

Buying a home: Do you really need 20% down?

There's a widespread perception that you need to put at least 20 percent down to buy a home. Fortunately for home buyers that's just not true.

In fact, even in today's mortgage market, it's still possible to buy a home with a down payment of five percent or less. You can even get a mortgage with zero percent down through certain programs, which aren't as hard to qualify for as you might think.

RURAL DEVELOPMENT – A ZERO DOWN OPTION

You can get a zero-down payment mortgage through the USDA Rural Development. There are income restrictions; a family of four or less can earn no more than \$74,757 and a family of five or more can earn as much as \$98,650. USDA's definition of rural is quite broad and includes the city of Yankton and all of the communities in the Yankton market.

VA – ANOTHER ZERO DOWN OPTION

You typically have to have served or be serving in the military in order to qualify for this option.

FHA DOWN PAYMENT AS LOW AS 3.5%

This program allows you to obtain a mortgage with a low down payment if you are not eligible for a Rural Development or a VA loan.

CONVENTIONAL MORTGAGES

These programs require as little as five percent down.

RATE LOCKS

What are mortgage rate locks and how do they work? They are a written promise by a lender to offer a certain interest rate for a specific length of time, usually 60 days or less. The rate lock doesn't just guarantee the interest rate, but also specifies other aspects of the loan, i.e., the term of the loan, the down payment, etc. Options to lock for a timeframe longer than 60 days are available but additional fees or higher rates may apply. You also have the option to "float" your interest rate. If you think that interest rates will drop prior to the closing of your mortgage loan you may want to consider "floating" your rate rather than locking your rate.

CREDIT SCORES – WHAT AFFECTS YOUR CREDIT SCORE

Credit scores are very important in the mortgage loan approval process. Making your monthly payments on time is a very important factor in the scoring process but there are additional factors that can impact your score. You need to know what these factors are and what you can do to improve your score. At First National Bank South Dakota we can provide you with helpful information to improve your scores.

The credit score is based on five factors:

1. Payment history affects 35% of your credit score. Paying on time can mean the difference between an average and an exceptional score.
2. Amount borrowed compared to your available credit affects 30% of your score. Ideally you want to borrow less than 33% of your available balances. It is better to owe a smaller amount on several cards than to max one card to its limit.
3. Length of credit history comprises about 15% of your score. Avoid opening new credit cards because the lender is offering an initial low interest rate.
4. Inquiries and new debt accounts for about 10% of your score.
5. Type of debt accounts for approximately 10% of your score. Installment debt, such as a car loan, is looked upon more favorably than revolving debt such as a credit card.

WHICH MORTGAGE OPTION IS RIGHT FOR YOU?

Obtaining a mortgage loan can be confusing with all the various types of financing available. In addition, credit scores play a much greater role in today's financing than they have in past years. To assist you in obtaining the mortgage loan that is right for you, contact Al Schumacher or Alison Lange at First National Bank South Dakota, 665-9611. They will discuss the options available and which best fit your needs. With 47 years of combined lending experience they can assist you and make the process smooth and easy.

Editorial provided by First National Bank South Dakota



HOME LOANS.

WE'RE THE ONE.™

When financing a home – or a home improvement project – you want a quick and simple process. Al Schumacher and Alison Lange have 47 combined years of lending experience to make the process smooth and easy - and they know how to get you the best rate possible!

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Tell Al or Alison you saw them in "Today's Home" and receive a free gift!

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