

# Everything You Need to Know About Home Loans in Missouri



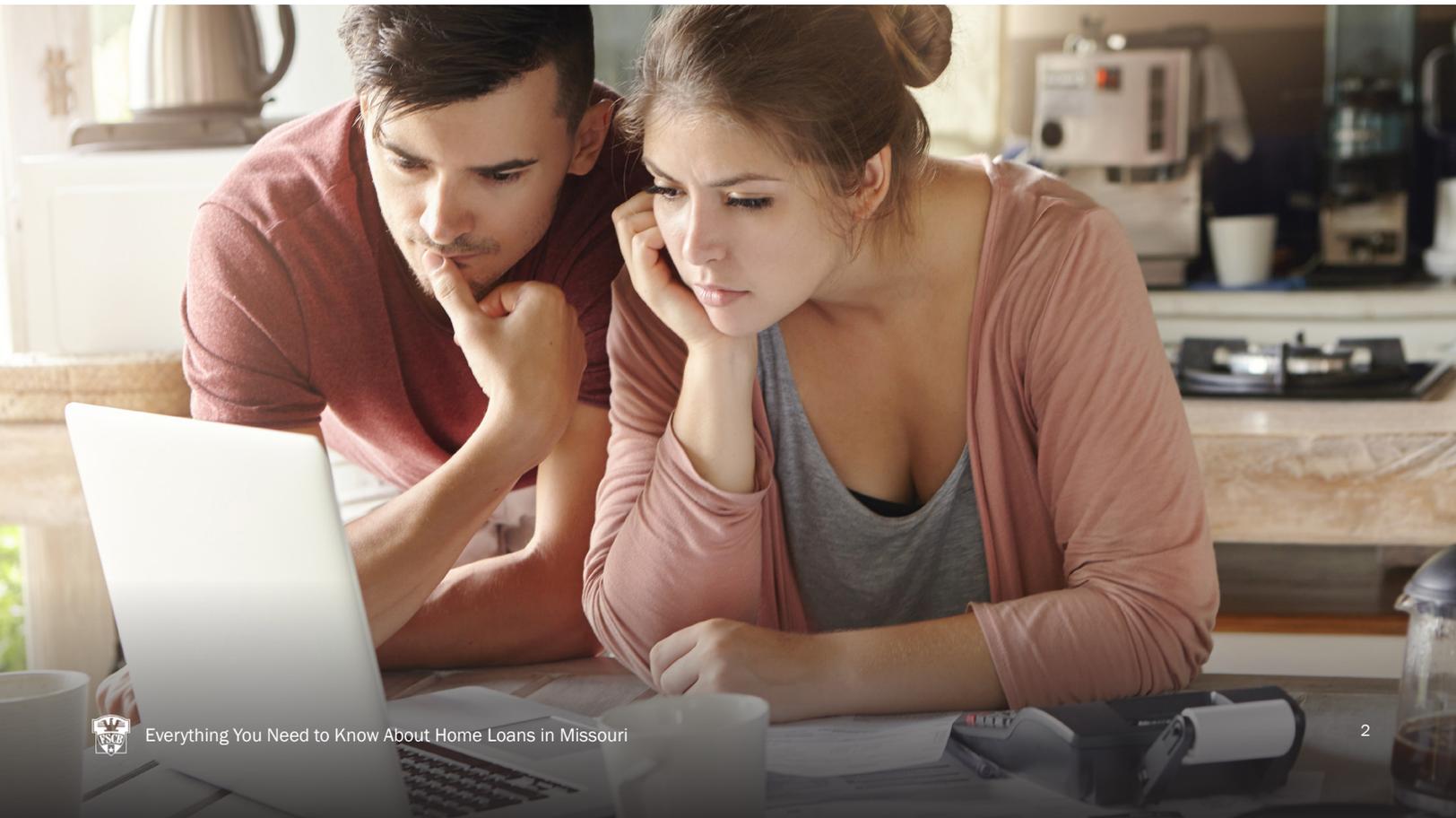
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First State  
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# Introduction

Like a notorious Missouri back road, the path to home ownership is windy and can be daunting to travel alone. Each twist and turn offers new—and often confusing—information. Consider this e-book your way to navigate an unfamiliar road paved with numerous terms and conditions.

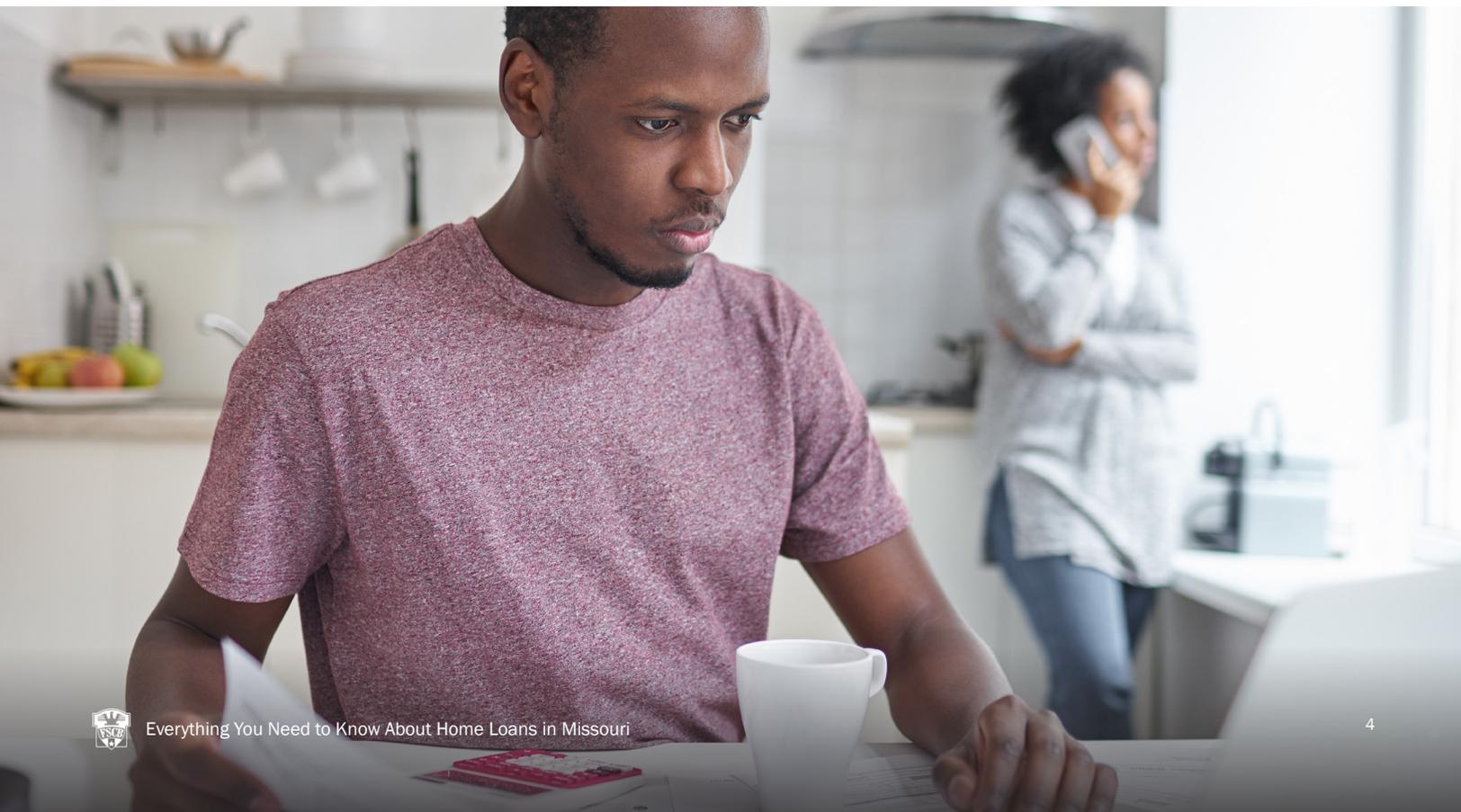
FSCB serves as the first-time home buyer's trusty GPS. Our job is to guide you through all the unexpected obstacles of purchasing a home in Missouri, so you get the home you've always wanted. From building a budget to determining your mortgage type, our financial experts intend to answer all of your home loan questions.

**Consider this e-book your way to navigate an unfamiliar road paved with numerous terms and conditions.**



# TL;DR: What do I really need to know?

- ✓ Home loans are not one-size-fits-all. Lenders offer various mortgage types to fit different lifestyles and needs.
- ✓ The government doesn't have to back your mortgage, but an official government agency, such as the Federal Housing Administration (FHA) or U.S. Department of Agriculture (USDA), should insure your loan.
- ✓ Missouri has several programs and organizations that provide financial assistance for those who qualify.
- ✓ Mortgage experts are excellent resources for developing an accurate budget and narrowing down your home loan options.



# Where do I begin?

The first step in finding your ideal home is developing a comprehensive budget. By doing so, you can determine an approximate price range for your purchase. An honest and accurate budget tells first-time home buyers what they can afford and, ultimately, what their mortgage rates will be.



## Who are Fannie Mae and Freddie Mac?

No, they're not your new neighbors. Fannie Mae and Freddie Mac are both [shareholder-owned companies](#) created by Congress with the mission of ensuring the stability and accessibility of home loans in the U.S.

Essentially, Fannie Mae and Freddie Mac purchase mortgages from lenders for one of two purposes:

- They package them into mortgage-backed securities to expand the pool of funds, attracting otherwise uninterested investors and increasing liquidity in the market.
- They hold the mortgages in their portfolios as a way to protect housing during national turmoil or financial threats.

As a result, these entities play a key role in maintaining the country's mortgage market by providing reliable access to funds on standard terms.



# What do I need to know?

Home loans are multifaceted, and selecting the right one requires some background knowledge. Below you'll find some preliminary information about starting the path to home ownership.



## Interest Rates

With so much discussion about inflation, you hear the term “interest rates” thrown around quite a bit. Interest rates apply to almost every type of loan, mortgages included. Typically, when the economy goes down—for example, during a recession—[interest rates](#) tend to go up.

Essentially, the lender sets a percentage of the loan’s total cost that tells the borrower how much they’ll pay in addition to the principal payments. The principal is the actual cost to cover the amount borrowed—that is, without the added interest.

The most common factors that [influence your mortgage interest rate](#) are:

- Credit score
- Home location
- Home price and loan amount
- Down payment
- Loan duration
- Loan type





## Prequalification vs. Preapproval

Most people go through one or both processes—prequalification and preapproval—before buying a home, but they aren't the same thing.

Prequalification uses your income, credit score, and other self-reported determinants to give buyers an estimate of how much they can borrow. On the other hand, when a lender gives official preapproval, they take a deep dive into your financial history using official documentation. Preapproval gives a more detailed account of what your mortgage can look like.

Although neither guarantees final loan approval, these processes give an accurate estimate of your price range and hold significant weight with a seller.



## Possible Additional Fees

Unfortunately, the listed sale price of that house you've been eyeing isn't the amount you'll pay in the end. Several unexpected, up-front, and ancillary costs will determine the [real cost of home ownership](#) for each buyer.

Some necessary expenses not included in the initial sale price are:

- Down payment
- Appraisal fee
- Inspection fee
- Closing costs
- Homeowners insurance
- Property taxes
- Maintenance and upkeep



## Necessary Prerequisites

Regrettably, not just anyone in Missouri can secure a home loan. Requirements will vary by loan type, but most have a set minimum for credit score, annual income, and down payment. Most lenders also require a certain level of job stability and perform a criminal background check.

# What are my loan options?

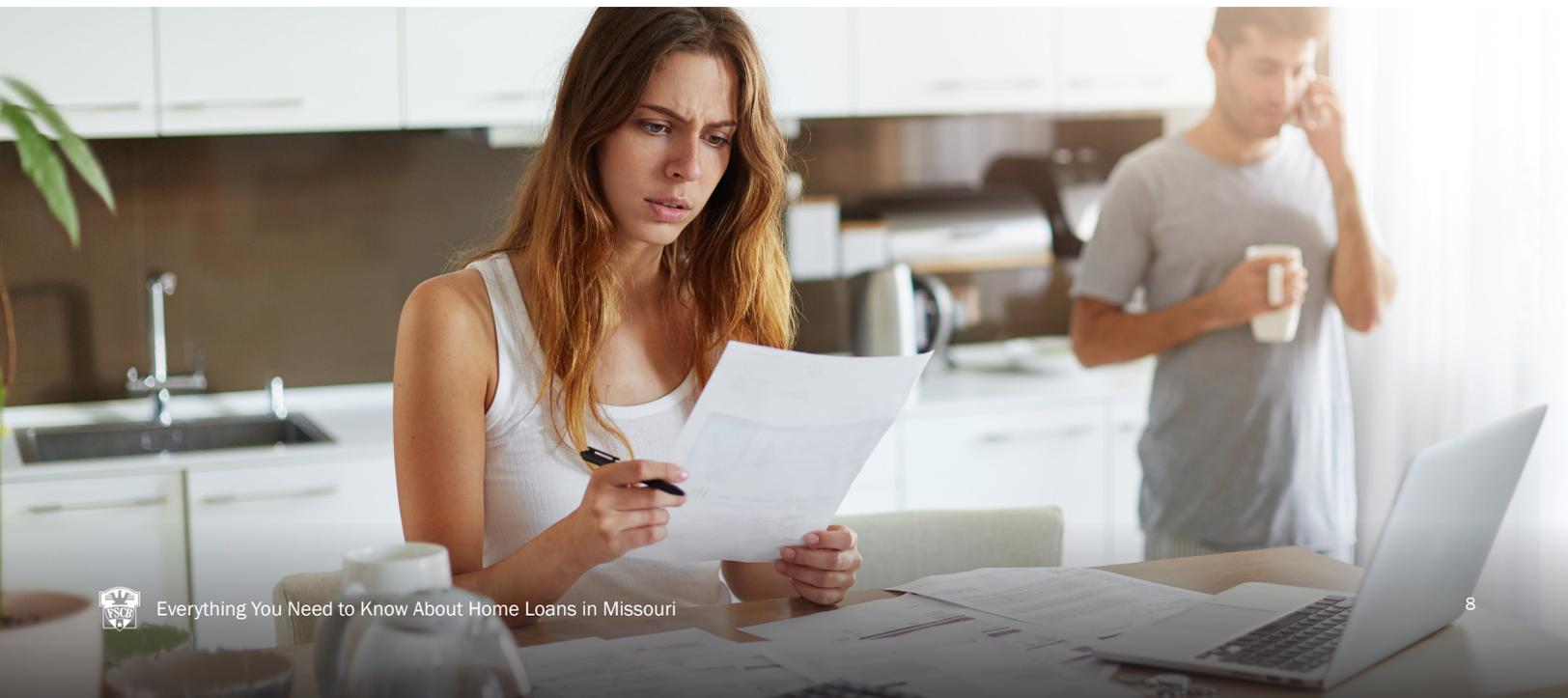
Numerous custom and standard loan options exist, particularly for those buying their very first home. These choices vary depending on various factors, including down payment amount, credit status, and other prerequisites. However, the five most common mortgage types are:

## 1. Conventional Mortgage Loan

**What it is:** The federal government backs this common loan type. Conventional loans are classified as either conforming or nonconforming, depending on whether or not the loan meets Federal Housing Finance Agency (FHFA) limits and standards.

**The pros:** It's an incredibly common option among banks and credit unions, often has a lower interest rate, and buyers can leverage this loan type to purchase [investment properties](#) or second homes.

**The cons:** Borrowers need relatively good credit and a low debt-to-income ratio, these loans typically require a higher down payment, and buyers will likely have to purchase private mortgage insurance.





## 2. FHA Loan

**What it is:** The Federal Housing Administration (FHA)—rather than the U.S. government—insures these loans. As one of three government agencies permitted to back home loans, the FHA offers loans to those with a smaller down payment and good credit.

**The pros:** It offers competitive interest rates, doesn't require a significant down payment or excellent credit score, and the seller can contribute to closing costs.

**The cons:** This type of loan has mandatory mortgage insurance premiums, requires extensive documentation to prove eligibility, and the loan amount is typically lower.

## 3. USDA Loan

**What it is:** The United States Department of Agriculture (USDA) backs these loans. Lenders only grant these mortgages to lower-income homeowners in eligible (typically rural) areas.

**The pros:** Some USDA loans don't require a down payment or high credit and are available to those with a low to moderate income.

**The cons:** Lenders only offer these loans for properties in rural (or mostly rural) areas the USDA confirms are eligible, and they require additional up-front and annual fees.

## 4. VA Loan

**What it is:** The U.S. Department of Veterans Affairs (VA) is the last of the three government agencies that insure mortgages. Only current or former members of the U.S. military and their families receive this type of mortgage.

**The pros:** These loans boast a low interest rate and no minimum down payment, credit score, or mortgage insurance.

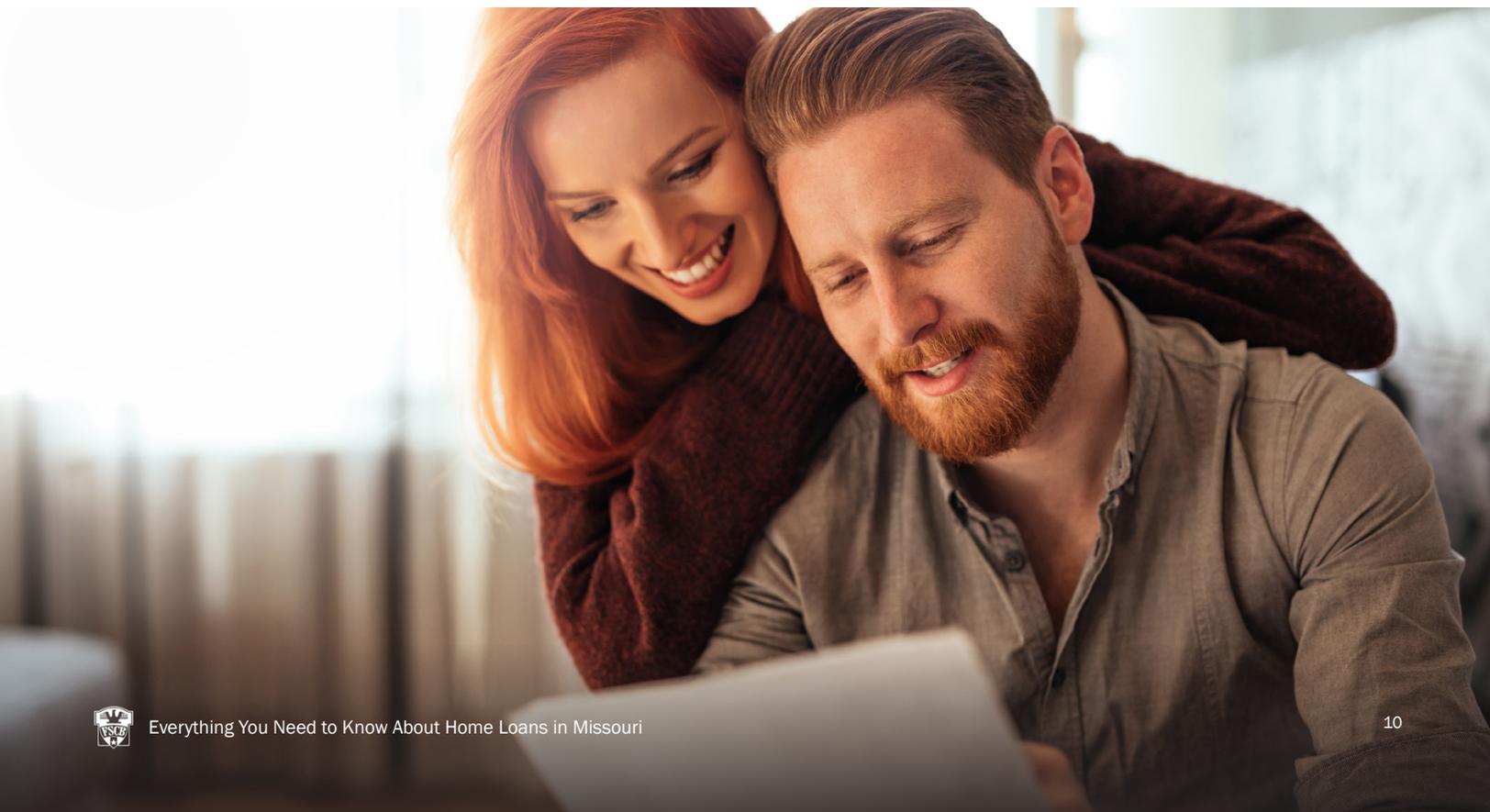
**The cons:** They only apply to veterans, enlisted individuals, and their families, and VA loans charge a funding fee in addition to closing costs.

## 5. Jumbo Loan

**What it is:** This type of loan is common in high-cost areas and defies the borrowing limits of the FHFA.

**The pros:** These loans offer significantly higher loan limits, often require a lower down payment, and have flexible loan terms.

**The cons:** Lenders only provide this type of loan to those in a high income bracket with excellent credit, and they often come with high interest rates.

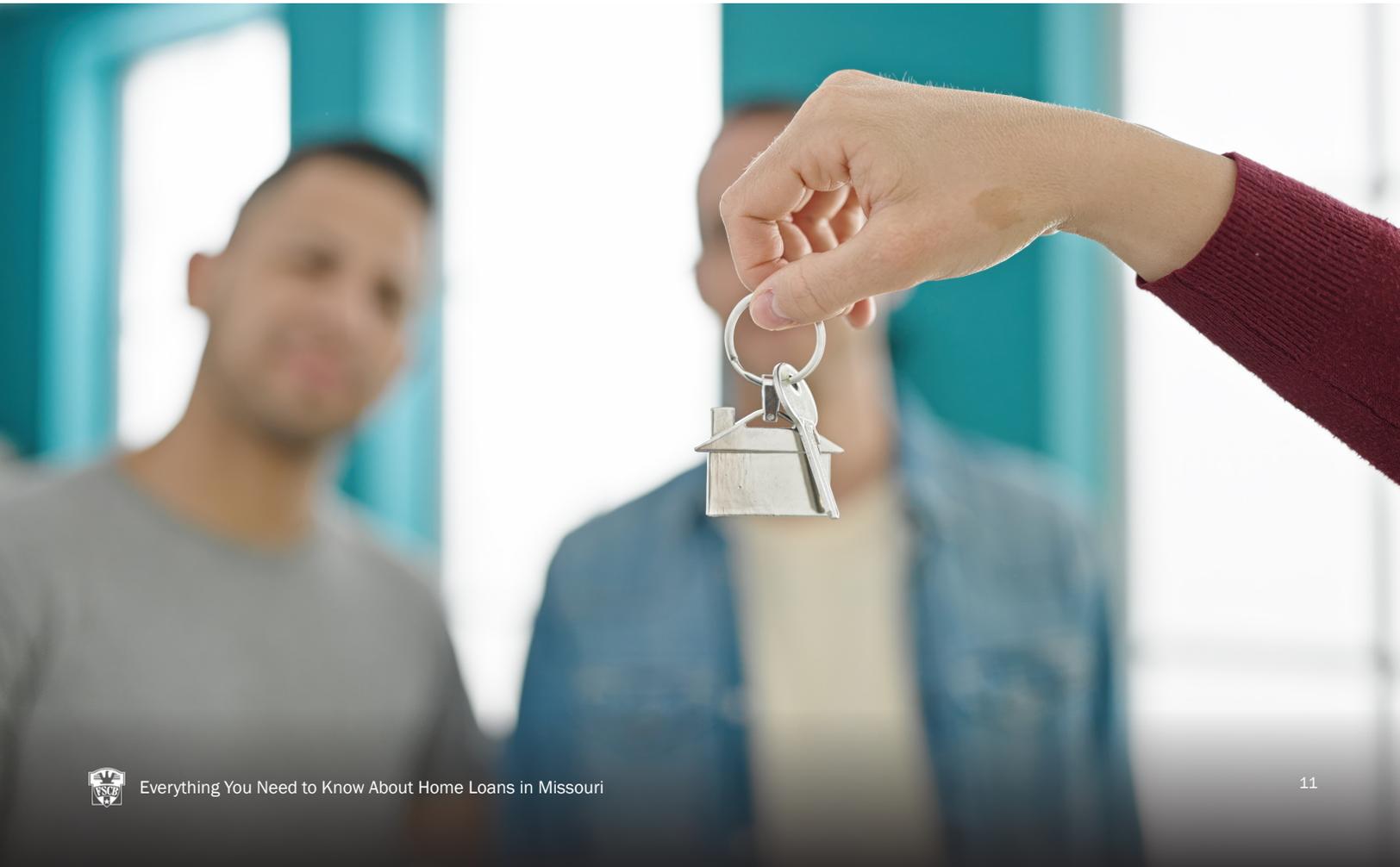


# How can I get a home loan in Missouri?

Ideally, your bank is your first stop in the mortgage process. Professional mortgage advisors are a trustworthy source for home loan information and guidance.

Then, many buyers consult a knowledgeable real estate agent who knows the neighborhood well. Leverage their insight to determine where in Missouri you want to live. Afterward, you can begin budgeting to secure the appropriate home loan.

As a [Missouri home buyer](#), you have several options if you need financial assistance to purchase a home in the state. For example, the [Missouri Housing Development Commission](#) offers various home ownership programs for qualifying Missouri residents.



# How do I choose?

The decision you make ultimately depends on your individual needs and budget. The ideal choice looks different for everyone, but it's important to follow these general guidelines when finalizing your selection:



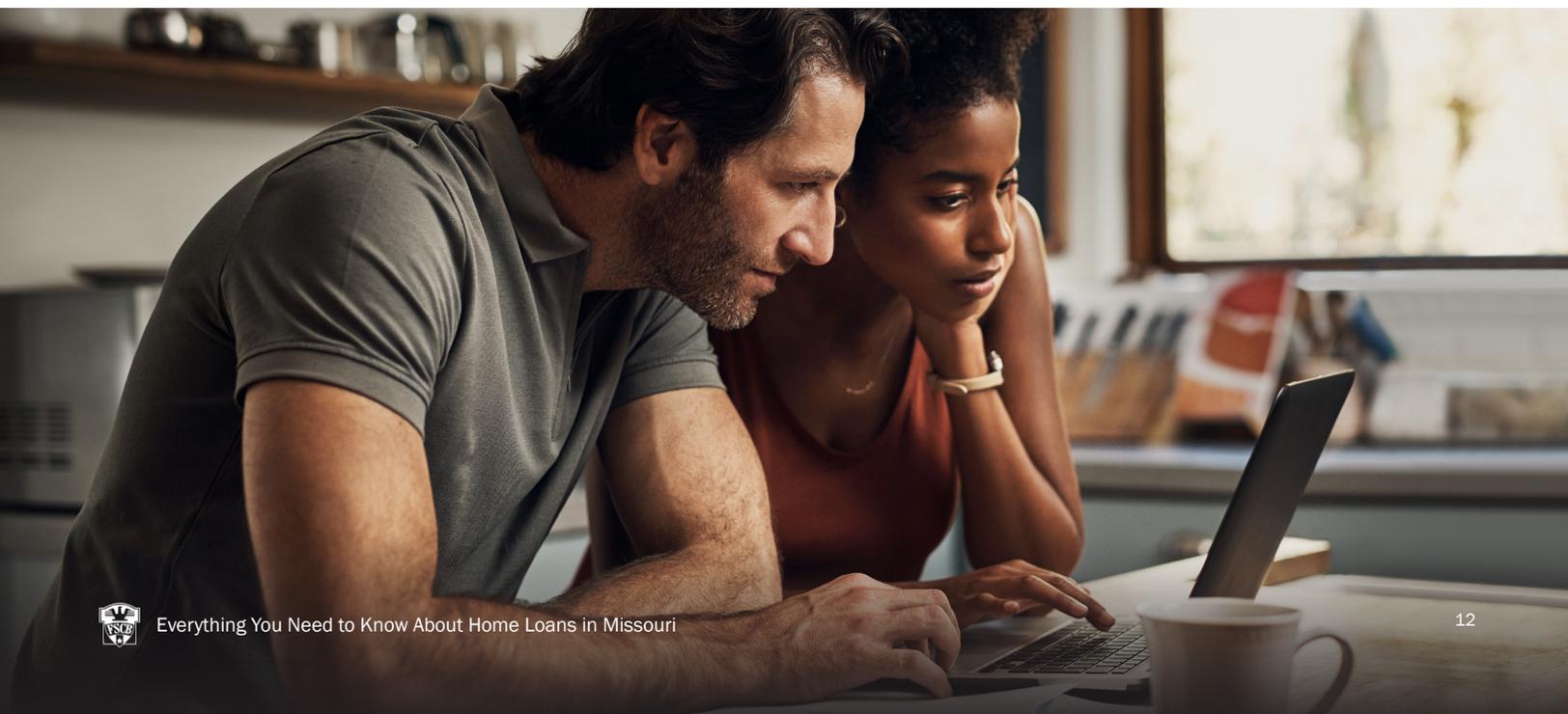
## Step 1: Strengthen your credit score.

The first step in securing any type of loan—mortgage included—is a credit check. Before a lender checks your score, ensure you've done everything in your power to [improve your credit score](#).



## Step 2: Build your budget.

After receiving preapproval, determine your budget and price range for a home. What are the maximum and minimum amounts you prefer to spend, both up front and regularly? Break down and specify these amounts by outlining your monthly income and expenses.





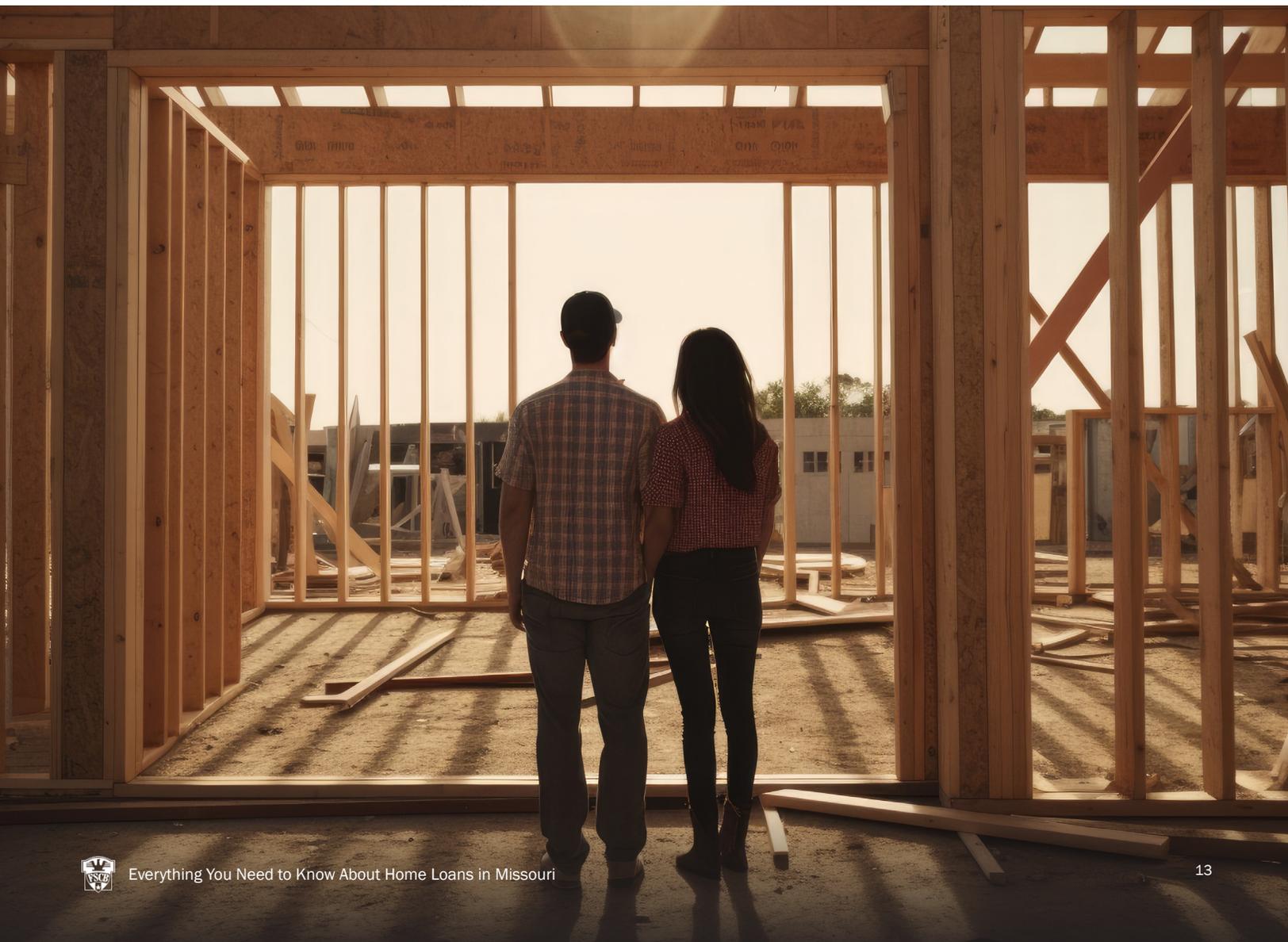
### Step 3: Know the requirements.

Before pursuing a certain type of loan, ensure you meet all of the [borrower requirements](#). The terms of the loan will typically call for a minimum credit score, income amount, and down payment. Failure to meet the prerequisites almost always results in denial.



### Step 4: Weigh the options.

If you prequalify for several loan types, be sure to weigh the pros and cons of each loan in relation to your lifestyle and budget. Try working with a home loan expert to verify you're receiving the best deal. As a result, you can save time, money, and stress throughout this tedious process.



# Need more information about home loans in Missouri?

Whichever home loan you choose, your choice of mortgage should match your personal budget and lifestyle as closely as possible. Finding the correct plan requires significant research—and professional financial guidance certainly helps.

Our home loan experts offer professional mortgage advice to Missouri residents in the market for their first home.

**Eager to get started?** Apply for a home loan with FSCB to connect with an advisor.

[Apply Today](#)



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## About First State Community Bank

Whether you're seeking a line of credit, a personal loan, credit card transfer options, or financial counseling services to improve your money management, we're committed to helping you set and reach your financial goals.

Since 1954, First State Community Bank has been a leading financial resource to residents and businesses across the state of Missouri. First State Community Bank has built its reputation on an unyielding commitment to delivering the best possible service to customers and partners, from the Junior Savers who open an account with \$1 to those applying for multimillion-dollar commercial loans. Our mission is to help our customers achieve financial success on their terms, whether that means buying a new home, starting a business, or planning for retirement. We are here to help you reach your financial goals today and into the future.

**Learn more by connecting with the FSCB team  
to see how you can get started today.**

[Get in Touch at FSCB.com](https://www.fscb.com)

