

First Time Buyers Can Be Easy Prey

Written by Gayle Machetta – Vice President, Loans

Spring, 2015

The economy seems to be rebounding a little as evidenced by the uptick in the homebuying market. At least there are more applicants knocking on my door in the last few weeks than there have been in the last year. I'm fascinated by the enthusiasm and inquisitive nature of the young, first-time homebuyers.

In the past couple of weeks, I've worked with three different scenarios of first-time home buyers. In each case, they have a genuine excitement and energy about becoming homeowners. They also all have lots of questions and are not shy about asking questions about the process. And yet, each case had their distinct characteristics that would make each of them a prime target for an unscrupulous mortgage lender. So I'm particularly grateful that they came to me for help in this process, because they are either family friends or business acquaintances and I really want to protect them in this process and help them get started on the right track.

The first applicants were typical of a lot of young people who start this process. They've been renters for awhile and have a good payment history and even a little bit of established credit. But they lack a substantial down payment that would allow them to qualify for the size home they really want to buy. We've had some soul-searching conversations, and they've agreed to look at something smaller and less expensive to begin with for a few years in order to allow them some time to build some additional savings and be in a better position to handle those minor emergencies that crop up when you own your home and can't just call a landlord to fix. That will also allow them to build some equity in the home they are going to buy so they can utilize that when it's time to step up in a few years, and the in-house mortgage we can offer will give them a competitive rate with less up-front costs. But they could easily have been encouraged to get into something they really wouldn't have been able to handle.

Couple number two had some pretty good down payment and a really good credit history. But they simply were being led down a path by someone who painted a rosy picture on a house that was clearly not going to be worth what they had agreed to pay for the home. Not knowing what price the home should really sell for, they thought the owner's price was something they could afford, and they liked the home and the neighborhood, so they signed a contract to buy it. Luckily, they put a clause in the contract that allowed them to get out of the deal if financing couldn't be arranged. We weren't going to be able to finance their deal because the house would simply not appraise for anywhere near the cost. All of that down payment savings would have made the seller quite happy, but the kids would have been almost upside down in the home from the very first day, even with a substantial down payment. They are still looking for a home and have agreed to do some more research before signing a contract, and I'm still looking forward to doing some financing of their purchase.

The third couple was basically just naïve about the whole process and believed every war story they've ever heard about anyone who bought and financed a home. They came in armed with a list of questions to be answered and I was happy to set their mind at ease about the process and agreed to walk them through from the initial visit with a realtor and pre-qualification to their ultimate mortgage closing once they agree on a property.

As I visited with each of these folks, I realized that we were in much the same position over thirty-five years ago when a very kind and generous banker helped us with the purchase of our first home. I remember distinctly how everything was carefully explained, and how our questions were answered,

and we were guided along each step of the process, even though we knew nothing about buying a home. We would have been easy targets in that environment, and with so much more documentation involved in today's mortgage business, it would be so easy for a young, inexperienced applicant who is going through the process for the first time to be prey for an unscrupulous person. I know there are volumes of laws and regulations to try to prevent that from happening, but it does still occur. It may be one of my favorite parts of this job – working with young, first-time homebuyers – mostly so they aren't someone's easy prey. Must be the mother in me....