

After years of visiting real estate sites and dreaming about buying a home, you are finally ready to seriously begin house hunting. What's the first thing you should do?

Select one.

- A. Research neighborhoods where you'd consider moving and create a targeted list of where to focus your search.
- B. Establish a budget of what you can afford.
- C. Create a list of must haves and non-negotiables of what you're looking for in a home.
- D. Get recommendations and do your due diligence to identify trusted real estate agents.
- E. Select a qualified loan officer and get pre-approved for a mortgage

The correct answer to this question is E: **Select a qualified loan officer and get pre-approved for a mortgage.**

One of the most common mistakes first-time buyers make is not getting pre-approved for a mortgage before house hunting.

Without a pre-approval letter, there is a risk of wasting time on properties that may be out of budget or even losing out to other buyers.

A pre-approval provides a clear picture of borrowing capacity, helping to narrow down options and make confident offers. Skipping the pre-approval process can delay the purchase, especially in competitive housing markets.



Which of the following is in the correct order to purchase a home?

Select one.

- A. You submit your mortgage application after your offer to purchase the home is accepted
- B. You submit a mortgage application before your offer to purchase the home is accepted

The correct answer to this question is A: **You submit your mortgage application after your offer to purchase the home is accepted.**

Getting pre-approved first is key to being a competitive buyer, but the official mortgage application and final loan commitment happen after you have a signed purchase agreement for a specific house, after your offer is accepted and you're under contract.

Pre-approval strengthens your offer, especially in competitive markets, by verifying your finances and outlining what you can afford, while the formal application begins once you've found a specific home.



Your monthly mortgage payment is?
Select one.

- A. Your monthly mortgage payment is your loan principal and loan interest.
- B. Your monthly mortgage payment is the loan principal, loan interest, taxes, homeowner's insurance, and potentially mortgage insurance.
- C. Your monthly mortgage payment is the principal, loan interest and taxes; it doesn't include homeowner's insurance.
- D. Your monthly mortgage payment is the loan principal, loan interest, taxes, homeowner's insurance, as well as any homeowner's association and/or condo fees.

The correct answer to this question is B: **Your monthly mortgage payment is the loan principal, loan interest, taxes, homeowner's insurance, and potentially mortgage insurance.**

If you've never owned a home, you may be surprised by how many costs make up a single monthly payment.

By including these costs in one monthly payment, your lender is able to keep those payments organized and timely for your benefit.

These include: loan principal, loan interest, property taxes, homeowner's insurance, and - if your down payment is less than 20% - you will likely have mortgage insurance included in your monthly payment. HOA/condo fees are usually paid directly to the association, not the lender.



You're about to close on your new home, which of the following should you wait to do until after you've closed?

Select all that apply.

- A. Buy a new dresser
- B. Make a large cash deposit for your account.
- C. Open a new credit card.
- D. Purchase a major item like a new car.
- E. All of the above

The correct answer to this question is E: **All of the Above.**

Lenders look for financial stability throughout the entire mortgage process, up until the closing day.

So even a seemingly small purchase like a dresser can raise a flag.

When it comes to any substantive changes to your finances, it's important to communicate with your lender.



True or false: When it comes to purchasing a home, the larger the down payment you can make up front, the better.

A. True

B. False

The correct answer to this question is B: **False.**

Although it might seem like a no-brainer that the larger the down payment you make, the better; in fact, it's a complex decision that depends entirely on your personal financial situation, risk tolerance, and goals.

For example, if you pay more of your mortgage up front, you may have less in your reserves for emergency needs. If you're unsure of the right approach, make sure to speak to your loan officer for advice.



True or false: Interest rates are dropping, so it makes sense to wait for a better rate.

A. True

B. False

The correct answer to this question is B: **False**.

Interest rates rise and fall, so if you can afford to buy a home, don't wait for rates to fall.

You may miss out on your dream home, home prices could increase or rates may never go down.

Make the homebuying decision based on your budget and focus on your DTI (debt-to-income ratio) and credit score instead.



True or False: The 5/20/30/40 rule is a comprehensive financial guideline for home buying, suggesting you spend no more than 5 times your annual income on a home, get a mortgage for 30 years or less, make at least a 20% down payment, and keep your total housing costs (EMI) below 40% of your net monthly income, ensuring funds for savings and lifestyle.

A. True

B. False

The correct answer to this question is B: **False**.

The 5/20/30/40 rule is a comprehensive financial guideline for home buying, suggesting you spend no more than 5 times your annual income on a home, get a mortgage for 20 years or less, make at least a 30% down payment, and keep your total housing costs (EMI) below 40% of your net monthly income, ensuring funds for savings and lifestyle.

You're at an open house of a newly constructed property, and you love it. The problem is, so do several other people at the showing. What should you do to help make your offer more attractive to the seller?

Select all that apply

- A. Given the brand-new condition of the house, tell the seller you'll make the offer and waive the home inspection.
- B. Show your lender's pre-approval letter for the maximum approval amount to the seller; it demonstrates that you're a credible buyer.
- C. Show your love with a buyer's letter, a personal note you write to the seller explaining what makes the house special to you.
- D. None of the above

The correct answer to this question is D: **None of the above.**

Skipping a home inspection, even for a new property, can lead to severe, costly surprises—such as foundation failures, mold, or electrical issues—and potential safety hazards.

While it may be attractive to the seller, it removes crucial leverage to negotiate repairs.

Writing a “buyer's letter” can be a tricky prospect because it could put the seller at risk of violating federal/local anti-discrimination laws.

While showing a pre-approval letter to a seller proves you are a serious, financially vetted buyer capable of securing financing, to maintain negotiating leverage, rather than showing the maximum approval amount, have your lender generate a customized letter for the specific property's listing price.

You want to become a homeowner, but you're finding it challenging to save for a down payment. Adding to the challenge, your credit rating isn't stellar, and you'll have trouble qualifying for a conventional loan. What should you do?

Select one.

- A. Delay your search until you boost your credit score.
- B. Delay your search until you can boost your credit score and can put 20% down on your mortgage.
- C. Don't focus on the credit score but delay your search until you can put at least 15% down on your mortgage.
- D. You don't have to delay your search. There are options available, even if you don't qualify for a conventional loan and don't have great credit.

The correct answer to this question is D: **You don't have to delay your search.**

You don't need to put 20% - even 10% - down on a house. The 20% figure is a traditional guideline, not a requirement.

Many low- or no-down-payment options are available depending on your qualifications.

Government-insured loan programs backed by the Federal Housing Administration (FHA loans), U.S. Department of Veterans Affairs (VA loans) and U.S. Department of Agriculture (USDA loans) offer loans with terms and conditions for people with low credit scores and may include no down payment options.

In addition, banks may offer down payment assistance options for qualified buyers.

You've been living in your house for a week, and you hear odd noises...squeaky floorboards – doors slamming. After doing a bit of digging, you find out the house is notoriously haunted but the seller failed to mention anything about it. Which statement best describes how you can remedy this?

Select one.

- A. The seller is required to tell a buyer that they're purchasing a stigmatized property – i.e. a murder on the premises – If the seller failed to do so, you are entitled to sue.
- B. While the seller is required to tell a buyer that they're purchasing a stigmatized property this rule does not cover "unexplained noises," or "paranormal activity," – which means there's no course of action to take.
- C. There is no legal course of action open to you. After a house inspection and following all protocol for the sale, the burden is on the buyer to research any additional information about the property and its history.
- D. It depends upon where you purchased the home.

The correct answer to this question is D: **It depends upon where you purchased the home.**

Real estate law varies by state and city, so ultimately, there isn't a one-size-fits-all answer when it comes to disclosing information about a home's reputation as a hangout for spirits.

When purchasing your first home, understanding APR (annual percentage rate) can save you thousands. Which of the following is true about an APR? *Select one.*

- A. It's the cost you will pay each year to borrow the money, expressed as a percentage rate. It does not reflect fees or any other charges you may have to pay for the loan.
- B. It reflects the interest rate, any points, mortgage broker fees, and other charges that you pay to get the loan.
- C. The APR is a good loan option if you're confident that you'll want to sell the home within the next 10 – 15 years.
- D. A higher APR can mean lower upfront fees.

The correct answer to this question is B: **reflects the interest rate, any points, mortgage broker fees, and other charges that you pay to get the loan.**

The APR is the annual cost of a loan to a borrower – including fees.

Like an interest rate, the APR is expressed as a percentage.

Unlike an interest rate, however, it includes other charges or fees such as mortgage insurance, most closing costs, discount points and loan origination fees.

Which of the following applies as it relates to closing costs?

Select all that apply

- A. Closing costs cover fees associated with submitting your first mortgage payment.
- B. Closing costs are fluid, and you can shop around to find the best deal.
- C. Closing costs average 10% of the loan amount.
- D. Closing costs cover taxes, government fees and home insurance.
- E. Closing costs generally range from 2 – 6% of the loan amount.

The correct answer to this question is D and E: **Closing costs cover taxes, government fees, home insurance, and generally range from 2-6% of the loan amount.**

Closing costs are fees you pay to finalize a real estate transaction – including the cost of the home appraisal, home title searches, home insurance, taxes and government fees.

While closing costs vary, they generally range from 2% to 6% of the loan amount. While you can research the best deal on some items, such as home insurance, you can't control the costs for things like taxes and government fees.