
- ✓ Get Pre-Approved for your mortgage with your favorite Mortgage Professional
- ✓ Find a Real Estate Agent who is familiar with your areas of interest
- ✓ Start hunting for your home
- ✓ Stay focused on the parts of the home that you cannot change
- ✓ Ask loads of questions
- ✓ Organize your favorites: take pictures and take notes
- ✓ Make an offer based on prior sales and your agents advice
- ✓ Have a negotiating plan and be prepared to counter-offer
- ✓ After an accepted offer get your home inspection completed ASAP
- ✓ Get your appraisal on order and process the remainder of your loan assuming no inspection issues
- ✓ Go to closing to sign your paperwork and get the keys
- ✓ Move In and enjoy your new home!

10 Steps to Home Ownership

Step 1: Are You Ready?

One of the keys to making the home-buying process easier and more understandable is planning. In doing so, you'll be able to anticipate requests from lenders and help you discover valuable shortcuts in the home-buying process.

Do You Know What You Want?

Whether you are a first-time home buyer or entering the marketplace as a repeat buyer, you need to ask why you want to buy. Are you planning to move to a new community due to a lifestyle change or is buying an option and not a requirement? What would you like in terms of real estate that you do not now have? Do you have a purchasing timeframe?

Whatever your answers, the more you know about the real estate marketplace, the more likely you are to effectively define your goals. You can discuss these goals with your Mortgage Professional and Real Estate Agent so they can assist you in meeting those goals.

Do You Have The Money?

In addition to a down payment, purchasers also need cash for closing costs (the final costs associated with closing the loan). However, it's also important to know that these costs can also be paid in other ways like by the seller, or by increasing your rate.

Is Your Financial House in Order?

Those great loans with little money down are available to everyone; however, you need good credit. For at least one year prior to purchasing a home, you should assure that every credit card bill, rent check, car payment and other debt is paid in full and on time. *See "Homebuyer Budget" section for more details on budgeting.*

Step 2: Get Loan Pre-approval

Few people can buy a home with cash so the real issue with real estate financing is getting a loan. The idea is to get the loan that's right for you -- the mortgage with the lowest costs and best terms that meet your goals.

By meeting with lenders -- either online or face to face -- and looking at loan options, you will find which programs best meet your needs and how much you can afford. Purchase forms often require buyers to apply for financing within a given time period, in many cases, seven to 10 days. By meeting with loan officers in advance and identifying mortgage programs, it won't be necessary to quickly find a lender, check credit, and rush into a financing decision that may not be the best option.

What is it?

"Pre-approval" means you have met with a loan officer, your credit and financial file have been reviewed and the loan officer believes you can readily qualify for a given loan amount with one or more specific mortgage programs. Based on this information, the lender will provide a pre approval letter, which shows your borrowing power. You can visit as many lenders as you like and get several pre-approvals, but keep in mind that each one carries with it a new credit check, which will show up on future credit reports.

Although not a final loan commitment, the pre approval letter can be shown to listing brokers when bidding on a home. It demonstrates your financial strength and shows that you have the ability to go through with a purchase. This information is important to owners since they do not want to accept an offer that is likely to fail because financing cannot be obtained.

There are tons of loans available out there from a variety of lenders, but in general, the mortgage you choose will likely be determined by at least a few key factors:

- How's your credit? The best rates and terms are only available to those with solid credit. To get the best loans, make a point of paying credit cards, installment payments, rent and mortgage bills in full and on time
- How much down? Loans with 5 percent down or less are available
- If you place less than 20 percent down, lenders will want the mortgage guaranteed by an outside third party such as the Veterans Administration (VA), the Federal Housing Administration (FHA) or a private mortgage insurer (PMI, or private mortgage insurance, is required by lender to protect against any mortgage defaults). Millions of VA, FHA and PMI loans are generated each year.

How do you get pre-approval?

Based on his or her experience, your Real Estate Professional may suggest one or more lenders with a history of offering competitive programs and delivering promised rates and terms. You can also look to advertising, friends, co-workers or neighbors to see who they may have worked with and how their experience was.

The loan officer will carefully review your financial situation, including your credit report, financials and other information that may apply. The lender will then suggest programs which most-closely meet your needs. For instance, a first-time buyer may qualify for state-backed mortgage programs with little money down and low interest rates, while a repeat purchaser with more equity to use as a bigger down-payment might want to get a 15-year loan to lower overall interest costs. Typically, first-time buyers opt for the traditional 30-year loan, with a fixed rate of interest over the life of the loan.

How do you get a loan?

To obtain a loan you must complete a written loan application and provide supporting documentation. Specific documents include recent pay stubs, rental checks and tax returns for the past two or three years if you are self-employed. During the prequalification procedure, the loan officer will describe the type of paperwork required. Many of these items can be taken care of prior to looking for homes and making an offer giving you a more streamline process to completing your transaction. Essentially, giving you less to worry about once your offer is accepted.

Step 3: Get a REALTOR

Why?

Buying and selling real estate is a complex matter. At first it might seem that by checking local picture books or online sites you could quickly find the right home at the right price. But a basic rule in real estate is that all properties are unique. No two properties -- even two identical models on the same street -- are precisely and exactly alike. Homes differ and so do contract terms, financing options, inspection requirements and closing costs. Also, no two transactions are alike.

In this maze of forms, financing, inspections, marketing, pricing and negotiating, it makes sense to work with professionals who know the community and much more. Those professionals are the local REALTORS® who serve your area.

How do you choose?

You may know that some Real Estate Professionals represent sellers while others represent buyers. As a buyer’s agent your Real Estate Professional looks to your needs, not the sellers and they do not get paid unless they complete a transaction, which gives them a high priority to meet your expectations. Because there is heated competition, local Real Estate Professionals must fight hard to succeed in your community. A great place to find a local Real Estate Professional is from Realtor.com. Other sources include open houses, local advertising, Web sites, recommendations from neighbors and suggestions from lenders, attorneys, financial planners and CPAs. The experiences and recommendations of past clients can again be invaluable. In many cases buyers will interview several Real Estate Professionals before selecting one professional with whom to work. These interviews represent a good opportunity to consider such issues as training, experience, representation and professional certifications.

What should you expect when you work with a Real Estate Professional?

Each professional will explain the options available, describe how he or she typically works with individuals and provide you with complete agency disclosures (the ins and outs of your relationship with the agent) as required in your state. Once hired for the job, the Real Estate Professional will provide you with information detailing current market conditions and negotiating issues that might apply to a given situation. Remember: Because market conditions can change and the strategies that apply in one negotiation may be inappropriate in another, this information should not be set in stone. During your time in the marketplace your Real Estate Professional will keep you updated and alert you to each step in the transaction process.

Step 4: Look at Homes

Millions of new and existing homes are sold each year. There's no shortage of housing options, but with so many choices the challenge becomes finding the property which best meets your needs. The housing market is complicated because the stock of homes for sale is always in flux. If it were possible to have a complete list of every home for sale at this very moment in a given community, such a list would become obsolete within seconds as new homes become available and properties now for sale are put under contract.

In effect, buyers are looking at a moving target in a marketplace that is never static. Because of this, it is important to know as much as possible about the choices available to you, another reason a Real Estate Agent is so helpful.

What are you looking for?

A home is more than just a collection of bedrooms and bathrooms. Several properties -- each with four bedrooms, three baths, and the same price -- may well represent radically different designs, commuting distances, lot sizes, tax costs, interior dimensions, and exterior finishes.

Each of us is different and so it's important to list the features and benefits you want in a home. Consider such things as pricing, location, size, amenities (extras such as a pool or extra-large kitchen) and design (one floor or two, colonial or modern, etc.).

Next, it's important to consider your priorities. If you can't get a home at your price with all the features you want, then what features are most important? For instance, would you trade fewer bedrooms for a larger kitchen? A longer commute for a bigger lot and lower cost?

Lastly, consider your needs in several years. If you'll need a larger home, maybe now is the time to buy a bigger house rather than moving or expanding in the future. If you expect your income to increase, perhaps you should consider a more expensive home financed with a loan program where monthly payments increase in the future.

Where should you look?

All neighborhoods and communities have a special nature that gives them identity and value. One community may be well known for historic homes while another offers both suburban living as well as easy access to downtown office areas. Narrow the areas that fit your needs first and expand from there.

How do you find a house?

There are hundreds of places to find new homes. Online is becoming the most used resource for locating a new home. We have provided a list of places you can look in the "*where to find a home*" section of this booklet Not every home is found everywhere so if you look in a variety of places you are likely to find a variety of homes in your target.

Regardless of your choice, it's important to target your search. By using basic measures such as general location and affordability, you can refine your search and focus on homes that offer the most desirable features.

As a guide, you should maintain a file with information on each of the homes you like. You can print out listing pages and then make notes for each one -- what you like, questions, things to look for, etc. We also recommend rating your inventory. How you keep track of the homes you look at is up to you but a good suggestion is to take a digital camera with you when you look at homes. Take a picture of the address on the house first-this will keep your photos organized-then take pictures of everything you like AND don't like. This will keep the home fresh in your mind as you narrow your choices.

Step 5: Choose a Home and Make an Offer

There's no doubt that choosing a home is a big decision and you want to do it right. As a buyer, here's what actually happens: A home has been placed on the market for which the seller has established an asking price as well as other terms. In effect, this is an offer. At this point, you have three choices: accept the seller's offer or "asking price" and create a contract; reject it and not make an offer; or suggest different terms and make a counter-offer. If you choose this last option, the seller may accept, reject or make their own counter-offer to you. While much attention is spent on offering prices, a proposal to buy includes both the price and terms. In some cases, terms can represent thousands of dollars in additional value for buyers -- or additional costs. Terms are extremely important and should be carefully reviewed.

No aspect of the home buying process is more complex, personal or variable than bargaining between buyers and sellers. This is the point where the value of an experienced Real Estate Professional is clearly evident because he or she knows the community, has seen numerous homes for sale, knows local values and has spent years negotiating realty transactions.

Is it THE house?

A house is shelter, but a home is far more. It's where you live, relax, entertain friends, raise families, and work. A home is where you spend much of your life, and so choosing your house is an enormous decision.

How do you know if a house is THE one? Probably the best approach is to look at as many homes as possible something made pretty easy by "online shopping", where you can quickly and easily view huge numbers of homes, check prices, take video tours and view extensive neighborhood information. If it fits your criteria and you find that you want to keep going back then there is a good chance you have found the one.

Can you really afford it?

Remember Step 2 - the pre-approval process? Getting pre-approved means you have a very good idea of how much you can borrow, what loan programs will most likely work best in your situation and how much home you can afford. After all, loan officers are routinely paid only when loans are originated. It doesn't make much sense for loan officers to suggest high loan limits that later can't be delivered.

Your pre-approval is only reliable if you choose a home that falls within the parameters of your approval. Call your Mortgage Professional before making your offer to review the details of the home you like. Your Mortgage Professional can help you understand the real numbers that go along with the home. Also, it is not common to have a loan locked prior to having an accepted offer so knowing where rates are and making sure nothing has changed with your pre-approval is crucial.

How much?

In practice, the offer depends on the basic laws of supply and demand: If many buyers are competing for homes, then sellers will likely get full-price offers and sometimes even more. If demand is weak, then offers below the asking price may be in order. Your Real Estate Professional can assist you with this decision by finding comparable sales that have taken place in the supporting neighborhood(s). They can also help you determine if the home has defects that need to be negotiated within your offer.

Step 6: Get an Inspection

Your Real Estate Professional can help you with getting your inspection on order, which needs to be done as quickly as possible after your offer has been accepted.

How many inspections?

A number of inspections are common in residential realty transactions. They include checks for termites, surveys to determine boundaries, appraisals to determine value for lenders, title reviews and structural inspections.

Structural inspections are particularly important. During these examinations, an inspector comes to the property to determine if there are material physical defects and whether expensive repairs and replacements are likely to be required in the next few years. Such inspections for a single-family home often require two or three hours, and buyers should attend. This is an opportunity to examine the property's mechanics and structure, ask questions and learn far more about the property than is possible with an informal walk-through.

Step 7: Process Your Loan

Up to the point of processing you can change your terms regarding the mortgage you would like to have. If you find a more reasonable price you may consider a lower term, etc.

How do you start?

After acceptance immediately contact your chosen Mortgage Professional and advise them of your accepted offer so they can move along with the processing of your loan. If it has taken a while to find your desired home you may need to provide a few updated documents that may have expired like paystubs, bank statements etc.

Your appraisal will be ordered by your Mortgage Professional, usually after the inspection comes back clean or after additional negotiations have take place if problems did arise. It’s likely you, your Mortgage Professional or your Real Estate Professional is unable to choose who the appraiser will be. Most programs now require an unbiased opinion of value to complete a transaction. This protects you from unnecessary value hikes.

Depending on the stage of your loan at acceptance, the type of financing you are seeking and the cleanliness of your file, processing can take anywhere from 3-6 weeks in most cases. Your Mortgage Professional should be able to prepare you on a realistic time frame of completion.

Step 8: Shop For and Get Insurance

No one would drive a car without insurance, so it figures that no homeowner should be without homeowners insurance. The essential idea behind various forms of real estate insurance is to protect owners in the event of catastrophe. If something goes wrong, insurance can be the bargain of a lifetime.

What kind and how much?

There are various forms of insurance associated with home ownership, including these major types:

1.) Title insurance: Purchased with a one-time fee at closing, title insurance protects owners in the event that title to the property is found to be invalid. Coverage includes "lenders" policies, which protect buyers and lenders up to the mortgage value of the property, and "owners" coverage, which protects owners up to the purchase price. In other words, "owners" coverage protects both the mortgage amount and the value of the down payment. For example, while the history of property ownership has been checked, it's possible that the records contain errors, unrecorded claims or flaws in the review itself, thus title insurance is necessary. Your Real Estate Professional and Mortgage Professional will assist you with this part and is typically discussed at the time of making your written offer.

2.) Homeowners' insurance: Homeowner's insurance provides fire, theft and liability coverage. Homeowners' policies are required by lenders and often cover a surprising number of items, including in some cases such property as wedding rings, furniture and home office equipment.
3.) Flood insurance: Generally required in high-risk flood-prone areas, this insurance is issued by the federal government and provides coverage due to a loss from a flood. This is not covered by a typical Homeowner's Insurance policy. Your Real Estate Professional can explain which locations require such coverage and the determination of whether the home is located in a flood zone will be pulled by your lender while processing.
4.) Home warranties: With new homes, buyers want assurance that if something goes wrong after completion the builder will be there to make repairs. Home warranties bought from third parties by home builders are generally designed to provide several forms of protection: workmanship, mechanical problems such as plumbing and wiring, and structural defects. Home warranties for existing homes are typically one-year service agreements purchased by sellers. In the event of a covered defect or breakdown, the warranty firm will step in and make the repair or cover its cost.

Insurance policies and warranties have limitations and individual programs have different levels of coverage, deductibles and costs. You should always research and talk with more than one company, if possible, about your options. The time to obtain insurance and warranty coverage is at closing, so speak to insurance agents prior to closing. Be sure to ask about limitations, costs, deductibles and "endorsements" (additional forms of coverage that may be available).

Step 9: Closing

In practice, closings bring together a variety of parties who are part of the "transaction" process. At closing, transfer taxes may be paid and other claims must also be settled (including closing costs, legal fees and adjustments). In most transactions, the title company or closing agent also completes the paperwork needed to record the loan.

What to expect

Settlement is a brief process where all of the necessary paperwork needed to complete the transaction is signed. Closing is typically held in an office setting, sometimes with both buyer and seller at the same table, sometimes with each party completing their papers separately.

Whatever the case, the result is that title to the property is transferred from seller to buyer. The buyer receives the keys and the seller receives payment for the home. From the amount credited to the seller, the closing agent subtracts money to pay off the existing mortgage and other transaction costs. Deeds, loan papers, and other documents are prepared, signed and filed with local property record offices.

What you need to do

One of the best parts of settlement is that buyers and sellers need to do very little. Before closing, buyers typically have a final opportunity to walk through the property to assure that its condition has not materially changed since the sale agreement was signed. At closing itself, all papers have been prepared by closing agents, title companies, lenders and lawyers. This paperwork reflects the sale agreement and allows all parties to the transaction to verify their interests. For instance, buyers get the title to the property, lenders have their loans recorded in the public records and state governments collect their transfer taxes.

Step 10: What's Next?

Move in, organize and enjoy the fruits of your labor. Most Real Estate Professionals and Mortgage Professionals are there for you beyond the closing table so if questions arise don't hesitate to contact them for assistance.

FINANCING OPTIONS

There are a wide variety of programs available and with all mortgages, the interest rate you get will depend on your credit score and market rates at the time you buy. Here are a few of the most common programs available:

1. FHA-insured loans

The Federal Housing Administration doesn't make loans, it insures them. You buy the insurance and the government sets the rules and repays your lender's investment in case you default.

The rules:

- Down payments are as low as 3.5% (example, for a $230,000 home, you'd pay $8,050 in cash at closing).
- Your FICO credit score must be 580 or above (sometimes higher depending on your lenders requirements as well as the view of your credit). Score isn't everything, it's possible to have a the necessary score but not be able to qualify. The "look" of your credit is also important: Are you credit cards maxed out, do you have consistant negativity, do you have a large number of collections or judgments, have you file bankruptcy and how did you treat your credit after you discharged. These are all factors and all are considered when making a determination.

The good:

The requirements are pretty easy, so many can qualify where they couldn't otherwise.

- If you haven't yet built a strong credit score – and don't have a record of late payments, missed payments or a foreclosure – you can use "nontraditional" credit sources, such as cell phone or other utility bills, rent payments or medical bills, to qualify.
- You can use gifts — from family, for example — or a local government loan or grant for your down payment. (With conventional loans, it has to be all your own money.) You could conceivably pay nothing for the down payment.
- You don't need the big bank reserves that conventional loans require.

The wrinkles:

- You have to buy mortgage insurance. Mortgage insurance has 2 forms for FHA. The first is what they call "Up Front Mortgage Insurance Premium" which can be rolled into your loan so you would not have to pay it at closing. The second is monthly mortgage insurance premium that you make as part of your monthly payments. Conventional loans require this too is your down-payment is less than 20%
- Funky properties are out. On this, the government can be fussy. The property has to be in "turn-key" shape with no major repairs needed so you can move right in. Even chipping paint can sour a deal. But the times are with you: In markets where sellers far outnumber buyers – which is most markets these days – sellers may be happy to make the repairs in order to sell the place.
- If the property has been expanded or has an addition, the FHA usually wants to see local government permits for the work.

2. FHA 203K loan

This type of FHA loan lets you purchase and repair a fixer-upper or foreclosure property. The loan is for replacing or repairing basic home systems such as the roof, furnace, plumbing, wiring and floors.

The rules

- The buyer finds three licensed contractors who submit bids for repairs.
- The lender examines the bids and rules out any that don't meet program guidelines.
- The buyer hires one of the approved contractors.
- Repairs are done in phases. After each phase, a lender's inspector examines and approves or rejects the work.

The benefits:

- The government insures your mortgage, and allows additional funds for authorized repairs. For example, a lender may offer you — based on the value of the property you're buying — a mortgage for the purchase price plus
- $35,000 loan for repairs. Your repay the full amount with a single monthly payment.

The wrinkles:

- The rules are very strict to protect buyers.
- Repairs must all be done before you can take possession.

3. City, county and state grants and loans

Every state has a housing finance agent. These disperse federal, state and local money and oversee programs to help make housing affordable.

The benefits:

- Many agencies have first-time-buyer assistance programs — grants or loans.
- The amounts vary greatly from state to state. They are mainly targeted at low- to moderate-income individuals and can sometimes have restrictions on where you purchase. These loans can be used to subsidize the loan you are obtaining from your lender and give you more purchasing power.

The wrinkles:

- You have to get in quick because these programs are not well-funded. It's first-come, first-served, and when they run out of money they don't have any more to lend.
- All the grants available in Indiana by the Indiana Housing Authority must be paid back. However, there are a few local programs that are forgivable.
- City, county and state programs may target certain low- to moderate-income neighborhoods for improvement, limiting your purchase to these areas.
- Some programs are offered only to low-income buyers.

4. VA loans.

If you're a veteran, you might qualify for a VA Guaranteed Home Loan from the Department of Veterans Affairs, with no down payment.

The Rules:

- Must be a veteran and have entitlement
- More restrictive Debt to Income ratios

The Benefits

- NO down-payment option

The Wrinkles

- Must pay and up front funding fee—this can be financed into your loan.

5. Conventional loans

Private lenders, including credit unions, banks and mortgage brokers, vary in their fees and services. It pays to shop around.

The Rules:

- At least 5% down in most cases
- Stronger credit restrictions and higher rates for lower credit scores
- More restrictive Debt to Income ratios

The Benefits:

- More leniency on the property condition.
- The option to waive escrows and mortgage insurance with 20% down

The Wrinkles:

- If your down payment is less than 20% of the property's cost, you'll need to buy private mortgage insurance.
- You won't need to buy mortgage insurance if you put 20% or more down

HOME SEARCHIING ACRONYMS

Real estate ads are usually full of acronyms and terms that are unfamiliar to first-time buyers. Here's a cheat sheet to let you in on the lingo.

4B/2B -- four bedrooms and two bathrooms. "Bedroom" usually means a sleeping area with a window and a closet, but the definition varies in different places. A "full bathroom" is a room with a toilet, a sink and a bathtub. A "three-quarter bathroom" has a toilet, a sink and a shower. A "half bathroom" or powder room has only a toilet and a sink.

Assum. Fin.. -- assumable financing

closing costs -- the entire package of miscellaneous expenses paid by the buyer and the seller when the real estate deal closes. These costs include the brokerage commission, mortgage-related fees, escrow or attorney's settlement charges, transfer taxes, recording fees, title insurance and so on. Closing costs are generally paid through escrow.

CMA -- comparative market analysis or competitive market analysis. A CMA is a report that shows prices of homes that are comparable to a subject home and that were recently sold, are currently on the market or were on the market, but not sold within the listing period.

contingency -- a provision of an agreement that keeps the agreement from being fully legally binding until a certain condition is met. One example is a buyer's contractual right to obtain a professional home inspection before purchasing the home.

dk -- deck

expansion pot'l -- expansion potential mean that there's extra space on the lot or the possibility of adding a room or even an upper level, subject to local zoning restrictions.

fab pentrm -- fabulous pentroom, a room on top (but under the roof) that has great views

FDR -- formal dining room

fixture -- anything of value that is permanently attached to or a part of real property. (Real estate is legally called "real property," while movables are called "personal property.") Examples of fixtures include installed wall-to-wall carpeting, light fixtures, window coverings, landscaping and so on. Fixtures are a frequent subject of buyer and seller disputes. When in doubt, get it in writing.

frplc, fplc, FP -- fireplace

gar -- garage (garden is usually abbrevated as "gard.")

grmet kit -- gourmet kitchen

HDW, HWF, Hdwd -- hardwood floors

hi ceils -- high ceilings

in-law potential -- potential for a separate apartment, subject to local zoning restrictions

large E-2 plan -- this is one of several floorplans available in a specific building

listing -- an agreement between a real estate broker and a home owner that allows the broker to market and arrange for the sale of the owner's home. The word "listing" is also used to refer to the for-sale home itself. A home being sold by the owner without a real estate agent isn't a "listing."

lo dues -- low homeowner's association dues. But find out how "low" the dues are compared to other dues in the area.

lock box -- locked key-holding device affixed to a for-sale home so real estate professionals can gain entry into the home after obtaining permission from the listing agent

lsd pkg. -- leased parking area. May come with additional cost.

MLS -- Multiple Listing Service. An MLS is an organization that collects, compiles and distributes information about homes listed for sale by its members, who are real estate brokers. Membership isn't open to the general public, although selected MLS data may be sold to real estate listings Web sites. MLSs are local or regional. There is no MLS covering the whole country.

nr bst schls -- near the best schools

pot'l -- potential

pvt -- private

pwdr rm -- half bathroom or powder room

REALTOR® -- a real estate broker or sales associate who is a member of the National Association of REALTORS®. Not all real estate agents are REALTORS®.

title insurance -- an insurance policy that protects a lender's or owner's interest in real property from assorted types of unexpected or fraudulent claims of ownership. It's customary for the buyer to pay for the lender's title insurance policy.

upr -- upper floor

vw, vu, vws, vus -- view(s)