



**AMERICAN
PACIFIC
MORTGAGE**

TIP SHEET: What Not to Do!

Avoid these Mistakes When
Buying Your First Home



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When you're ready to buy your first home, what you don't know could be the difference between a smooth path to the finish line or a rocky journey with a questionable endpoint. The good news is that the loan process doesn't have to be complicated or scary. Simply avoid these mistakes, and you can steer clear of the most common hurdles along your path to homeownership.



WHAT NOT TO DO WHEN BUYING YOUR FIRST HOME



Don't: Go Shopping without knowing what you can afford.

As a starting point, aim for the 3x rule. Look to buy a home priced approximately 3x your annual income, and a monthly mortgage payment 3x your monthly pre-tax income.



Don't: Make guesses when you can know for sure.

A loan advisor can help you determine how much home you can afford by pre-approving you for a specific loan amount before you shop. You can avoid falling in love with a home, which may not be in your price range when you know what you can afford.



**Don't: Be in the dark about your credit.**

Your credit report and score will play a significant role in determining the mortgage loan you feel is right for you, as well as the interest rate for which you qualify. You can request a copy of your credit report from all three major credit reporting bureaus at no cost once a year from annualcreditreport.com. Review your report for inaccuracies and opportunities for improvement.

- TransUnion
- Equifax
- Experian

**Don't: Fall behind or miss any payments.**

Your credit score and report provide a snapshot of your credit history to lenders and allows them to calculate the risk involved in lending to you. Falling behind or skipping payments will have a negative impact on your credit score.

**Don't: Open or close credit accounts.**

You may already know not to open any new credit card accounts when you're ready to shop for a home and get approved for a mortgage loan. But what you may not realize is that closing an account with a long history of on-time payments could negatively impact your score, too.

**Don't: Buy a new car during the loan process.**

Adding a monthly loan payment such as a new car (or boat, motorcycle, or RV) will adjust your debt-to-income ratio. That means you may qualify for much less home than you had hoped to buy.

**Don't: Co-sign on any loans.**

When you co-sign on a loan, you take on all of the risks of that loan without the rewards. Co-signing on a loan before or during the mortgage process could be detrimental to on your credit score and could even impact how much home you can purchase.



**Don't: Make any major purchases.**

Not only should you avoid using credit for major purchases, but you also shouldn't spend your savings on big-ticket items, either. You may need a certain amount of cash saved for an earnest money deposit, appraisals, and inspections, a down payment, and closing costs.

**Don't: Make deposits without a paper trail.**

Your lender will want to verify the source of funds for down payments and other expenses associated with your home purchase. Avoid making large cash deposits outside of your regular paychecks and verified sources of income.

**Don't: Go it alone.**

You don't have to be a mortgage loan or real estate expert. When you team up with industry professionals, you get the benefits of their experience, unique skill sets, and know-how.

Your Mortgage Loan Advisor

American Pacific Mortgage loan advisors are seasoned professionals; reliable, dependable, trustworthy, and scrappy. Your loan advisor will walk you through the home loan process, making sure you understand all of your options along the way. From prequalification to closing, your loan advisor is there to coach you to the finish line.

Your Real Estate Professional

Your real estate agent has access to all of the homes listed in the area where you want to purchase and is there to help you find the home of your dreams. Your real estate professional can coordinate viewings of homes you may never have known were available. When it comes time to make an offer and sign a contract, you'll be glad you paired with a professional who's done all of this before.





Don't: Forget to ask about your loan options.

There are an incredible array of mortgage loan options and buyer's programs available to meet your individual financial needs and goals. Some of these programs will vary depending on your geographic location, so your best resource is a local loan advisor.



Home Loan Options

The home loan program you choose can have a significant impact on the interest rate you receive, the amount of your monthly mortgage payment, how much home you can afford, and how long it will take to pay off your mortgage completely.

First-Time Buyer Programs

Some home loans, such as government-insured FHA loans, are specifically designed to help first-time buyers get into a home. First-time buyer programs may have lower down payment requirements and more relaxed qualifying guidelines.

Down Payment and Closing Cost Assistance

The traditional amount for a down payment on a home is 20% of the purchase price.* However, there are many loan programs available with lower down payment requirements of 0%-3%. You may also qualify for down payment assistance and/or closing cost assistance programs, which vary by state and even by region.

*Example 30 Year Fixed: Loan amount \$300,000, 20% down, monthly payment without taxes and insurance \$1,475.00, APR 4.389%



**Don't: Make an offer without a pre-approval.**

Pre-approval is part of the official loan application process where a lender provides you with a letter confirming you've begun the loan process and provides the specific loan amount for which you qualify. When you have a pre-approval letter in hand, you can make a more competitive offer and stand apart from other interested buyers.

**Don't: Make changes to your employment or income.**

Changes to your income or career could mean revisions to the loan amount you've been approved for, or even an outright denial. With the exception of accepting a promotion, now is not the time to make a career change, quit your job, or pursue self-employment.

**Don't: Go MIA during the process.**

Your lender may need additional documentation during the loan process. Promptly providing your loan advisor with the documents requested is the key to closing your loan on time.

**Don't: Panic!**

Buying a home may feel like a monumental task, but your home-buying professionals are there to get you to the finish line. Ask questions and keep the lines of communication open. Your loan officer and real estate agent are there to help you understand the process and will do what it takes to make your home-buying dream a reality.





READY TO BUY YOUR HOME? HERE ARE A FEW DO'S TO REMEMBER:

- Get a copy of your credit report.
- Understand how much you can afford.
- Get pre-approved before you shop.
- Start saving for buying a home.
- Explore loan options and available first-time buyer programs.
- Have a paper trail for funds in your accounts.
- Respond promptly to lenders.
- Stay the course.
- Ask questions.
- Enjoy the ride!





About APM

As a company, we embrace the concept of homeownership with enthusiasm and optimism for housing in America. Every employee at American Pacific Mortgage takes personal ownership in ***Creating Experiences That Matter™*** for our customers and consumers. Every transaction represents a family, a home, and a life decision—we understand and value that our participation is a privilege and that our job is to delight everyone involved in the loan process.



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Footnote 2: American Pacific Mortgage Corporation is not a credit repair or financial service company. We are not licensed credit repair specialists or counselors, we are not licensed financial advisors; please contact your financial professional for your personal financial situation. The material provided is for informational and educational purposes only and should not be construed as investment and/or mortgage advice. Although the material is deemed to be accurate and reliable, there is no guarantee it is without errors.

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rev. 07/2023

