



FIRST TIME

HOMEBUYER

Get prepared to be a homeowner!

SECTION 1

LAYING THE FINANCIAL FOUNDATION



DOWNPAYMENT UNDERSTANDING HOW MUCH YOU NEED

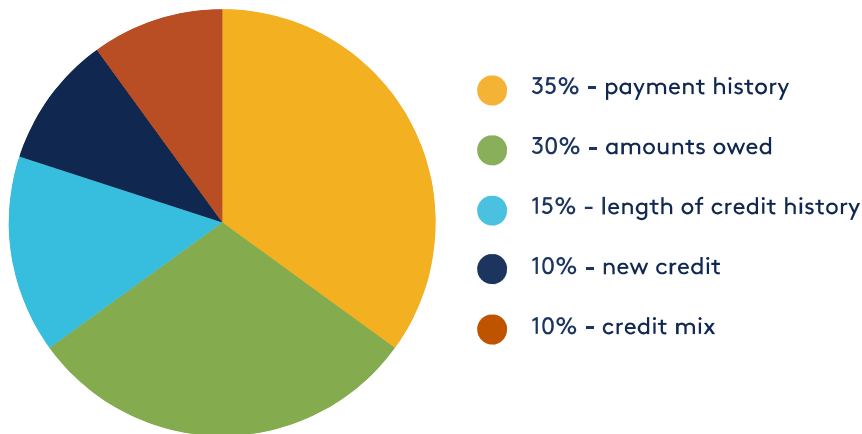
Your down payment is the cash you pay toward the total cost of your home when you first purchase it. Figuring out how much you can afford for a down payment will help you determine what kind of loan you will need to have. Each different loan program requires a different down payment amount, range 3-20%, some even require no downpayment.



CREDIT SCORE | REPORT UNDERSTANDING WHY YOUR CREDIT MATTERS

Having your credit checked is an important part of the mortgage loan approval process. Lenders will use your credit score to determine if you are likely to pay back your loan, so it is very crucial to make sure you have good credit when making the choice to purchase a home. You are able to review your credit report for free annually at [Free Experian Credit Report and FICO® Score***](#)

WHAT DETERMINES A CREDIT SCORE *



RANGE OF CREDIT SCORES **



*<https://www.myfico.com/credit-education/whats-in-your-credit-score>

**<https://www.experian.com/blogs/ask-experian/credit-education/score-basics/what-is-a-good-credit-score/>

***<https://www.experian.com/lp/credit-score-unbr/>

SECTION 1

LAYING THE FINANCIAL FOUNDATION



CREDIT UTILIZATION MANAGING YOUR CREDIT WISELY

Your credit utilization ratio measures how much of your available credit you're using. Keeping utilization below 30% is best for your credit score.*



DEBT TO INCOME RATIO WHAT IT MEANS FOR YOUR LOAN

Your DTI ratio compares your total monthly debt payments to your gross monthly income. Lenders use this to determine if you can afford a mortgage.

Calculate: $DTI = (\text{Total Monthly Debt Payments} / \text{Gross Monthly Income}) \times 100$

EXAMPLE



● Monthly income - \$5,000

● Monthly Debt - \$1,500

30%
Debt-to-Income
(DTI) Ratio

=

\$5,000
Total Monthly Income

\$1,500
Total Monthly Debt

SECTION 2

COSTS TO EXPECT BEFORE AND AFTER YOU BUY



UNDERSTANDING COSTS WHAT TO EXPECT BEFORE AND AFTER YOU BUY

Owning a home comes with financial responsibilities beyond just the mortgage payment. Budgeting for both upfront and ongoing costs will help you be financially prepared.

START-UP COSTS ONE-TIME EXPENSES



Down Payment

The portion of the home's purchase price that you pay upfront. The amount required depends on your loan type and lender.



Home Appraisal

A professional assessment of the property's market value, required by lenders to ensure the home is worth the purchase price.



Home Inspection

A detailed examination of the home's condition to identify potential issues before you finalize the purchase.



Closing Costs

Fees associated with finalizing the mortgage, typically ranging from 2% to 5% of the home's price. These costs may include lender fees, title insurance, and attorney fees.



Moving Costs

Expenses related to transporting your belongings, hiring movers, renting a moving truck, or setting up your new home.

ON GOING COSTS REGULAR EXPENSES TO KEEP IN MIND



Mortgage Payment

Your monthly loan payment, which includes the principal (the amount borrowed) and interest (the cost of borrowing the money).



Property Tax & Homeowners Insurance

Property taxes are set by your local government, while homeowners insurance protects your home from damage. These costs may be included in your monthly mortgage payment through an escrow account.



Homeowners Association (HOA) Fees

If your home is in a community with an HOA, you may have monthly or yearly fees for shared amenities and maintenance.



Utilities

Monthly costs for services like electricity, water, gas, internet, and trash collection.



Maintenance & Repairs

Regular upkeep and unexpected repairs, such as fixing a leaky roof or replacing a water heater. Setting aside an emergency fund for home maintenance is recommended.

SECTION 3

FINANCING OPTIONS



GETTING PREQUALIFIED VS. PREAPPROVED

PREQUALIFICATION	PREAPPROVAL
An estimate of how much you may borrow based on self-reported information.	A formal loan approval based on verified financial documents.
What You Do <ul style="list-style-type: none">• Share financial details to the best of your knowledge• Information is self-reported	What You Do <ul style="list-style-type: none">• Complete a formal application• Provide supporting financial documents
What Your Lender Does <ul style="list-style-type: none">• May run a soft credit check, or no check at all	What Your Lender Does <ul style="list-style-type: none">• Typically requires a hard credit check to verify information
What You Receive <ul style="list-style-type: none">• General estimate of borrowing potential• Estimated interest rate	What You Receive <ul style="list-style-type: none">• Conditional loan commitment for a specific amount• More accurately estimated interest rate
Benefits <ul style="list-style-type: none">• Quick way to get an idea of affordability• Helpful for early house shopping	Benefits <ul style="list-style-type: none">• Speeds up the loan approval process• Shows sellers you're serious• Lets you shop with more confidence
Keep in Mind <ul style="list-style-type: none">• Not a guarantee of loan approval• Sellers may not view it as proof of seriousness	Keep in Mind <ul style="list-style-type: none">• Not a final loan approval—still subject to underwriting
Information Needed <ul style="list-style-type: none">• Basic personal info (name, DOB, SSN)• Current housing expense or budget• Self-reported info:<ul style="list-style-type: none">◦ Employment details & income type◦ Asset accounts & balances◦ Retirement savings (401k/IRA)◦ Other funds (e.g., gifts, tax refund)	Information Needed <ul style="list-style-type: none">• Formal documentation to prove financial standing• Verified versions of personal info (name, DOB, SSN)• Existing housing payment (if applicable)• Self-reported info:<ul style="list-style-type: none">◦ Employment details & income type◦ Asset accounts & balances◦ Retirement savings (401k/IRA)◦ Other funds (e.g., gifts, tax refund)

SECTION 3

FINANCING OPTIONS



COMMON LOAN OPTIONS WHICH LOAN IS BEST FOR YOU?



FHA

- An FHA loan is a US Federal Housing Administration mortgage insurance backed mortgage loan. FHA insured loans are a type of federal loan that have historically allowed lower income Americans to borrow money for the purchase of a home that they would not otherwise be able to afford.
 - Benefits
 - FHA loans have more flexible credit qualification standards than Conventional loans.
 - The minimum credit score requirement for an FHA Loan is typically lower than a conventional loan program.
 - Your down payment may also come in the form of a gift from family, certain government agencies, and charitable organizations.
 - Requirements | What you Should Know
 - To obtain mortgage insurance from the Federal Housing Administration, an upfront mortgage insurance premium (UFMIP) equal to 1.75 percent of the base loan amount at closing is required. This is normally financed into the total loan amount by the lender and paid to FHA on the borrower's behalf.
 - There is a monthly mortgage insurance premium (MIP) which varies based on the loan term and loan-to-value ratio.



VA

- As a Veteran, you and your family have many powerful home buying benefits in addition to traditional financing. With the exclusive VA Home Loan benefit, you may qualify for a loan with lower payments and no money down. Benefits
 - What you should know
 - No down payment is required – so long as the sales price isn't more than the appraised value. The VA purchase loan allows veterans over 100% financing without private mortgage insurance, or a 20% second mortgage and up to \$6,000 for energy efficient improvements. With a home purchase, veterans may borrow up to 103.3% of the sales price or reasonable value of the home – whichever is less, which means you could buy a home for zero down payment.
 - There is a monthly mortgage insurance premium (MIP) which varies based on the loan term and loan-to-value ratio.
 - In a VA-to-VA refinance (also known as an IRRRL), the veteran may borrow up to 100.5% of the total loan amount and can re-use the entitlement originally used. With an IRRRL, no appraisal is required. Also, credit qualification is streamlined if you have a 6-month mortgage history.

SECTION 3

FINANCING OPTIONS



COMMON LOAN OPTIONS WHICH LOAN IS BEST FOR YOU?



USDA

- United States Department of Agriculture (USDA) believes that providing affordable homeownership possibilities promotes prosperity, which helps the communities thrive and improves the quality of life in rural areas.
- USDA loans offer 100% financing for those qualify. The property must be in an eligible rural area and the household income must be less than 115% than the medium area income.
 - What you should know
 - The property must be in an eligible rural area. Check to see if a property is eligible using USDA's location eligibility tool by using the following link - [Eligibility](#)
 - The applicant must be a U.S. citizen, U.S. non-citizen national, or Qualified Alien
 - The household income must be less than 115% of the median area income. To see if your income qualifies, use USDA's income eligibility tool by using the following link - [SFH Section 502 GLP Eligibility Check Worksheet](#)



FIXED RATE

- Stable interest rate for the loan's term, interest rates are higher, best to use if you plan on staying in the home for several years, available in 10–30-year time periods.



ADJUSTABLE-RATE MORTGAGE (ARM)

- Interest rate changes periodically after an initial fixed period. The rate can increase or decrease with changes in the market, which is best to use if you plan to sell in 5-10 years



CONVENTIONAL

- Conventional loans are typically a great option if you have a higher credit score with low debt. Interest rates are generally lower on conventional loans than FHA. They have down payment options as little as 3% and if you have 20% for a down payment, you can avoid mortgage insurance.

SECTION 4

UNDERSTANDING EACH STAGE OF THE JOURNEY



HOME BUYING

HOW THE HOMEBUYING PROCESS UNFOLDS

● Find Home

What to look for - Consider location, home size, condition, and resale value

Start gathering financial documents early so you're ready once your offer is accepted.

● Make an Offer

Seller may accept, reject, or counter.

Once accepted, you'll provide more documents for your lender to verify income and assets.

● Home Appraisal & Inspection

Ensures the home is worth the purchase price and in good condition.

Expect follow-up questions or document requests as lenders review the appraisal and inspection reports.

● Title & Escrow Process

Title search confirms ownership; escrow manages funds and documents.

You may need to re-sign or update forms if any details change during this step.

● Underwriting & Final Loan Approval

Lender reviews all financial details before approving the mortgage.

Underwriters may request additional verification or clarifications — this is common and helps ensure your loan meets all requirements.

● Closing Prep

Get an estimate from your loan originator for closing costs and payment.

Final document checks occur here—stay in touch with your Loan Officer or Processor.

● Closing Day

Sign final paperwork, pay closing costs, and receive the keys!

Celebrate — you've completed the journey!

SECTION 4

UNDERSTANDING EACH STAGE OF THE JOURNEY



LOAN PROCESS UNDERSTANDING THE LOAN PROCESS

LOAN APPLICATION CHECKLIST

Required Documentation after submitting your loan application

- 30 days of your most recent pay stubs
- W2 forms last 2 years
- Tax returns – tax transcripts last 2 years
- Last 60 days of bank statements
- Letter of explanation for any adverse items on credit
- Copy of photo ID and social security verification
- Insurance agent name and phone number: include the quote for the policy

KEY ROLES IN THE PROCESS

- Real Estate Agent – Helps find a home & negotiate offers
- Loan Originator – Helps you choose and apply for a mortgage
- Loan Processor – Gathers and verifies your documents
- Underwriter – Reviews and approves your loan application
- Closing Agent – Handles final paperwork and closing details

SECTION 5

DO'S AND DON'TS DURING THE HOME LOAN PROCESS

DO



Keep your financial habits stable

Continue paying bills on time and avoid major changes to your income or job status.



Save documentation for large deposits

If you deposit gift money or income from selling personal items, be prepared to show receipts or documentation. Lenders need to verify all sources of funds.



Stay in close contact with your loan originator

Ask questions before making any big financial moves to avoid delays or surprises.



Register your phone number on the National Do Not Call Registry

This can help reduce spam calls during the loan process. Visit www.donotcall.gov to register.



Opt out of prescreened credit offers

Avoid getting flooded with credit mailers by opting out at www.optoutprescreen.com, especially after your credit is pulled.

DON'T



Don't open new credit accounts

Applying for credit cards or financing purchases (like a car or furniture) can impact your credit and loan approval.



Don't close existing credit accounts

This can lower your credit score by affecting your credit utilization ratio and history.



Don't make large undocumented deposits

Any unusual or large deposits may require explanation and proof of origin.



Don't co-sign loans for others

Even if you're just helping a friend, it can change your debt-to-income ratio and risk profile.



Don't change jobs or become self-employed

Any changes to your employment should be discussed with your loan originator first.

SECTION 6

MOVING CHECKLIST



A SMOOTH TRANSITION

PLAN FOR A SMOOTH TRANSITION INTO YOUR NEW HOME

- Change address (USPS, banks, subscriptions)
- Set up utilities (electricity, water, internet, etc.)
- Deep clean and inspect the new home before moving in
- Pack strategically and label boxes
- Arrange for movers or rental trucks

SECTION 7

IMPORTANT TERMS

AMORTIZATION SCHEDULE

A payment schedule that shows how your payments are applied with each monthly payment. The Amortization schedule shows how principal and interest are applied throughout the life of the loan.

ANNUAL PERCENTAGE RATE (APR)

The Annual Percentage Rate (APR) is a measure of the cost of credit expressed as a yearly rate. It includes the stated interest rate as well as other charges. Because all lenders follow the same rules to ensure the accuracy of the annual percentage rate, it provides consumers with a good basis for comparing the cost of mortgage loans. Since other costs are added into the APR, it usually appears slightly as a higher rate than the simple interest of the mortgage.

APPRAISAL

A professional assessment of the property's market value, required by lenders to ensure the home is worth the purchase price.

CLOSING COSTS

Fees for final property transfer not included in the price of the property. Typical closing costs include charges for the mortgage loan such as origination fees, discount points, appraisal fee, survey, title insurance, legal fees, real estate professional fees, prepayment of taxes and insurance, and real estate transfer taxes. A common estimate of a buyer's closing costs is 4 - 7% of the purchase price of the home.

COLLATERAL – SECURITY

When buying a home, the real estate and home being purchased is the "collateral" or security pledged to ensure payment of the mortgage loan. In the event of default, the real estate and home could be taken and sold to pay off the debt.

CREDIT SCORE

A score calculated by using a person's credit report to determine the likelihood of a loan being repaid on time. Scores range from about 350 - 850: a lower score meaning a person is a higher risk, while a higher score means there is less risk.

DEFAULT

The inability to make timely monthly mortgage payments or otherwise comply with mortgage terms. A loan is considered in default when payment has not been made after 60 to 90 days. Once in default the lender can exercise legal rights defined in the contract to begin foreclosure proceedings.

DOWN PAYMENT

The portion of a home's purchase price that is paid in cash and is not part of the mortgage loan. This amount varies based on the loan type, but is determined by taking the difference of the sale price and the actual mortgage loan amount.

EARNEST MONEY (DEPOSIT)

Money put down by a potential buyer to show that they are serious about purchasing the home; it becomes part of the down payment if the offer is accepted, is returned if the offer is rejected, or is forfeited if the buyer pulls out of the deal. During the contingency period the money may be returned to the buyer if the contingencies are not met to the buyer's satisfaction.

SECTION 7

IMPORTANT TERMS

EQUITY

An owner's financial interest in a property; calculated by subtracting the amount still owed on the mortgage loan from the fair market value of the property.

ESCROW

Funds held in an account to be used by the lender to pay for home insurance and property taxes. The funds may also be held by a third party until contractual conditions are met and then paid out.

FIXED-RATE MORTGAGE

A mortgage with payments that remain the same throughout the life of the loan because the interest rate and other terms are fixed and do not change.

LOAN ESTIMATE

An estimate of all closing fees and costs, including pre-paid and escrow items, given to the borrower within three days after submission of a complete loan application.

HOME INSPECTION

An examination of the structure and mechanical systems to determine a home's quality, soundness, and safety; makes the potential homebuyer aware of any repairs that may be needed. The home buyer generally pays inspection fees. This is not a home warranty.

HOMEOWNER'S INSURANCE

An insurance policy, also called hazard insurance, that combines protection against damage to a dwelling and its contents including fire, storms, or other damages with protection against claims of negligence or inappropriate action that result in someone's injury or property damage. Most lenders require homeowner's insurance and may escrow the cost. Flood insurance is generally not included in standard policies and must be purchased separately.

INTEREST RATE

The amount of interest charged on a monthly loan payment, expressed as a percentage.

JUMBO LOAN

Or non-conforming loan, is a loan that exceeds Fannie Mae's and Freddie Mac's loan limits. Freddie Mac and Fannie May loans are referred to as conforming loans. See your loan originator for current limits.

LOAN ORIGINATOR

A representative of a lending or mortgage company who is responsible for soliciting homebuyers, qualifying and processing of loans. They may also be called lender, loan representative, account executive, or loan rep.

LOAN ORIENTATION FEE

A charge by the lender to cover the administrative costs of making the mortgage. This charge is paid at the closing and varies with the lender and type of loan. A loan origination fee may be a fixed cost or 1 to 2% percent of the mortgage amount.

SECTION 7

IMPORTANT TERMS

POINTS

A point is equal to one percent of the principal amount of your mortgage. For example, if you get a mortgage for \$95,000, one point means you pay \$950 to the lender. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages in order to increase the yield on the mortgage and to cover loan closing costs. These points usually are collected at closing and may be paid by the borrower, home seller, or may be split between them.

PRE-APPROVAL

A lender's conditional commitment to offer you a loan—typically a mortgage—up to a specific amount, based on a review of your financial information.

PRE-QUALIFICATION

A pre-qualification occurs when a lender takes basic income and credit information from an applicant and decides as to whether the applicant is qualified for a mortgage and the maximum amount that applicant is eligible to borrow. This is not a guarantee of a loan and is subject to additional verification.

PRINCIPAL

The amount of money borrowed to buy your house. This does not include the interest due on that money. The principal balance is the amount owed on a loan at any given time. It is the original loan amount minus the total repayments made toward principal.

PRIVATE MORTGAGE INSURANCE (PMI)

Insurance purchased by a buyer to protect the lender in the event of default. The cost of mortgage insurance is usually added to the monthly payment. Mortgage insurance is generally maintained until over 20 percent of the outstanding amount of the loan is paid or for a set period time; seven years is normal. Mortgage insurance may be available through a government agency, such as the Federal Housing Administration, the Veteran's Administration (VA) or through a private mortgage insurance company.

RATE LOCK

A commitment by a lender to a borrower guaranteeing a specific interest rate over a period of time at a set cost.

REAL ESTATE AGENT

An individual who is licensed to negotiate and arrange real estate sales; works for a real estate broker or agency.

SETTLEMENT

Another name for closing, this is the final step in property purchase where the title is transferred from the seller to the buyer. Closing occurs at a meeting between the buyer, seller, settlement agent, and other agents. At the closing, the seller receives payment for the property.





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