



FIRST-TIME HOMEBUYING GUIDE

It's no secret that the homebuying process is complex.

There are many steps to follow, terms to know, documents to sign, appointments to schedule, and people to connect with!

Don't worry, we can help! The Iowa Finance Authority team has helped thousands of Iowans get into the home of their dreams, and we are here to share some things we've learned along the way



**IOWA FINANCE
AUTHORITY**

Making affordable financing possible for home and community.

[iowafinance.com/welcomehome](https://www.iowafinance.com/welcomehome)

Common Homebuying Terms

Before you start your homebuying journey, make sure you get accustomed to common terms and vocab you will hear along the way.

✦ APPRAISAL

The estimate or opinion of a home's value from an expert or unbiased professional.

✦ CLOSING COSTS

Fees that are paid when you close on your new house. These can range from 2% to 5% of the loan amount and can include property taxes and more.

✦ CREDIT SCORE

A number based on your credit history (past debts) that lenders use to determine how likely you are to pay back a loan.

✦ DOWN PAYMENT

A payment made by the homebuyer at the time of sale. The amount of the down payment is a percentage of the total value of the home, with a financial institution covering the remainder of the amount through a mortgage loan.

✦ DEBT-TO-INCOME RATIO

The amount of your monthly income compared to your monthly debt payments.

✦ INTEREST RATES

The amount of interest (money) the homebuyer will owe, for a specific period, compared to the amount borrowed.

✦ PRIVATE MORTGAGE INSURANCE (PMI)

PMI is a fee that a homebuyer may be required to pay, depending on the loan, with their mortgage payment each month. This is essentially insurance that protects the lender in the event that the homeowner would stop paying their mortgage payments.

NOTES

Here are some homebuying tips to help you on your journey.

WORK WITH A LENDER AND REAL ESTATE AGENT

Your lender and real estate agent will be important resources during the homebuying process.

A mortgage lender will go through your financial information with you and determine the loan amount you are approved for.

A real estate agent represents you during the homebuying process, from finding potential homes to negotiating home price and terms.

You can find a listing of Iowa Finance Authority participating lenders and real estate agents at iowafinance.com/find-lender-realtor.

UNDERSTAND MORTGAGE PROGRAMS

It is important to understand the different loan types and mortgage programs available to you when purchasing a home.

Government loans are government-insured loans such as Federal Housing Administration (FHA), Veterans Affairs (VA) and Rural Development (RD).

Conventional loans are not insured by the federal government but rather, by the private sector.

Here at the Iowa Finance Authority, we have two mortgage types available to first-time and repeat buyers that offer both government and conventional loan options for each type.

To learn more about the Iowa Finance Authority mortgage programs visit:

iowafinance.com/homeownership.

DOWN PAYMENT MYTHS

Most people think that they need to have 20% of the home price saved for a down payment.

This is a common misconception, especially for first-time buyers.

YOU MAY ONLY NEED BETWEEN 3% AND 5% OF THE HOME PRICE FOR YOUR DOWN PAYMENT.

With the help of the Iowa Finance Authority, \$2,500 grant, OR 2nd loan program—a loan of up to \$5,000—saving for your down payment can be much easier than you think!

Visit iowafinance.com/homeownership to learn more.

BEWARE OF HIDDEN COSTS AND OTHER EXPENSES

Know there may be expenses other than just your mortgage payment.

Does your neighborhood require homeowner association fees? This is a monthly fee that some owners in specific residential properties pay.

Will you need to pay property taxes? This is a tax paid by the owner and collected by the local government where the property is located.

Don't forget about home insurance—property insurance that covers a private residence.

DON'T BE AFRAID TO NEGOTIATE

Don't feel like you have to settle for the listing price. After inspection and appraisal, your future home could be worth less than the asking price. Work with your real estate agent to negotiate and make an offer that supports what you can afford and what you really believe the house is worth.

ASK ABOUT IOWA TITLE GUARANTY COVERAGE

Iowa Title Guaranty Owner's Certificates are provided free to homebuyers who use an IFA mortgage program and request it at closing. Title issues don't happen often, but when they do, you'll be glad you're covered.

Sources: Consumer Financial, Investopedia, MGIC and NerdWallet