

First-Time Homebuyer Prep Guide

What to do before you contact an agent — plus a quick look at what happens next. This guide is designed to help first-time buyers get financially ready, organized, and confident before they start viewing homes.

Who this is for

- You're buying your first home (or it's been a while) and want to get financially prepared first.
- You want a step-by-step checklist so nothing falls through the cracks.

The Pre-Search Readiness Plan (9 Steps)

Step 1 — Clarify your timeline & goals

- ☐ Choose a target move-in month (plan for 30–45 days for contract-to-close)
- ☐ List why you're buying (commute, schools, yard, investment, etc.)
- ☐ Define “must-haves” vs “nice-to-haves”
- ☐ Determine who will be on the loan/title

Step 2 — Build a realistic monthly budget (before price shopping)

- ☐ Decide your comfortable max housing payment (PITI + HOA): aim for $\leq 25\text{--}30\%$ of gross monthly income for comfort.
- ☐ Add a buffer for utilities, maintenance (plan $\sim 1\%$ of home price per year), and lifestyle.
- ☐ Use a mortgage calculator to see payments at different prices/rates; note how taxes/insurance/HOA change totals.

Rule of thumb: Lenders may allow higher debt to income ratios, but your budget should drive the price — not the other way around.

Step 3 — Pull & review your credit

- ☐ Pull all three credit reports (Equifax, Experian, and TransUnion), dispute errors early (30–45+ days)
- ☐ List revolving balances and plan pay-downs (lower utilization $\leq 30\%$; $\leq 10\%$ is even better)
- ☐ Avoid late payments; set autopay minimums
- ☐ Pause new credit cards and large purchases

Score tiers (typical, varies by lender):

- Conventional: 620+ minimum; better pricing usually 680/700/740+
- FHA: 580+ for 3.5% down (500–579 may require 10% down)
- VA: Veterans only, one VA loan at a time, must meet certain criteria
- USDA: Income based, differs by county, must meet certain criteria

Step 4 — Map your cash: down payment, closing costs, reserves

- ☐ Down payment: plan 3–5% (conventional) or 3.5% (FHA) at minimum; more can lower PMI and payment
- ☐ Closing costs: estimate 2–5% of purchase price (lender + title + prepaids + escrows), USDA & VA loans are 0%
- ☐ Reserves: keep 2–3 months of total housing payment post-closing (more if self-employed)
- ☐ Move-in cushion: set aside for moving, tools, furniture, immediate repairs
- ☐ If using gift funds, get early confirmation of source and required documentation

Step 5 — Assemble your documents (lenders will ask!)

- ☐ Last 30–60 days of pay stubs
- ☐ Last 2 months of bank/asset statements (all pages)
- ☐ Last 2 years of W-2s (and 1099s if applicable)
- ☐ Last 2 years of full tax returns (esp. self-employed)
- ☐ Government ID + Social Security card (or equivalent)
- ☐ Residence history (2 years), employment history (2 years)
- ☐ Documentation for large deposits, gifts, bonuses, RSUs, child support, etc.

Step 6 — Choose a loan strategy

- Conventional: competitive for strong credit; cancellable PMI when equity $\geq 20\%$
- FHA: flexible credit/down payment; mortgage insurance lasts longer
- VA (eligible veterans): often \$0 down, no PMI; funding fee may apply, lifetime eligibility, only one VA loan at a time
- USDA (eligible areas/income): \$0 down; geographic & income limits
- Fixed vs ARM: fixed = payment stability; ARM can start lower but may adjust — know caps
- Points: paying points lowers the rate; break-even depends on time horizon

Tip: If you think you'll move or refinance within 5–7 years, avoid overpaying for points you won't recoup.

Step 7 — Get pre-approved (not just pre-qual)

- ☐ Obtain at least 2–3 written Loan Estimates on the same day if possible (rate, APR, lender fees, credits)
- ☐ Request a fully underwritten pre-approval (documents reviewed by underwriting) for stronger offers
- ☐ Rate-shopping credit pulls: most scoring models treat multiple mortgage inquiries within 30 days as one — complete your quotes within 2 weeks to be safe
- ☐ Ask about rate locks, float-down options, and lender credits
- ☐ Confirm how taxes/insurance/HOA are estimated in the payment

Step 8 — Lock in good behavior (from now until closing)

- ☐ Do not change jobs (without talking to your lender)
- ☐ Avoid new debt, co-signing, or large cash deposits
- ☐ Keep credit card balances low and paid on time
- ☐ Keep all documentation organized and respond quickly to lender requests

Step 9 — Create your “Buyer Packet”

- ☐ Your pre-approval letter (PDF)
- ☐ Proof of funds for down payment/closing
- ☐ Your budget, must-have list, neighborhoods & commute times
- ☐ Notes on loan type, target payment, lock terms, and questions for your agent

Very General Steps Once You're Ready to Shop

1. Connect with your agent (share your Buyer Packet & goals)
2. Tour homes (in-person or virtual) and refine criteria
3. Make an offer (price, earnest money, contingencies, closing date)
4. Inspections (general + specialty as needed); negotiate repairs/credits
5. Appraisal & underwriting (lender verifies value)
6. Clear to close (final approval), final walk-through, and close (sign docs, get keys!)

Expect costs during this phase: earnest money deposit, inspections, appraisal, and final cash to close

Quick Reference: Payment & Cash Cheat-Sheet

- Monthly payment (“PITI”) = Principal + Interest + Taxes + Insurance (+ HOA/PMI if applicable)
- Closing costs include lender fees, title/escrow, appraisal, credit report, recording, prepaids (taxes, insurance), and escrow setup
- PMI (conventional) can be removed when you hit ~20% equity (varies); FHA MIP lasts the life of the loan
- Taxes & insurance vary widely by area — always verify with your lender/agent

Final Prep Reminders

- Your budget is your anchor. Don't let approval max dictate your life
- Keep reserves for repairs and surprises
- Communicate early and often with your lender and (when ready) your agent

(General guidance only — always confirm details with your lender and real estate advisor)