

**Myth 5. I won't get a mortgage if I've had collections or missed payments in the past.**

Of course this varies by mortgage product, but poor credit history is not as harmful to a mortgage application as most people think. If there are no current collections or outstanding payments, a strong payment history has been established since the late payments, and other factors of the application (such as income and down payment) are strong, you should still be able to get a mortgage.



**Myth 6. Lenders won't look at your application until you have found the home you want to purchase.**

Wrong. Lenders issue pre-approvals all the time. Not only is pre-approval possible, many realtors require it before showing you homes. A reputable mortgage lender should be able to assess your financial health in advance to determine if they can give you a mortgage and for how much. If you qualify, they'll issue you with a pre-approval letter that you can present to your real estate agent.



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# FIRST TIME HOME BUYERS



## 6 Home Buying Myths Revealed



# Home Buying Myths Revealed

Stop paying your landlord's mortgage! Buying your own home may be easier than you think...

With talk of tighter regulations and restrictive underwriting guidelines, many renters are under the impression that home ownership is out of their reach. But in reality, there's never been a better time to buy.

Home prices are down, interest rates are low, and new mortgage guidelines will keep you from unknowingly buying more home than you can handle. If you find this surprising, check out these common mortgage myths.

**Myth 1.** *I can't get a mortgage unless I have a large down payment.*

Mortgage products vary, but most first time home buyers can get into a home for only 5% down.

**Myth 2.** *My down payment has to come from cash in my savings or checking accounts and can't be borrowed.*

While it is technically true that the down payment cannot be borrowed, lenders do allow money to be gifted from a family member. Additionally, first time home buyers



can participate in a government program called the First-time Home Buyers Plan (HPB) that allows buyers to withdraw funds from their registered retirement accounts tax-free for the purpose of purchasing a home.

**Myth 3.** *In addition to my down payment, I have to come up with money for closing costs.*

Every purchase transaction carries closing costs (mortgage origination, inspection, appraisal, legal fees, etc.). However, sellers are allowed to contribute a certain amount of their proceeds to pay your closing costs. The amount allowed varies with mortgage product, but often buyers can structure their purchase so that closing costs are picked up entirely by the seller. Why would a seller want

to do this? Because they want to sell their house. If they aren't willing to take the loss of profit, the purchase price can be raised to compensate for the covered costs.

**Myth 4.** *Only income from my job will be considered when determining if I can afford a home.*

This is not true. Alimony and child support will be considered as long as proof of regular monthly payments can be provided. Monthly obligations that are paid by someone else, such as a teenager's car payment, can be discounted from debt to income ratios as long as there is documented proof of the debt being paid regularly from another person's account.



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