

# **WHAT EVERY HOMEBUYER NEEDS TO KNOW:**

**7 FACTS THAT COULD SAVE  
YOU THOUSANDS ON YOUR  
MORTGAGE**

**EXPERT ADVICE FROM**



**1**

## **Your Credit Scores Vary by Industry: And Here's Why That Matters**

Not all credit scores are created equal. When you apply for a mortgage, lenders don't use the same score that a car dealership or a credit card company does. Mortgage lenders assess your credit with greater scrutiny, using a tailored score specific to home loans. This distinction is vital because it ensures lenders see the full scope of your financial responsibility. Be aware of this difference—it will prepare you for the mortgage process and prevent surprises.

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## **Why Free Credit Scores Won't Give You the Complete Picture**

Many services offer a free credit score, but they won't tell you everything you need to know when it comes to securing a mortgage. These scores often overlook key factors that mortgage lenders take into account. Think of these free scores as a rough estimate—useful, but not precise. If you want to know exactly where you stand for a home loan, you need a specific mortgage credit pull. Only then will you see the true number that lenders consider.

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## **You Don't Need 20% Down: A Misconception That Holds You Back**

The belief that you need 20% down to buy a home is an outdated myth. Today, many loan programs allow you to put down as little as 3%. While it's true that a larger down payment can lower your monthly mortgage payments, waiting to save 20% could mean missing out on your ideal home. The key is to find a plan that fits your current financial situation, allowing you to buy now and build equity.

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## **Pre-Qualification vs. Pre-Approval: Two Terms That Aren't Interchangeable**

There's a significant difference between pre-qualification and pre-approval. Pre-qualification is a rough estimate of what you might be able to borrow, based on self-reported information. Pre-approval, on the other hand, involves a thorough review of your finances by a lender. This distinction is crucial when making an offer on a home: sellers take pre-approval far more seriously, as it indicates you have the financial backing to move forward.

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## **Seller Concessions: An Often Overlooked Advantage**

When negotiating a home purchase, seller concessions can significantly reduce your upfront and monthly costs. These concessions may cover closing costs, inspection fees, or even help lower your mortgage rate, reducing your monthly payments. While concessions won't lower the home's asking price, they can make the overall cost of purchasing more affordable. Informed buyers understand the value of these concessions and use them to their advantage.

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## **Debt-to-Income Ratio: It's About Monthly Payments, Not Total Debt**

Your Debt-to-Income (DTI) ratio plays a critical role in determining how much home you can afford. What many don't realize is that this ratio is based on your minimum monthly payments—not your total debt. Lenders look at how much of your income is required to cover monthly obligations, such as credit cards, car loans, and student loans. The lower your DTI, the more likely you are to qualify for a favorable mortgage. This is one area where managing your monthly commitments can make a big difference.

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## **Your Mortgage Payment: More Than Just the Loan**

A mortgage payment is not merely the amount you owe on the loan. It also includes property taxes, homeowner's insurance, and possibly private mortgage insurance (PMI) if you put down less than 20%. Understanding all components of your mortgage payment is essential for proper budgeting. By factoring in these additional costs, you can enter the homebuying process fully informed and financially prepared.