



7900 Westpark Drive, Suite T-309, McLean, VA 22102 (703) 342-5900 www.namb.org

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Contact: Jodi Greenblatt
(703) 342-5852

NAMB Helps Consumers Know What Steps To Take Before Buying a Home

McLean, Va. – Although the rate of homeownership is at a record high, many Americans have never purchased a home. To help educate first-time buyers, the National Association of Mortgage Brokers (NAMB) offers the following tips on what steps consumers should take before getting a mortgage:

- Save for the earnest payment (good-faith deposit), down payment, and closing costs on your new home. Down payments typically range from 3 to 20 percent, depending on the type of mortgage.
- Review your credit report to make sure everything is accurate. If your credit score is low, take steps to improve it, including paying your bills on time and keeping credit card balances to 30 percent or less of your available limit on each account.
- Know how much you can afford to pay each month for housing costs, including the mortgage payment, insurance, property taxes, utility bills, maintenance expenditures, etc. Borrow only as much as you can afford.
- Know your loan options:
 - A fixed rate mortgage is the most common loan structure for consumers, usually financed for a period of 20 or 30 years. The monthly payments for interest and principal do not change. Although property taxes and homeowners insurance may fluctuate, the monthly payment generally will be stable.
 - Adjustable rate mortgages (ARMs) are those in which the interest rate can change periodically based on national interest rates for mortgages. Monthly payments could increase or decrease as interest rates change.
 - Interest rate buy downs, also known as points, allow consumers to pay for a lower interest rate in the beginning of the loan. The rate later rises, usually in six month or yearly intervals, until it reaches a fixed rate for the remainder of the loan.
 - Balloon mortgages are short-term loans that provide stable payments during the term of the loan, normally five to seven years. Because the entire amount of the loan is not paid off during that time, the remaining principal must be paid in full, although it can be refinanced, or converted into a 30-year fixed loan.

- Dept. of Veterans Affairs (VA) loans are an option for veterans and eligible military personnel or spouses. Low or no down payment loans are available from the VA.
- Borrow only from a reputable mortgage broker or lender, and be sure to shop around for loans to get the best interest rate and fees.
- Compile documents you'll need for the mortgage process, including recent pay stubs and bank statements; proof of other assets or income; your social security number; your last two income tax statements; identification; and information on all your credit accounts – car loans, credit cards, etc. – including the balances due and monthly payments.
- Do not sign a contract with a mortgage company until you've seen a lock-in sheet and are comfortable with the Good Faith Estimate (GFE) that the lender provided to you. If you are uncomfortable with it, then go somewhere else.
- Don't take out any loan you don't fully understand or aren't completely comfortable with. If you aren't happy with the loan terms, don't understand what you're being asked to sign, or just have a bad feeling about it, then walk away – you are not obligated to a mortgage company at any time unless you have signed a contract stating that you must use their services.

For more information on the home-buying process, visit the Consumer home page on the National Association of Mortgage Brokers' Web site at www.namb.org.

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The National Association of Mortgage Brokers is the voice of the mortgage broker industry with more than 27,000 members in all 50 states and the District of Columbia. NAMB provides education, certification and government affairs representation for the mortgage broker industry, which originates 68% of all residential loans in the United States.