



6 First Time Home Buying Myths Debunked

Buying your first home is often a dream for many renters out there. But with all the information about how to buy a home, it can be easy to believe some of the home buying myths. Whether you're looking to buy a [house in Seattle, WA](#), or a [condo in Miami, FL](#), you've probably heard some of the myths surrounding how much you'll need for a down payment or how high your credit score should be.

Before you set your sights on your dream home, make sure you know just what separates the home buying myths from the facts. You may realize that you're able to buy your first home sooner than you think.

MYTH 1: You need a 20% down payment

The biggest home buying myth for any first time homebuyer is that you need a 20% down payment to buy a home. In many cases, your down payment can be as low as 3.5%. Common types of loans with low to no down payments include FHA, VA, and USDA loans. With FHA loans – loans designed for individuals with a low-to-moderate income level and credit score- your down payment could be as low as 3.5%. For veterans and current service members, VA loans offer no down payment mortgages, and those looking to buy a home in a rural area may qualify for a no down payment USDA loan.

Aside from loans, [down payment assistance programs](#) can help you lower the cost of your down payment. These programs are available nationwide, statewide, or locally in your county or even city. Down payment assistance programs provide a wide range of assistance types such as second mortgages,

forgivable loans, or grants covering partial to full costs of your down payment. Your real estate agent or mortgage lender can help you determine what down payment assistance you qualify for.

If you do have the means to purchase a home with a 20% down payment, there are benefits to consider. For starters, you won't need to factor in private mortgage insurance (PMI) to your budget. PMI is an additional cost your mortgage lender may require if your down payment is below 20% and the cost is factored into your monthly mortgage payment. However, it's always a good idea to talk with your financial advisor or wealth manager to determine your finances and whether a 20% down payment is the right option.

MYTH 2: Renting is cheaper than buying a home

One of the most common home buying myths is that renting is cheaper than buying a home. If you're deciding whether to make the transition from renter to buyer, you might believe that renting is the less expensive option. However, in some cities the cost of renting a home may be less than or equal to a monthly mortgage payment.

If you're serious about buying a home, you may end up saving money in the long run if you buy a house rather than continue renting. To compare the costs of renting versus buying a home, you can use a [rent vs buy calculator](#) to determine which option works best for your circumstances.

MYTH 3: Your credit score needs to be perfect

Home buying myths centered around credit scores often run rampant, specifically the myth that you must have a great credit score to buy a home. Luckily, that's not always the case. If your credit score is at least 580, you may qualify for a 3.5% down payment FHA loan. For those looking at USDA loans, your credit score should also be a minimum of 580. VA loans actually have no minimum credit score, but instead require lenders to look at the whole loan profile of a homebuyer.

Generally speaking, if your credit score is higher you'll likely have more options when it comes to qualifying for a conventional loan. With a higher credit score, you may also find that the terms of your loan or interest rates are better. However, just because your credit score isn't great doesn't mean your homeownership dreams need to come to a halt.

MYTH 4: All mortgage lenders offer the same rate

[First time home buyers](#) may have the belief that every mortgage lender will offer you the same rate no matter where you go. When shopping for a mortgage, it's always a good idea to get more than one quote. Not every mortgage lender will offer you the same – or even the best- loan terms. To avoid making this mistake, it's important to get quotes from several mortgage lenders and find the one that's best suited for your finances and homeownership goals.

MYTH 5: Home inspections are optional

Especially if there are bidding wars, it can be tempting to skip a [home inspection](#) to make your offer stand out. However, home buying myths like these may cause more issues down the road. More often than not, mortgage lenders will require a home inspection before you buy the home, so you may not even have the chance to consider passing on a home inspection.

In the case that your lender does not require an inspection, this doesn't mean you should skip it. It's important to know the condition of the home you're looking to buy. That way you'll be aware of any damage or issues the house may have before becoming the owner. If a home inspection does find any significant damage, you may be able to negotiate with the seller to repair the issues or lower your asking price.

MYTH 6: The listing price is non-negotiable

A home buying myth that some first time homebuyers believe is that the listing price is set in stone. Depending on the housing market, you may need to be prepared to spend more than the home's list price or negotiate for a lower price. If you're [buying in a seller's market](#)— where there are more buyers than homes available- you should be prepared to make an offer that's higher than the listing price.

If it's a buyer's market- where there are more homes available than buyers looking to purchase- you may be able to negotiate for a lower price than what's listed. Either way, believing the home buying myths about listing prices may cause you to lose out or even overspend on the home of your dreams.

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