

BUYING A HOME / GUIDE 01

# Buy your first home. Know your numbers.

A practical field guide to spending confidently, comparing loans and getting from preparation to keys without expensive surprises.

- 90-day preparation plan
- True monthly payment math
- Loan options, explained
- Fillable money worksheets



INDEPENDENT GUIDANCE. BETTER QUESTIONS. CLEAR NEXT STEPS.

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# The whole buying process, simplified

Five moves. Your job is not to predict the market; it is to make a purchase that works for your budget.

**1****Set limit**

Know the full monthly cost.

**2****Prepare**

Review credit and cash.

**3****Talk to lenders**

Understand loan options.

**4****Tour & offer**

Evaluate the property.

**5****Compare**

Check Loan Estimates.

## Your decision filter

### Can you buy?

Income, debts, credit history, eligible funds and the specific property influence approval. A lender evaluates these together, not as a single magic score.

### Should you buy?

Your housing payment, maintenance budget, emergency savings, moving plans and lifestyle determine whether owning is the right move right now.

## Four things to know before you shop

- **Preapproval is not final approval.** Ask what the lender actually verified and which conditions remain.
- **The loan amount is not your price target.** The affordable payment matters more than the maximum qualification.
- **Your down payment is not your entire cash need.** Budget closing costs, prepaids, moving and reserves.
- **Compare offers for the same scenario.** Ask lenders to price identical loan amounts, terms, points and lock periods.

### THE FIRST ACTION

Before you browse listings, write down two limits: the monthly payment you can comfortably carry and the cash you can spend without draining your safety net.

PLAN / 03

# Your 90-day preparation sprint

Use these windows as a planning tool, not a mandatory timeline. Starting earlier makes problems less urgent.

## Days 90-61 / Build your baseline

- ☐ Get your free credit reports from [AnnualCreditReport.com](https://AnnualCreditReport.com); review accuracy across all three bureaus.
- ☐ List every recurring debt payment, document your income and calculate liquid savings.
- ☐ Build a household budget that includes housing, childcare, transport, insurance, savings and debt.
- ☐ Decide how much cash is reserved for emergencies, separate from money available at closing.

## Days 60-31 / Resolve friction

- ☐ Dispute verifiable reporting errors early; keep all supporting documentation.
- ☐ Keep bills current; consider lowering high revolving balances if affordable. No utilization percentage guarantees a score or an approval.
- ☐ Gather pay stubs, tax documents as applicable, bank statements and records of gifts or unusual deposits.
- ☐ Ask multiple lenders about programs and documentation requirements for your situation.

## Days 30-1 / Get offer-ready

- ☐ Request a lender letter after understanding exactly what income, credit and assets were checked.
- ☐ Choose a target payment and an absolute stop price; align your agent on both.
- ☐ Identify neighborhood-specific taxes, HOA fees, insurance and likely repairs.
- ☐ Avoid opening debts or moving large sums without discussing the consequences with your lender.

### IMPORTANT 2026 UPDATE

Fannie Mae removed a 620 minimum credit-score requirement from its automated Desktop Underwriter assessment for new casefiles in November 2025. That does **not** mean every borrower qualifies or that every lender accepts every score. Manual underwriting and individual lender rules differ.

# Build a real monthly payment

An attractive principal-and-interest payment can hide the rest of the cost of ownership.

## Illustrative example / Not a current rate quote

HOME PRICE

\$325,000

DOWN PAYMENT

5%

LOAN AMOUNT

\$308,750

ONE HYPOTHETICAL BUDGET

|                                              |            |
|----------------------------------------------|------------|
| Principal & interest / 6.50% fixed, 30 years | \$1,952    |
| Estimated property tax                       | \$340 / mo |
| Homeowners insurance                         | \$140 / mo |
| Illustrative mortgage insurance              | \$130 / mo |
| HOA dues                                     | \$60 / mo  |
| Maintenance savings set-aside                | \$270 / mo |

PAYMENT TO LENDER / HOA

\$2,622

Illustrative, before repairs

ALL-IN OWNER BUDGET

\$2,892

Includes maintenance reserve

DO NOT CONFUSE THESE

Mortgage principal and interest, taxes, insurance, mortgage insurance and HOA are distinct. Taxes and insurance can change; maintenance is real cash even if not paid to the lender. Compare the complete monthly burden with your **take-home** cash flow.

For this example: no points, no rate lock quote, no program-specific mortgage insurance premiums, and no assumed tax benefit. Replace every line with a property-specific estimate.

# Four common loan paths

Different borrowers and homes qualify for different programs. Do not compare only the down payment.

| Program      | Possible starting down payment             | Tradeoff to review                                                                                        |
|--------------|--------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| Conventional | As low as 3% with select eligible programs | Credit/underwriting standards vary; PMI may apply and can be cancellable subject to rules.                |
| FHA          | As low as 3.5% for eligible borrowers      | Upfront and annual mortgage insurance; eligibility and down payment depend on credit and other factors.   |
| VA           | 0% may be available for eligible borrowers | Service eligibility and lender approval apply; funding fee may apply, with exemptions for some borrowers. |
| USDA         | 0% for eligible households / properties    | Income and property-location limits; guarantee fees and occupancy rules apply.                            |

## Five questions that make quotes useful

- What is the **full monthly payment**, including mortgage insurance, taxes, insurance and HOA?
- How much cash do I need at closing after credits, assistance and earnest money?
- What mortgage insurance or program fees apply upfront and over time?
- Could down payment assistance add a repayable second lien, resale condition or recapture?
- What happens to the payment or interest cost if I put 3%, 5%, 10% or 20% down?

### CORRECT THE COMMON MYTH

There is no universal 20% down-payment requirement. The right amount balances payment, loan cost, liquidity and any applicable mortgage insurance or program fees.

# Cash to close is more than down payment

The cash you need on settlement day and the cash you should keep afterward are different numbers.

## The four cash buckets

| Bucket                 | What goes here                                                     | What to check                     |
|------------------------|--------------------------------------------------------------------|-----------------------------------|
| 1 Down payment         | Purchase price minus base loan amount                              | Loan program, gifts, assistance.  |
| 2 Loan / closing costs | Lender charges, title, appraisal, recording, other settlement fees | Loan Estimate, seller credits.    |
| 3 Prepays / escrow     | Insurance premium, prepaid interest, tax / insurance deposits      | Closing date and local taxes.     |
| 4 After-closing buffer | Emergency savings, moving, furniture, repairs                      | Not necessarily a closing charge. |

**Example:** \$16,250 down + \$9,750 estimated closing/prepaid costs + \$7,500 post-close buffer = **\$33,500** target cash. Earnest money already paid typically counts toward what you owe at closing; do not count it twice. All values are hypothetical.

## Fill this in / Save a copy of the PDF

Target purchase price

Down payment available

Estimated closing / prepaid costs

Earnest money already paid

Documented assistance / credits

Cash reserved after closing

### ASK FOR A SINGLE NUMBER

Your lender or settlement agent can estimate **cash to close**, but confirm the source of each credit and payment. A lender may require documentation for gifts, deposits and assistance.

VERIFY / 07

# What preapproval actually means

A preapproval letter is a useful starting point, not an unconditional promise to lend.

## Ask these before trusting the letter

- ☐ Were income, employment, assets, monthly debts and credit reviewed - or mainly self-reported?
- ☐ Was the file evaluated through automated underwriting or another review process?
- ☐ What debt, credit, appraisal, insurance, title or property conditions still apply?
- ☐ Does the letter state a price / loan limit, down payment, loan type and expiration date?
- ☐ Does the payment estimate include taxes, insurance, mortgage insurance and HOA?

## A documentation folder that reduces delays

### Income + identity

Recent pay statements; W-2s or tax returns when requested; employer information; identification; proof of other qualifying income.

### Assets + obligations

Recent asset statements; gift letters when applicable; documentation of large deposits or transfers; statements for mortgages and debts.

### WHAT NOT TO ASSUME

A job change, new debt or a large deposit is not an automatic denial. Each can affect underwriting or documentation. Tell your lender **before** making a change so they can explain the actual effect.

## Compare more than one lender

You can speak with several lenders about preapproval, then request official Loan Estimates for comparable offers once a specific property and loan amount are available. CFPB notes that multiple mortgage credit checks inside a 45-day period are generally treated as one inquiry for scoring purposes.

# Make an offer you can live with

A good deal is a property with acceptable condition and a sustainable cost - not simply an accepted offer.

## Five checks before signing

- ☐ **Inspection:** Understand condition, near-term repairs, structural systems and the cost of ownership.
- ☐ **Appraisal:** Know the financing implications if appraised value is below the agreed price.
- ☐ **Taxes + insurance:** Estimate post-purchase property tax changes, flood / wind exposure and realistic premiums.
- ☐ **HOA / condo:** Review dues, special assessments, reserves, rules and potential project eligibility concerns.
- ☐ **Contingencies:** Understand financing, appraisal, inspection and timing protections before waiving any.

## Inspection vs. appraisal vs. title

| Inspection                                                          | Appraisal                                                       | Title / settlement                                                                            |
|---------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Looks for property condition and defects to help <b>you</b> decide. | Estimates value for a lender; not a replacement for inspection. | Checks ownership interests, liens and transaction paperwork; title insurance coverage varies. |

### THE WALK-AWAY TEST

If an unexpected major repair, higher insurance premium or HOA assessment pushes the all-in monthly cost beyond your limit, revisit the offer. An earnest-money refund depends on your contract and contingencies.

## One question for your agent

Which risks are known, which remain unverified, and when do my contract deadlines expire?

# Read the Loan Estimate in 3 minutes

Rate alone never tells you what the loan truly costs. Request comparable written offers.

| Where to look                             | What to compare                                                                                            | What to ask                                            |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| Page 1<br>Loan terms + projected payments | Loan amount, interest rate, P&I, prepayment penalties, balloon payment, estimated total monthly payment    | Is the rate locked? When will the lock expire?         |
| Page 2<br>Closing-cost details            | Origination charges (A), lender-required services (B), taxes / prepaids, lender credits (J), cash to close | Which fees are lender-controlled? Are points included? |
| Page 3<br>Comparisons                     | APR, five-year costs, five-year principal paid and total interest percentage                               | Which offer costs less for my likely ownership period? |

## Three quotes - same facts

Offer A lender / date

Offer B lender / date

Offer C lender / date

Expected years keeping this loan

### IMPORTANT DISTINCTION

A Loan Estimate comes after the lender receives the six required application details, including a property address. A preapproval letter alone is not a substitute for comparing official Loan Estimates.

CLOSE / 10

# From accepted offer to keys

Actual closing timelines vary with the contract, property, lender, local market and documentation.

**1****Contract**

Track deadlines.

**2****Inspect**

Resolve condition risks.

**3****Underwrite**

Submit requested items.

**4****Review**

Check Loan Estimate vs CD.

**5****Close**

Verify funds and sign.

## Do this as soon as your offer is accepted

- ☐ Deliver the signed contract and earnest money as specified; save receipts.
- ☐ Schedule any chosen inspections and review contingency dates.
- ☐ Respond promptly to legitimate lender / title requests; keep copies of documents.
- ☐ Compare the final Closing Disclosure with the selected Loan Estimate.
- ☐ Review the Closing Disclosure at least three business days before closing, when required.
- ☐ Verify wiring instructions using a trusted phone number obtained independently - never rely on last-minute email changes.
- ☐ Complete final walkthrough and confirm insurance activation and utilities.

### PAYMENT TIMELINE

Your first mortgage payment may be due more than a month after closing, depending on the closing date and note terms. That does not make a month of interest free: check prepaid interest on the closing documents.

# Your purchase decision on one page

Write down the numbers you will refuse to exceed. Keep this page when touring homes.

Maximum all-in monthly housing budget

Max purchase price / loan amount

Total liquid cash available

Emergency cash I will protect

Expected closing costs + prepaids

Repair / maintenance monthly budget

Lender / program being considered

Target month for moving

## Stop signs before you commit

- ☐ The estimate works only if I spend my emergency fund.
- ☐ I cannot comfortably absorb insurance, taxes or HOA costs rising.
- ☐ I have not priced likely repairs or special assessments.
- ☐ I cannot explain the lender fees, points or required cash to close.

### DECISION RULE

Do not stretch your budget to match the preapproval amount. If your cash flow and reserves do not work, change the price, timing or plan - not the math.

# Keep learning. Keep your leverage.

Primary references used for the program and consumer-protection information in this guide. Checked October 15, 2026.

## 01 CFPB / Explore loan choices

Preapproval, budgeting, comparing lenders and decision steps.

## 02 CFPB / Loan Estimate explainer

Where to locate payments, fees, APR, cash to close and comparisons.

## 03 Fannie Mae / DU eligibility update

2025 removal of the minimum third-party credit score in DU; lender conditions still apply.

## 04 Fannie Mae HomeReady + Freddie Mac HomeOne

Examples of eligible conventional 3% down-payment products.

## 05 VA / VA-backed home loans

VA program eligibility and financing features.

## 06 USDA / Single Family Guaranteed Loans

USDA eligibility and no-down-payment program details.

**Your next move:** Calculate a comfortable payment first, then speak with two or three lenders about a defined home price and loan scenario. [Explore Mortgage Today calculators →](#)

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