

Frequently Asked Questions

There are normally many questions that homebuyers will have before, during and after the homebuying process. Below are frequent questions and answers to homebuyers' most frequently asked questions:

Credit

- **Is owning less expensive than renting?**
 - a. WHEDA recommends comparing the pros and cons of homeownership versus renting. Click on the following link to review "[Renting vs. Owning](#)" "[The True Cost of homeownership](#)" to give you some insight into the differences.

- **Does my credit score impact my ability to buy?**
 - a. Yes. The type of loan you get, including interest rate and points paid, is primarily determined by your credit score. The type of loan you get, including interest rate, is primarily determined by your credit score, also known as a FICO score. It is a good idea to get a copy of your credit report and learn how to read and understand it. [Annualcreditreport.com](#) is a great resource for both tasks! Your credit score is a combination of five different criteria, each of which makes up a percentage of your score. Scores range from a low of 300 to a high of 850.

 - b. You will need a credit score high enough for the WHEDA program you are applying for. The minimum credit score requirements for WHEDA Advantage Conventional is 620, and for WHEDA Advantage FHA it is 640. If your current credit score does not meet the minimum thresholds, it is a good idea to work with a [Homeownership Counseling Agency](#) to take steps to repair your credit, develop better habits and ultimately increase your credit score. A [Homeownership Counseling Agency](#) will work with you to make any necessary credit repair. When you are ready, you can [find a WHEDA lender](#) for the next steps.

- **I have 3 different credit scores from the three different credit bureaus (Equifax, Transunion and Experian) which score will my lender use?**
 - a. The lender will go with the middle score. In the event that there are just two credit scores, the lender will go with the lesser of the two scores.

- **What is the difference between a soft inquiry and a hard inquiry on my credit report?**
 - a. **Soft inquiries** are pulled on your credit when you receive a credit card offer in the mail, when a potential employer performs a background check, or when YOU check your credit. While soft inquiries do appear on your credit report, only you can see them (with a few exceptions). They do not adversely affect your credit score.

 - b. **Hard inquiries** are performed when you apply for a loan, credit card, or mortgage and the lender checks your credit history before granting (or denying) the loan. Hard inquiries stay on your credit report for two years, and

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they do lower your credit score by a few points. Too many hard inquiries in a short period of time may negatively impact your credit score.

- **How long does it take to repair my credit?**
 - a. That depends on how much credit repair you may need. Most of the program participants have some credit repair work to do, so lower credit scores are not uncommon. The more credit repair needed, the longer it may take. However, this should not deter you from your dream of homeownership; whether it takes two months or two years, that time will go by whether or not you are working toward your goal.

Mortgage Loans

- **Should I always try to find the lowest interest rate when looking for a mortgage loan?**

You should always find out the true cost of your mortgage, and an interest rate alone won't tell you that. Annual Percentage Rate (APR) tells you a mortgage's true cost, because the APR includes interest rate, points and fees charged by the lender, and lets you compare mortgage offers.
- **What is the difference between being pre-qualified for a mortgage loan, and pre-approved for a mortgage loan?**
 - a. **Prequalification** is a starting point that can help you better understand your financial situation and its impact on your ability to get a loan. It also may give you a preliminary idea of how much of a loan you might qualify for, and what kind. Generally, this is NOT a firm commitment as it simply indicates based on what they did a cursory review of, you appear to qualify for a mortgage in a specific amount. It may list certain conditions that will have to be met or additional documentation that will need to be provided and reviewed for a pre-approval. It is based on data you submit to a lender, which will provide a ballpark estimate of how much you can borrow. Your prequalification isn't a sure thing, though, because it's based only on the information you've provided.
 - b. **Preapproval** generally gives you a commitment for the loan amount a lender will lend to you for the purchase of a home. It is a approval or decision, based on a complete review of your income, assets, and credit report. It provides assurance that the lender will lend that amount of money to you subject to certain conditions, such as that you purchase a home within a certain period, your financial situation remains the same, loan terms remain the same, and the property meets loan guidelines. A pre-approval is highly recommended before shopping for a home.
- **Once I'm pre-approved for a mortgage loan, can I finance furniture, appliances, etc. before I close?**

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- a. No. Lenders will check your credit again just before closing. Increased use of credit prior to closing may negatively impact your credit score, and your ability to qualify, which can result in the loan being denied. [WHEDA'S Monthly Budget Worksheet](#) is a simple tool to help you put your budget on paper

WHEDA Financing

- **What are WHEDA's Minimum credit score requirements?**

- a. WHEDA's minimum credit score requirement for WHEDA Advantage Conventional loans is 620. WHEDA's minimum credit score requirement for WHEDA Advantage FHA loans 640.

- **Can I purchase a home anywhere using WHEDA?**

- a. WHEDA only finances owner-occupied primary residences located in the State of Wisconsin.

- **How much down payment will I need?**

- a. Your required minimum down payment will depend upon your home purchase price, the property type, and your mortgage loan product. WHEDA Advantage Conventional program requires NO minimum Borrower investment on any property type except a 2-4 unit. A 2-4 unit has a required Borrower investment of 3% of the purchase price. This means that the Borrower MUST put 3% or their own funds into the transaction. The WHEDA Advantage FHA program has a 3.5% Minimum Borrower Investment requirement, however if you utilize one of WHEDA's two Down Payment Assistance options, the 3.5% required investment is satisfied.

- **Can I move out of the home and let someone else live there, and still keep my WHEDA loan?**

- a. No. WHEDA requires the property be the Borrower's owner-occupied primary residence for the life of the loan. If you move out, you need to either refinance the mortgage or sell the property.

- **Can I use WHEDA if I have filed for bankruptcy?**

- a. Yes. There are two types of bankruptcies and the requirements are different. Regardless of the type of bankruptcy, you must reestablish traditional credit and meet WHEDA minimum credit score requirements.
 - i. For a **Chapter 7** bankruptcy, a 4-year waiting period is required from the discharge or dismissal date.
 - ii. For a **Chapter 13** bankruptcy, a distinction is made between Chapter 13 bankruptcies that were discharged and those that were dismissed. The waiting period required for Chapter 13 bankruptcy actions is measured as follows:

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- a. 2-years from the discharge date, or
- b. 4-years from the dismissal date.

- **Does WHEDA offer grants?**

- a. No, WHEDA offer two down payment assistance options. You should ask the [WHEDA Lender](#) and/or [Homeownership Counseling Agency](#) (if applicable) that you are working with about other grants that may be available; They may be able to direct you to additional programs or have grant funds themselves. It is always good to ask.

- **Can I buy a foreclosure property using WHEDA financing?**

- a. Yes. Loan must still meet WHEDA guidelines. Click on the following link for WHEDA-owned and other foreclosed homes for sale in Wisconsin: [Foreclosed Homes](#)

- **How can I find out where WHEDA designated Target Areas are?**

- a. Depending on the WHEDA program, there are different designated target areas. Once your WHEDA Lender has determined what program will work best for you, they will also be able to check if you are in a target area.
- b. You can also click on the following link to access WHEDA's Designated Target Areas: [WHEDA Designated Target Areas](#) however they may not apply to the WHEDA program you utilize.

- **Once I have my WHEDA loan, if I lose my job, or I'm laid off and can't pay my mortgage what should I do?**

- a. Help is available to WHEDA homeowners experiencing payment difficulties. WHEDA will do everything possible to produce a solution to help, no matter the situation. Please note, different loan types may offer different types of assistance. Take a look at the [WHEDA Mortgage FAQ's](#) for current WHEDA Home owners

- **Can I refinance my WHEDA loan into another WHEDA loan?**

- a. Yes! Qualified borrowers can refinance their current WHEDA Advantage Conventional loan or your current WHEDA Advantage FHA loan into a WHEDA Advantage Conventional loan. WHEDA Advantage FHA loans cannot currently be refinanced into a new WHEDA Advantage FHA loan.
- b. Mortgage refinance options are available to current WHEDA borrowers. You must be current with your mortgage payments, have a good mortgage payment history, and have a strong overall credit profile. Click on the following link for more information: [WHEDA Refi-Advantage](#)

General

- **How do I know if I am ready to purchase a home?**

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- a. Purchasing a home is a big step. You will need a team of knowledgeable individuals to help you through the process of selecting your home, determining which mortgage loan best suits you, obtaining a mortgage loan, etc. A good place to start is [WHEDA'S Six steps to homeownership](#). In addition, review ["Renting vs. Owning"](#) ["The True Cost of homeownership"](#). In addition, a [state-wide approved counseling agency](#) can assist you in the first steps of the home buying process. Or, if you are ready to start shopping for a home, you will need to select a [WHEDA participating lender](#) and a [realtor](#).

- **How do I know how much home I can afford?**

- a. It is a good idea to meet with a [WHEDA approved lender](#) who can help you determine a range of home prices that you may be approved to buy in. Lenders will consider your income, how much debt you have, any assets you have or own and your credit history before issuing a preapproval letter, which details the amount they can purchase, providing their financial picture does not drastically change during the home-buying process.

- **How do I find the right lender?**

- a. When it comes to financing a home, it is a good idea to shop around for the best mortgage terms, however that doesn't necessarily mean the lowest rate. Many buyers often start with their own personal banking institutions or credit unions. You want to work with a lender that offers expertise and will help guide you through the process. You should be comfortable and confident in the lender you choose, so feel free to shop. Be sure to read [WHEDA's Mortgage Terms](#) document to familiarize yourself with the different terms used in mortgage financing. Use [WHEDA's What to bring to your Initial Lender Meeting](#) document to help you be prepared and to understand the difference between prequalification and preapproval.

- **What is Mortgage Insurance or MI?**

- a. MI or mortgage insurance applies to conventional loans is something that lenders use to protect themselves against a buyer who defaults on their home loan. MI is money a buyer pays along with their principal and interest to reimburse a lender in case they default. This fee is usually lumped into a buyer's monthly mortgage payment until about 78% of their home is paid off, at which point MI can be cancelled.
- b. Up Front Mortgage Insurance Premium (UFMIP) and Mortgage Insurance Premium (MIP) apply to FHA loans. They are the same as mortgage insurance except on an FHA loan Borrowers pay the UFMIP at closing or finance it into their loan, and the MIP is paid monthly throughout the life of the loan

- **What does a monthly mortgage payment cover?**

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- a. When a first-time homebuyer is looking to purchase a home, it is important to realize that a monthly mortgage payment does not cover all the monthly expenses that go along with home ownership. Often times, a monthly mortgage payment covers the principal amount borrowed, homeowner's insurance, property taxes, interest fees and MI or MIP, if applicable. Monthly mortgage payments do not cover things like utilities, cable and internet service or homeowner's association fees. Read "[The true cost of homeownership](#)" for more insight.

• Do I need a real estate agent?

- a. Technically, it is possible to buy a home without a professional real estate agent. It's just a whole lot harder to do on your own. Not only have professional real estate agents received training to help buyers, but they're also up to date on current market conditions, real estate procedures and the closing process. They've also got helpful industry contacts, like service professionals at their disposal that can make the buying-process go more smoothly. Finally, a professional real estate agent can represent a buyer with a contractual agreement, making an initial offer, negotiating on price and at any other time during the home-buying process in the interest of the buyer. The Wisconsin REALTORS Association offer's the state's largest database of real estate professions. Search their [Find a REALTOR database](#) to find one near you. Choosing the right real estate agent is important to help you find the home you want.

• What happens during the closing process?

- a. Once you've selected your home and your offer has been accepted; you are in the final stretch. You will be reviewing and signing many documents. Before you sign any document, review it and ask questions if the document is unclear to you. In addition, pay attention to deadlines and dates for items that need to be completed to purchase the home and to obtain your loan. It is very important all requirements are completed in a timely manner, including those deadlines listed in the purchase contract. Use [WHEDA's Loan Closing Documents tool](#) to assist you with information on what documents to expect and understanding what they are.
- b. With closing done, you are now officially a homeowner! Purchasing a home with a WHEDA mortgage makes you part of our community, where you have access to other WHEDA homeowner benefits.