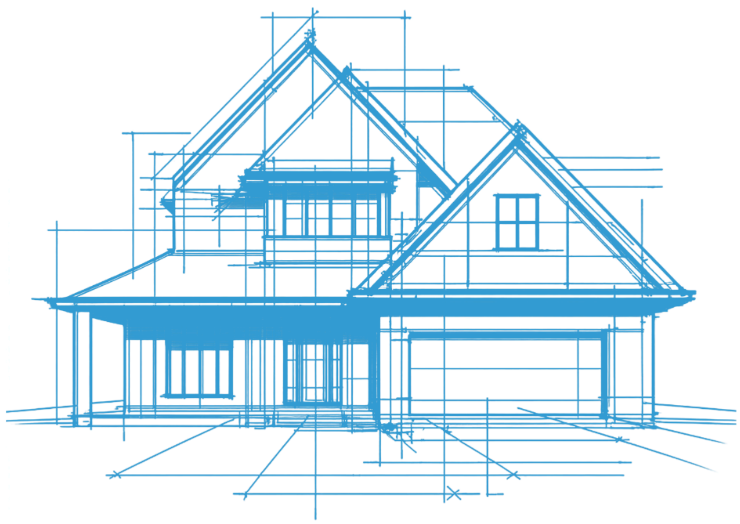


A FIRST-TIME HOMEBUYER FAQ SHEET

I'm consolidating all of the questions I get faced with into 7 stages.

This should help first time buyers, not because you'll have identical questions, but more because you might not *know* what questions to even ask.

So here's what everyone else is asking, and these are my thoughts on them.

I'm a mortgage guy: Samuel Thompson NMLS ID 1052267 UT, AZ, TX, CO. I've been doing this for a while, and more than 60% of the people I help are first-time buyers.

This was originally a Reddit post, converted to a PDF. So when I reference a 'post' it links to and references another Reddit post.

I've separated each stage so you don't have to scroll through too much. At the end you get a bonus checklist to help you know what tasks you need to do at each stage.

STAGE 1

PLANNING
PREPARATION

Stage 1: Prep and planning stage

This is where you're figuring out if you should jump in or not. Here are the common questions I see:

How much house can I afford?

It depends. I think we need to rephrase this question.

Do you mean "How much will a lender approve me for?"

or do you mean "I need a payment between $_ and $_. What kind of house will that get me?"

or do you mean "I want you to tell me what % of my income I should spend toward a mortgage?"

There are a few points I want to make on this:

1. A lender **approval** does NOT equal **affordability**

   A lender will approve people on their gross monthly income, not their net. And they'll sometimes let you go up to 49.99% of your gross income.

   Let me emphasize that. GROSS. That's before taxes are taken out. They aren't basing it on residual income, or net take home.

   The same goes the other way around.

   A lender may approve you way *under* what you believe you can afford, because they won't take into consideration all of your bonus or overtime income. Or they won't take into consideration your self employment side hustle that just started making you more money. Or a second job.

You get it, underwriting's numbers won't match yours.

2. I can't tell you what % of your income you should allot for a home.

   Your spending habits are way different from other people's spending habits. Some people refuse to eat out. Others spend $500+ on dining out.

   I can't tell you how to spend your money. That leads me to the next point.

3. You really need a budget first.

   See what you're comfortable spending. Set up and budget for an emergency account that you contribute to monthly. Get good homeowner's insurance and a warranty.

Here are a few answers that I think will help.

1. Pick a monthly payment. One that fits your budget, then work in reverse.

2. Use this calculator to work in reverse. (set your monthly payment, the state, set the interest rate - average rates are posted there- and set how much you can spend for a down payment)

3. The calculator will spit out an estimated purchase price.

4. Check out homes around that price. If you like them, then great, if you don't like the houses, then recalibrate.

That's how you get started. You'll want to factor other things, like HOA, maybe property taxes are different.

Check out this post on how to manually determine what your mortgage payment would be.

What's the minimum credit score I need to buy a home?

The minimums are lower than you think. This is agency guidelines. Each individual lender may have a threshold above the listed minimums below:

- 500 for FHA loans
    - anything below 580 needs 10%+ down payment
- 620 for conventional loans (there is an exception to go lower -580- but you need a big down payment and recent clean credit activity)
- No minimum for VA and USDA but individual lenders have their preferences

No credit can sometimes be better than bad credit. It's possible to get a mortgage without traditional credit. If that's the case for you, check out this post.

Even if your score is above the minimum, it doesn't guarantee that you'll get a loan.

If you get denied while having above the minimum, the loan officer won't be able to say "your credit is too low" but should say more specific things like "underwriting denied it because of the recent late payments on your credit report"

You may need a mortgage broker who can use a manual underwriting option.

If you need help with ideas on how to qualify for a mortgage with a low score, check out this post.

How much do I need for a down payment?

Conventional

- 3% for first timers
- 3% for buyers with an annual income limit below 80% of the area median income (AMI)
    - Here's a map to show you the area median income (AMI) by county. Check if your annual income is 80% or less
- 5% for repeat buyers above the 80% AMI
- 20% down payment to avoid paying monthly mortgage insurance

FHA

- 3.5% for all buyers with a credit score of 580+
- 10% for all buyers with a credit score between 500-579

USDA

- 0% required

VA

- 0% required

NON-QM

(NON QM means non-qualified mortgage. These are programs where investors set their own rules, rather than the rules you'll see with mortgage programs listed above. It's a little wild-west, but may be a good option for investors, high write-off self employed buyers, or any other buyer that doesn't fit in the box of conventional and government program guidelines)

- Typically 20%+ down payment

Are there programs for first-time homebuyers?

Yes

Searching for these online can be rough. Every lender out there is using all of the SEO tricks to land at the top of search results, and they all want you phone number so they can pitch you on something other than what you're looking for.

Down payment assistance guide

There are programs at state, county, and city levels. I took several weeks to map out all of the programs I could find in all 50 states. Check it out here.

First time buyers with lower income

Apart from that, if you are a first time buyer, and make 80% or less than the area median income (AMI) then you will receive better rates than someone who makes more than 80%.

Pro tip: If you can qualify with less income as a first time buyer, try it.

I'm not telling you to take a lower paying job.

I'm suggesting that if you're qualifying with two incomes, maybe omit one income and see if you still qualify. It might astonish your loan officer that you *magically end up with a lower rate. On conventional loans there are breaks on your rate with lower income first time buyers.*

Local credit unions and banks

They may offer special portfolio loans for first time buyers as well.

Should I get pre-qualified or pre-approved first?

People use these words interchangeably and they shouldn't. Here are some traits and how I differentiate qualification and approval.

Pre-qualified: not solid.

- Stated income
- Stated assets
- Soft credit check, maybe one bureau

Pre-approved: more solid

- verified income (pay stubs)
- verified assets (bank statements)
- hard credit check
- automated underwriting passed

One step further would be pre-underwritten

- verified income by loan officer AND underwriter
- verified assets by loan officer AND underwriter
- hard credit report reviewed by underwriter
- automated underwriting passed
- verification employment form completed for any sign of variable income that would need to be averaged out
- there's probably a little more, but can't think of them right now

If a lender offers any sort of guarantee, do what you can to get it. Submitting a guarantee with an offer can help you stand out.

Doing as much as you can up front will ensure a smooth and surprise-free mortgage process while contracts, deadlines, and earnest money deposits are on the line.

So many buyers fly by the seat of their pants as they buy a house:

- bare minimum for a pre-approval letter
- ask loan officer for the absolute max you can get approved for
- shop for homes at the absolute limit
- write an aggressive offer to get it accepted (two week close, finance deadline in 1 week)

This happens so much, and it creates such a stressful homebuying experience.

The underwriter might verify income lower than the loan officer. That destroys your absolute max approval in one go.

Maybe the loan officer didn't account for HOA fees. There goes your max approval.

Give the loan officer as much as you can upfront. See if the officer will run it through underwriting as well. See if the lender will offer any written guarantee you can include with your offers.

What's the difference between an FHA loan and a conventional loan?

Here are a few:

Down Payment

3.5% FHA minimum for 580+ credit score buyers. 10% for 500-579 credit score buyers

3% Conventional for first timers. 3% for buyers with an annual income limit below 80% of the area median income. 5% for repeat buyers above the 80%

AMI. 20% down payment to avoid paying a monthly mortgage

Credit Scores

620+ for conventional. 500+ for FHA

Conventional is better-suited for buyers with 740+ credit scores. FHA offers better rates and payments for buyers under 740.

Mortgage insurance

Mortgage insurance protects the lender if you default. Loans with less than 20% down payment are considered riskier if they don't have this insurance.

Mortgage insurance is required on all FHA loans, regardless of the down payment. And if you don't put 10% or more, then the FHA mortgage will have mortgage insurance on it for the life of the loan.

FHA has an upfront mortgage insurance charge. It isn't charged to you out of pocket, rather it eats into your home's equity, because it gets financed into the loan. This charge is 1.75% of the loan amount.

Conventional needs mortgage insurance if your down payment is less than 20%

The mortgage insurance can be removed by either waiting for your scheduled equity to hit 22% OR if you've paid extra to reach 20% equity quicker. OR after about 2 years you may request an appraisal if your home's equity has jumped up drastically enough to have 20% equity.

Conventional does NOT charge an upfront mortgage insurance premium.

Appraisals

Conventional loans may accept cheaper, quicker appraisals than FHA, or waive it altogether.

You can't waive an FHA appraisal on a purchase.

Some common FHA appraisal issues that end up needing to be fixed and reinspected (re-inspections just add to your closing costs, so try to catch it ahead of time) are:

- wire ends not secured properly (cover them with a plate or in a box similar to outdoor outlet covers.
- Flaking or peeling paint. On older homes, there's a risk of the home having lead paint. (the peeling paint must be removed and repainted)

Conventional loans aren't exempt from needing repairs, they just have fewer guidelines, so conventional appraisals are seen as less nitpicky.

Underwriting

The way underwriting is handled can be different between FHA and Conventional.

There are a few, but I'll give you one example:

Self employment.

If you are self employed, FHA requires 2 years of self employment taxes for income verification.

Conventional may only require one year of taxes, if you've been in business for 5+ years.

Do student loans affect my ability to buy a home?

They can.

The minimum monthly payment will count against your debt-to-income ratio.

If you technically don't have a monthly payment, underwriting will set a monthly payment anyway.

If you have deferred student loans, here's how underwriting will calculate it:

Conventional Fannie Mae:

1% of the balance will count against your debt-to-income (DTI) ratio. $100 student loan balance will count $1 per month against your DTI.

Conventional Freddie Mac

0.5% of the balance will count against your debt-to-income (DTI) ratio. A $100 student loan balance will count $0.50 against your DTI

FHA

0.5% of the balance will count against your debt-to-income (DTI) ratio. A $100 student loan balance will count $0.50 against your DTI

USDA

0.5% of the balance will count against your debt-to-income (DTI) ratio. A $100 student loan balance will count $0.50 against your DTI

VA

5% of the balance, then divided by 12 will count against the debt-to-income ratio (DTI) $100 student loan balance x .05 then / 12 = $0.41 counted against your DTI

If you have a set minimum payment already, then they'll just use that.

What if on your credit report it shows $0, and I'm on an income driven repayment plan, which is currently also $0?

A lot of loan officers don't know how to handle this one correctly.

If you have a lot of student loans on an income driven repayment plan, and the underwriting rules are killing your debt to income ratio, have me connect you with a mortgage broker that knows you to handle it. Fill out this form.

You'll have to go through Fannie Mae conventional.

Freddie Mac wants to know that the loan will be forgiven. FHA wants the loan forgiven. VA may allow it if deferral is at least 12 months after your closing date. USDA won't allow it. Your best bet is to go with the Fannie Mae conventional loan if those student loans are affecting your ability to qualify.

Again, this is a very specific situation that needs an educated loan officer. Let me help you find one.

Can I buy a home if I don’t have a credit score?

Yes. refer to this post.

What are closing costs and how much are they?

What are closing costs?

Closing costs are the one-time fees you pay at the end of your home purchase, covering everything needed to finalize the loan and transfer ownership of the property.

These can include lender fees, title fees, insurance, and property-related expenses.

You can get a rough estimate of closing costs using this tool:
https://integritylending.tools/calculator

How much are closing costs?

Here's a post on how to read your Loan Estimate, because this is where all of the closing costs will be listed.

A ballpark estimate is 2% to 6% (pretty wide range) of your loan amount. But let’s break that down so you understand where that money is actually going.

Lender Fees

These are charged by the mortgage lender and related service providers. They may include:

- Underwriting (~$1,100): The person reviewing your file to make sure it meets loan guidelines.
- Origination Fee: Charged by the lender for issuing the loan (can vary or be $0).
- Discount Points: Optional upfront fee to buy a lower interest rate.
- Appraisal (~$700): To verify the value of the home.
- Processing (~$700): Sometimes charged for organizing the loan file.
- Verification of Employment (~$100): If done through a paid third-party system.
- Credit Report (~$100): Charged by the credit bureaus.
- Flood Certificate (~$8): Confirms if the home is in a flood zone.
- Mortgage Registration (MERS) Fee ($25): Registers who services your mortgage.

- Survey (~$400): Only in some states. Utah does not require this.
- Lender Title Fees: Here's Old Republic's website to calculate lender title fees. The lender title policy is the largest cost. The seller will likely pay for the homeowner's policy.

Other Fees

These are related to property ownership and government/HOA charges. I'm using an Ogden UT example for some of these:

- Recording Fee (~$80 in UT): Registers you as the legal owner with the county.
- Transfer Tax: Varies by state. Utah has no transfer tax; Florida is 0.7% of the loan.
- Prepaid Homeowner’s Insurance (~$1,170 in Utah): You’ll typically pay one year upfront.
- Prepaid Interest (~$74.41/day on a $388,000 loan at 7% interest): Based on your closing date, interest rate, and loan amount.

- Property Taxes (~$178/month (UT example) × 5 months = ~$890): Usually you prepay several months.
- Real Estate Agent/HOA Fees: Some brokerages charge a flat fee (~$500). If there's an HOA, you might pay a one-time transfer fee, though it's negotiable.

Real-World Example (Ogden, Utah)

Let's say you're buying a home in Ogden with no origination fee or discount points. Here's how the numbers might look:

- Lender Fees: ~$4,527
- Other Costs (insurance, taxes, fees, etc.): ~$3,756
- Estimated Closing Costs Total: ~$8,283

If you’re looking to plan ahead or get a more precise estimate for your situation, try this calculator I built:
https://integritylending.tools/calculator

What’s a good interest rate right now?

Lenders advertise rates that are a little misleading. The rate will cost as many discount points as possible, and also an origination fee.

This allows mortgage lenders to advertise a really low APR, even though the buyer will pay a heft some upfront to get that rate.

Use this site to find realistic average rates WITHOUT the huge discount points.

If you think you're being overcharged, upload your loan estimate here and I'll give you a second opinion.

STAGE 2

PRE-APPROVAL

STAGE 2: PRE-APPROVAL

This is the stage where you ditch the analysis paralysis, feeling confident enough to jump into applying.

You might even talk to a realtor at this point. Here are some questions people ask at this stage

What documents do I need to get pre-approved?

They'll want to verify your income. Here's how to go about that:

- Most recent 30 days of pay stubs
- W-2s from the last 2 years
- An HR contact, email, name, and phone number. (An HR contact will help the lender fill out a verification of employment form that

helps average out variable income like overtime, bonus, and commission)

- If self-employed: 2 years of tax returns (personal and business), P&L statement for the current year. Proof of tax filing extension if we're past 4/15 and you haven't filed for the previous year.

You'll need to prove you have enough money for the down payment and closing costs.

- Most recent 2 months of bank statements (all pages)
- Statements from retirement or investment accounts if you're using them for the down payment
    - Make sure to list ALL of your assets, even if you won't access them for the purchase. Assets can show as reserves, which come in handy with lower score FHA loans. The loan officer will let you know which funds need to be verified with statements.

The lender will check your credit

- You’ll give permission for the lender to pull your credit report
- No document needed from you, but if your credit is frozen, you’ll need to unlock it
- If any alerts pop up, it's possible you'll need to provide a copy of your social security card

Identification

- A valid photo ID (like a driver’s license or passport)
- Social Security number

Additional (if applicable)

- Divorce decree or child support order (if it affects your income or debts)
- Gift letter if someone is helping you with the down payment
- Green card, visa, or work permit if you’re not a U.S. citizen

How long does a pre-approval last?

Usually 90 days. I only say that because credit reports are good for 90 days before a new report is needed. If you're still actively shopping and want to be ready to jump on it, you could get your credit pulled again after the first 90 days.

Another thing that might affect your pre-approval is moving interest rates. If rates drop drastically, you could get a more expensive house for around the same payment.

The same goes the other way around.

If rates climb, you'll see your monthly payment climb for the exact same purchase price. Your approval may lower if that's the case.

Does getting pre-approved hurt my credit?

Another parallel question is: will the credit pull hurt my credit?

Do you know what hurts your credit the most?

- Late payments
- maxed out credit cards
- collections

Getting your credit pulled won't hurt your score like that. Here's what makes up your credit score:

- **Payment history**: 35% Whether you've paid past credit accounts on time. This includes late payments, collections, charge-offs, bankruptcies, etc.
- **Amounts owed (credit utilization)**: 30% How much debt you owe compared to your available

credit. Lower utilization is better (ideally under 30%).

- **Length of credit history:** 15% How long your credit accounts have been active. Older accounts help your score.
- **Credit mix**: 10% Having a variety of credit types (credit cards, car loans, mortgage, etc.) shows you can manage different kinds of debt.
- **New credit**: 10% How many new accounts or inquiries you've had recently. Too many in a short time can lower your score.

Credit pulls is at the very bottom of the list. I won't lie and say "no effect", but it's very minimal.

But here's something you might not have known:

When your credit gets pulled for a mortgage, the credit bureaus know. The credit bureaus operate as a business and sell the credit monitoring to other lenders.

It's valuable information for a mortgage lender to know if someone is considering a mortgage.

The minute you get your credit pulled, it will notify all paying lenders about it, and you could receive up to 20 calls per day for two weeks from several different lenders.

Be careful

Some will jump on the phone and say "Hey! You're approved, here are the next steps."

If you were waiting to hear back on your pre-approval amount, this phone call might catch you off-guard. I think it's extremely deceptive. They're likely a legitimate business that offers mortgages, but the way they go about it is wrong.

Trying to act as the other lender to get business isn't the way.

To avoid these calls, register your phone number to the do-not-call registry. donotcall.gov/register

Do this right now, or a week before you go to apply.

Should I apply with more than one lender?

If you are a shopper, this might be a good time to be upfront with everyone.

"hey, I'm getting multiple bids from multiple lenders." Just so they know. Loan officers get really offended if you don't go with them. Every loan officer thinks they're the best loan officer, and deciding not to work with one is a blow to their ego... or commission.

You'll see their true colors once you say that.

I personally don't know if I'd shop for the best rate. It really depends on the market I'm looking at. If the market is hot, homes are getting scooped up at above asking price, with multiple offers per house, it might make sense to go with a lender that can give you a better chance at winning a bidding war.

Example: one lender provides a 'close on time guarantee' a 'pre-approval guarantee' and calls the listing agent the minute you make an offer to further endorse you as a great buyer.

The other lender is only available 9-5, M-F but rarely answers the phone and operates mostly through email.

Your offer from the first lender will stand out way more than an offer from the second.

A listing agent and seller might go for the offer with the highest likelihood of success. You might just beat out a higher offer. Or rather than accept the highest offer, they could approach your rock solid profile and say "if you can match this offer, you have a deal."

Your lender choice can affect that.

If the rate is higher, but it gives a higher likelihood of success, would you take it?

If this is what you're after, then you don't need to apply with multiple lenders. You need to interview them.

If you're just looking for the best rate, then yes, apply with more than one lender. Apply with a local credit union, an online lender, and a local mortgage broker.

Here's a post on how I would go about shopping and negotiating for the best rate.

Here's an explanation from Experian that tells you how multiple pulls for the same product affects your score.

Can I switch lenders later?

Yes.

Some contracts require you inform the seller of any switches in lenders, or require the seller's permission.

Other states/contracts don't.

But you aren't under contract at this stage yet. So you can pick whoever you want, even if it isn't the first lender you got pre-approved with.

How much will my monthly payment be?

Your monthly payment is made up of

- Principal and interest
- Property taxes
- Homeowner's insurance
- Mortgage insurance

Here's a post on how to manually figure out your payment.

Or just use this calculator for an estimate.

What’s included in the monthly mortgage payment?

- Principal and interest
- Property taxes
- Homeowner's insurance
- Mortgage insurance

What is DTI (debt-to-income ratio), and why does it matter?

Your debt-to-income ratio, or DTI, is exactly how it sounds. It's your debts, divided by your income, given as a percentage.

Now these aren't ALL of your debts. You don't need to go around collecting things like your Netflix bill, or your cell phone bill. It only refers to the debts that actually show up on your credit report.

For easy numbers, if I make $100 per month, and I have a credit card that charges me $1 per month, my current DTI is 1%

If I apply for a mortgage, and that mortgage is $20 per month, my total DTI will be 21%.

Here's a DTI calculator to see if yours might pass.

Housing ratio vs total debt ratio

Now for an FHA loan, a lender might also look at DTI two ways:

Your housing to income ratio and then your total DTI.

In this scenario I have a 20% housing ratio, and a 21% total DTI ratio. ($20 housing payment, $1 credit card payment)

20% because my housing payment is 20% of my income ($100 per month), and 21% total DTI because that's all of my debts, the credit card plus the mortgage.

Conventional and FHA loans won't qualify you if your DTI ratio is too high.

Can I use gift funds for the down payment?

Yes.

In most cases.

If your credit score is low, and you're going with an FHA loan, it might be more favorable to show funds of your own rather than a gift.

STAGE 3

HOUSE HUNTING
MAKING OFFERS

STAGE 3: HOUSE HUNTING & MAKING AN OFFER

These questions will be tough, because each market is so different. Buyer's markets and seller's markets can be in certain pockets geographically. Or a certain price can be hotter than other prices, despite the trend leaning towards buyers or sellers.

So I'll try to answer on both sides.

What's a reasonable price to offer?

This will depend on each individual house. Check out time on the market. Are the sellers in a hurry?

There's a bit from the book "Never Split the Difference" that I want to reference. Chris Voss mentioned negotiating with hostage-takers in Haiti.

He knew that these people would release hostages for a lower price when you got closer to the weekend. Because these guys wanted money to party over the weekend. The closer it got to Friday, the more flexible they became.

The point I'm trying to make here is that the seller might have his own deadline. "I have to sell the home by _ date"

Getting that information is key. You need a good agent who is willing to talk it out and extract that information, and use it like an assassin.

If the seller is in that position, it could make sense to offer something lower. Structure the contract so it closes quickly, and at a low purchase price.

Here's a real-example that closed just recently (5/30)

A home went back on the market. Something happened with the previous buyer's financing.

The seller was under contract to buy another property, and it needed to happen in 2 weeks, or things could fall apart.

We agreed, but for a price. $20k lower price and $13,000 in seller paid closing costs. It would net the seller $33k less than the offer they previously had.

People could complain that we took advantage. But first time buyers have a lot to be upset about too.

Deadlines and other circumstances can help you get a good deal. Getting a good agent is important here.

Each house and the reason for sale has a story. Find the story, and you may be able to find out the best price to offer.

What happens if the home doesn't appraise for what I offered?

I wrote a post on this here. But here are the bullet points:

You'll have 5 options to explore if the appraisal comes in lower than the purchase price:

- Cancel the contract (depending on contract verbiage)
- Ask the seller to lower the purchase price
- pay the difference in cash
- Don't do anything
- Fight the appraiser

I'd check out the post for context.

If it comes in higher than the purchase price, you won't have to raise the purchase price. You'll just get a little more equity than you planned.

Can I ask the seller to help with closing costs?

Yes, if you're tight on cash, or need it for move-in expenses, then this is a great option for you.

Here are the maximum limits a seller or interested party can contribute toward your closing costs:

Conventional primary residence:

- 3% if your down payment is less than 10%
- 6% if you put a down payment of 10%-25%
- 9% if your down payment is more than 25%

FHA

- 6%

VA

- 4%

USDA

- 6%

How much earnest money should I put down?

How strong do you need to make this offer?

More earnest money shows a stronger offer.

1% is common

You could say "$0" but it makes you look less serious.

What contingencies should I include in my offer?

Here are some possible contingencies that you can put in your contract:

- Financing (if you can't get the financing, you can cancel, and possibly retain earnest money)
- Appraisal (if the appraisal doesn't come in at least at purchase price, you can cancel)

- Sale of current home (you need your current home to sell in order to complete the purchase)
- inspection (you may cancel if something pops up in the inspection, and if the seller refuses to negotiate to your liking)
- HOA review (you can read the rules and restrictions and cancel depending if there's something you don't like)
- Due diligence (in some states, this is a very broad term that lets you cancel for almost any reason in the due diligence period)

Sellers look for less friction, so if you need to make your offer compelling, see if you'd be willing to cut any of these.

I'd aim to keep as many as you can while still giving yourself a chance at getting an acceptance.

How do I compete with cash buyers?

I have a feeling there are fewer cash buyers than there really are.

It's just a suspicion with no evidence.

I think bad agents are too afraid to call the other agent. They text, and email. If they don't get a response, and the home gets under contract, they chalk it up to "we lost to an investor, cash offer."

Okay so I looked it up, and cash sales are actually at close to 1/3 (33%)

I stand corrected. But I still think there are timid agents out there.

Anyway, here are some ideas on beating a cash offer, and it really depends on what you can extract from the seller's motivation:

- Remove contingencies (be careful):
    - You can't get away from the financing contingency, but removing others could strengthen your offer.

    - Appraisal waivers exist, even on financing. The lender may waive the appraisal, so check with your loan officer before submitting your offer (if you have time to check in)

- Write a letter that might tug at the seller's heartstrings

- Write an escalation clause ("I'll beat any offer by $__ up to $__ ")

- Give a generous leaseback agreement
    - If you and your agent find out that the seller needs flexibility with move out arrangements, then offer it (if you can afford to give flexibility). A leaseback agreement means that you'll allow them to stay in the home after the sale, for a certain amount of time at specific financial terms.

- Have your lender go the extra mile
    - I've covered this earlier, but if your lender can provide guarantees and also call to endorse you as a strong buyer, that will make your finance contingency seem like less of an issue.
    - Get pre-underwritten, not just pre-approved.

- Shorten your deadlines
    - It's possible the seller wants it to be done quickly. A cash buyer may want more time to close. Check with your lender on how fast you can get it done.

What does “under contract” mean?

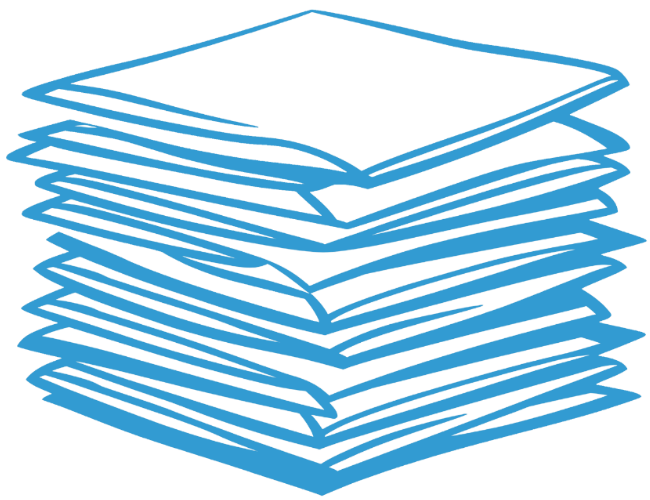
It means you and the seller have agreed to terms, and will work on completing those terms to finalize the sale of the home.

How long does it take to close once my offer is accepted?

The lending portion might take the longest. The absolute fastest you could close is 7 business days after receiving your loan estimate.

It's more typical to take about 2-4 weeks after an offer is accepted to finalize the purchase.

STAGE 4



LOAN PROCESSING UNDERWRITING

STAGE 4: LOAN PROCESSING & UNDERWRITING

The offer is accepted. The buyer submits full documentation, and the lender processes the loan.

Why does the lender need so many documents?

Because of the 2008 financial crisis.

I'm not saying that needing documents is bad. We don't want a crisis to happen again. And the government put rules in place to ensure it won't.

The most common lending, Conventional loans, go through fannie mae and freddie mac, which are government sponsored enterprises. As long as they are sponsored and under federal oversight, they'll continue checking specific boxes for homebuyers.

There are documents needed to make sure you aren't overextending yourself on your budget.

There are documents needed to make sure the home is free and clear of other liens and encumbrances.

There are documents needed to prove your assets aren't illegally produced, or produced through acquiring more debt.

Another reason so many documents are needed is because someone else cheated. When cheaters play, more rules/documents get set up to stop the cheaters.

Example: Self employment is where a lot of cheaters cheat. (photoshop is an amazing tool). To counteract, most lenders require tax transcripts to match a buyer's tax returns.

Lenders need to compare what you filed with the IRS directly, to what you provided in tax returns.

Can I change jobs during the mortgage process?

Yes.

But it has the potential to ruin your mortgage.

Here's what I mean:

If your pay structure changes, like a move from salary to commission, you might be able to make more money, but underwriting looks at commission as less-stable than salary.

Going from salary to hourly is risky in the sense as well.

But going to a salary income is usually the safest.

If your new job can't provide proof that you're guaranteed to start within 90 days, underwriting won't take the new income. Proving that you're guaranteed to start within 90 days means you need a non-contingent job offer. Contingencies are usually things like drug test and background checks.

Are you changing jobs the day before you close?

That will most likely delay your closing. If you're going to change jobs, maybe talk with your loan officer first. I know the loan officer isn't your career coach, but just see if it's possible.

Is it okay to open a new credit card or buy furniture now?

I'd wait until your loan has funded and the deed has recorded.

All new credit inquiries will be investigated during your mortgage process.

Here's an experience that should help answer this.

Someone entered their social security number incorrectly. The loan officer ran the report, but didn't catch the mismatch number.

The buyer then went on to max out all of her credit cards in pursuit of furniture.

This tanked her credit score.

The lender needed a new credit report.

Those new credit card balances and new credit score showed up.

This drastically changed her loan. (worse rate, worse mortgage insurance, worse closing costs)

She still got the home, but that move cost way more than the furniture itself.

To be safe, I'd wait.

What is a rate lock, and should I lock my rate now?

When you lock your rate, your lender is basically saying: “We’ll honor this interest rate even if the market changes.”

Most locks are good for 30-60 days, sometimes longer if you're building a home.

Why lock? Because rates can jump unexpectedly. A rate lock gives you some peace of mind. You can budget around a predictable payment, even if rates spike next week.

This allows you to get your financing in order with a predictable payment and closing costs.

I'd lock as soon as you can, just to be safe. No one really knows what rates are going to do, and not locking is gambling.

Check out this post for a more in-depth answer.

What happens if interest rates drop after I lock?

If you don't know that rates dropped, and don't do any inquiries, then nothing happens.

If you're ignorant to rate drops, the lender probably won't tell you that rates have dropped.

locking in a rate protects you if rates climb, but you normally won't be able to take advantage of any rate drops.

There are exceptions. Look into rate re-negotiations, or float-down policies. You could also switch lenders, but that's an extreme option.

Again, this post covers the topic in better detail.

What are loan conditions?

You may have gotten a 'conditional approval" which is underwriting's way of saying, the loan application looks good, just get us **these things**, and we can get you the loan.

"These things" are the conditions.

What if I don’t understand something the underwriter is asking for?

You have a loan officer that can help answer any clarifications on underwriting requests.

You might also have a loan processor, which is sort of like a junior underwriter. If you can speak with a loan processor, they can usually translate the request to more simple English, or tell you exactly what document to get in order to clear the request.

Will they call my employer?

Yes, so get a good phone number for your HR contact.

Your employer may also use a third party verification system instead, like "the work number" so, maybe not.

Some lenders are casual about it too.

lender calls employer- "Hey is *buyer* available?"

"yeah, let me transfer you to her"

lender hangs up the phone

STAGE 5

INSPECTION APPRAISAL

STAGE 5: APPRAISAL & INSPECTION

The inspector is the guy who will slap you in the face with a big reality-check. "This is what homeownership looks like! Look at all of the home defects." It can honestly freak people out of buying a home altogether.

Who pays for the appraisal and inspection?

You do.

In most cases.

Inspections can cost a bit. In UT they're about $400 for a basic inspection, but then throw in meth, mold, and radon and you're getting close to $1,000

Appraisals can be around $600. Re-inspections can cost around $200 if the appraiser has to make another trip to ensure something was repaired.

Lenders may offer free appraisals as a promotion.

With VA loans, you don't pay for appraisals upfront, but rather at closing.

What happens if the inspection finds problems?

It will find problems, guaranteed.

You just need someone to talk with about how much of a problem it is, and if the seller would fix any of them.

Can I negotiate repairs?

Yes, while you're in a due diligence period, you'll want to do your homework on the house, and see if it will be a money pit.

If there's anything that has you concerned with the inspection, negotiate terms that will make you feel comfortable, or you can cancel.

Ways to negotiate could look like this:

- repairs done before purchase
- seller credits toward closing costs equivalent to the cost of repair
- lower purchase price equivalent to the cost of repair
- One of my clients asked for the seller's furniture in lieu of repairs

What happens if the appraisal comes in low?

I'd check out this post for more details on this topic. Here is the short on this. Your options are:

- Cancel the contract
- Ask the seller to lower the purchase price
- pay the difference in cash
- don't do anything
- fight the appraiser

I'd read the post for context, but you may have verbiage in your contract that allows you to cancel if the appraisal comes in low.

If you have a down payment that is larger than the minimum required, you'll have more flexibility.

Is the appraisal the same as an inspection?

No, the appraisal is determining the home's value based on comparable sales in the vicinity, and is appointed by the lender.

The inspection is determining the home's defects and is appointed by the buyer.

Can the loan get denied because of the appraisal?

Yes, the lender's underwriter could determine that the condition of the home is unfit for lending.

The underwriter may require certain repairs that the seller would be unwilling to make.

If you run into this, you may need to pivot to a HomeStyle mortgage, or an FHA 203k mortgage.

Here's a post on that.

What if I decide to back out?

Depending on your contract and contingencies, you may be able to back out without any repercussions.

Also, depending on your contract, you may be able to back out, but with the penalty of losing your earnest money.

Again, depending on your contract, you may get sued for damages exceeding the earnest money deposit, or you may get sued to fulfill the contract.

If there's any uncertainty, don't sign an offer that doesn't protect you.

STAGE 6: CLEAR TO CLOSE & FINAL APPROVAL

The underwriter issued the final approval. Prepare for closing.

What does “clear to close” mean?

You'd think it would mean you can close immediately.

It doesn't.

It just means underwriting is done looking it over. Lenders may take 24-48 hours in preparing closing documents (they don't really take that long, they just have a small team that prepares documents and it waits in line)

When do I wire the down payment?

You may have already wired the money, and that's okay too. But usually I would wait until you have the final figure.

Most clients wait until the day of closing, and use the wiring instructions received in person.

How much do I need to bring to closing?

The final "cash at closing" figure on your final closing disclosure is what you need to bring to closing.

Don't literally bring it to closing.

We don't need any briefcases full of money.

This final figure is your down payment + closing costs - earnest money deposit - any other credits.

What is a final walkthrough?

Walk through the home before you close.

Make sure it's in the same condition that it was with your first offer.

Kick out any squatters.

Make sure the seller didn't run off with an appliance that was promised in the contract.

Can anything go wrong at this point?

Yes. You can wire the funds to a fraudulent account and lose the home.

Seriously, here's an excerpt from the "closing" section of the first time homebuyer guide.

A little cautionary tale before you make your wire transfer to pay the amount owed.

I used to manage a Credit Union branch. A member came in a panic saying he wired $60,000 to buy a house and the title company never received the money.

What had happened is a fraudster had the contact info of all of the title company's future closings and the dates they were closing.

My guess is that this info wasn't secured by the title company.

The fraudster created a domain very similar to that of the title company and sent an email with "new wiring instructions"

So the member wired all $60,000 to the fraudster.

A wire is like cash, so he could kiss that money goodbye.

This next part is a bit of a pat on the shoulder to myself.

I warned our fraud department, but I knew how slow departments can work on things. Email one day, wait one day, email again etc.

So I called the receiving bank's fraud department, told them what happened and they froze the fraudster's account.

Our member recovered $40,000 of the $60,000. Losing $20,000 sucks, but losing $60,000 sucks more. He was still able to purchase the house.

This cautionary tale is to warn you to never trust wiring instructions via email.

Confirm them with a phone call, and not a phone call to the listed phone number in the email, find them on Google.

What should I expect on closing day?

Expect to sign a lot of documents. A lot of them will be redundant. Expect a hand cramp. Maybe a bathroom break/intermission at the halfway point. Expect your signature to get sloppier and sloppier, until at the end you'll forget what your signature even represents.

Get your electrolytes and hand stretches in the morning of.

You'll feel excited, but will also have a nagging feeling that something bad will happen out of nowhere.

After you sign and pay, you may need to wait for the lender's money to come in as well. If the lender does same-day funding, you may be able to record the deed in your name that day as well.

Honestly, this is about it. You sign and pay, then figure out when you'll get access to the home.

When do I get the keys?

Wait for the deed to record with the city. Then whatever your contract says regarding possession, you'll get the keys accordingly.

You may have agreed to allow 2-3 days for the seller to move out.

The house may already be vacant, and possession was agreed as immediately upon recording.

Or you may have agreed to a longer leaseback.

Whatever the case, the contract will determine when you get the keys.

STAGE 7

AFTER CLOSING

STAGE 7: AFTER CLOSING

You are now a homeowner. Now what?

How do I set up mortgage payments?

Nowadays, I'd imagine your lender has an online portal. Log in, add your account and routing number for automatic payments.

It may take a week or two for your lender to register your loan.

What happens if I miss a payment?

How late is your payment?

If you land on day 15 of being late, you'll likely get hit with a late penalty.

If you land 30 days late, your credit report will take a hit.

Later? I'd guess more fees and more credit inquiry hits.

If you're falling behind and are losing hope that you'll get caught back up, call your lender or loan servicer. Check for any forbearance, loan modification, or deferral options.

Will my property taxes or insurance go up?

Probably. They can go down, but that's less likely.

Property tax rates can increase, or your home's value will increase, which then increases the tax bill.

Your loan servicer is probably making those payments on your behalf, through your escrow account.

If your taxes and insurance go up, your mortgage's escrow payment will go up.

Can I refinance later?

Yes. Refinancing pays off the first loan and creates a new loan. If your loan does not have a prepayment penalty, then you can refinance without any penalties.

I'd be careful refinancing. Advertised rates usually come with discount points or high loan costs. Homeowners don't feel the sting of refinancing, because the costs can get rolled into the mortgage balance.

If you refinance at a high cost rate frequently, your loan balance may keep growing, despite the lower rate, because you keep dumping thousands in loan costs into the mortgage.

Here's a post on how I'd go about refinancing.

Can I pay off my mortgage early?

Yes. Again, check if there's a penalty for paying it early. But most loans do not have that prepayment penalty.

Here's a calculator to show you how much faster you can pay off your mortgage by adding a little bit extra to your monthly payments.

Will someone contact me about my loan servicing?

If your loan just closed, then yes, someone *should* be contacting you soon about where to send payments and how to set up your online account.

That someone might be your original lender, or it could be a completely different company if the loan was sold or transferred (which happens a lot).

You should also get a "Goodbye Letter" from the original lender and a "Hello Letter" from the new servicer if it’s being transferred. By law, they have to notify you of the change and give you at least 15 days' heads up.

Don't send your payments to a new servicer without getting the heads up from your current servicer.

If you haven’t heard anything and your first payment is coming up, double-check your closing documents, your first payment date and the servicer info should be in there.

On page 5 of your closing disclosure, your lender's contact information will be there too.

And if you're still unsure, call your loan officer or the lender you closed with just to be safe. Better to ask than miss a payment.

What documents should I keep?

Keep any document that you have signed.

I stored copies on my google drive, and I believe I have hard copies in a box, but I've never had to access them before.

Just in case.

Summary

If you made it this far, you're already ahead of most first-time buyers. I wrote all this so you don't have to learn everything the hard way. Save it, skim it, come back to it when you're deeper in the process.

And if you've got a weird scenario or hit a wall, reach out to me, happy to help.

Here's how you can reach me:

- DM on Reddit
- Email at samuel@integritylending.com
- Work phone (receives texts) 385-220-5451
- Application link

Below is a checklist to help you. It covers every actionable item you should do.

I didn't load it with "don't dos" because it made the list long and bloated, and I wanted you to have a list of things that help you take action.

If you want this checklist separate from the FAQ sheet, then here's a separate link to it.

The First Time Homebuyer Checklist

Stage 1: Prep and Planning

- [ ] Create a budget and determine your ideal monthly payment
- [ ] Determine the maximum amount you can contribute toward down payment and closing costs
- [ ] Determine what purchase price will stay within your budget
  Here's a helpful tool
- [ ] Check your credit score
- [ ] Determine the best fit between FHA, VA, USDA, and Conventional lending options
- [ ] If needed, research down payment assistance and first-time buyer programs in your state.
  Here's a helpful guide on down payment assistance

- [ ] Determine if your debt-to-income ratio might fit within lending guidelines
  Here's a helpful tool

- [ ] Review the quality and location of homes that meet your budget

- [ ] Keep your account activity minimal (the account with down payment and closing cost savings)

Stage 2: Pre-Approval

- [ ] Gather pay stubs, W-2s, tax returns, bank statements, ID, and other required documents

- [ ] Request a profit & loss statement if self-employed

- [ ] Unlock or thaw your credit file if it's frozen

- [ ] Register your number at donotcall.gov to reduce spam calls (triggered from a mortgage credit pull)

- [ ] Apply with a mortgage loan officer
  (Fill out this form if you'd like me to connect you with a good mortgage broker)

- [ ] Request a quote to make sure monthly payment and cash required meet your expectations

- [ ] Ask about rate lock and float-down options
- [ ] Ask how quickly you could close (keep this in mind when writing offers with your agent)
- [ ] Request a pre-approval letter
- [ ] Request your loan officer to review your loan application with underwriting

Stage 3: House Hunting & Offers

- [ ] Select a real estate agent
  (Fill out this form if you'd like me to connect you with a good one)
- [ ] Forward your pre-approval letter to your agent
- [ ] Create a list of must-haves, nice-to-haves, and deal breakers
- [ ] Set up auto-alerts for new listings within your price range
- [ ] Set aside a day to look at homes
- [ ] Write an offer (use your agent's guidance)

Stage 4: Loan Processing & Underwriting

- [ ] Upload all lender-requested documents as soon as possible
- [ ] Review all conditions and provide follow-up paperwork when requested
- [ ] Lock your interest rate
- [ ] Review your locked Loan Estimate with your Loan Officer

Stage 5: Appraisal and Inspection

- [ ] Hire a licensed home inspector and schedule the inspection
- [ ] Review the inspection report and request repairs or credits in writing
- [ ] Pay for the appraisal (the lender will assign one)
- [ ] Review the appraisal and address any valuation issues with your lender and agent

- [ ] Schedule follow-up inspections (sewer scope, radon, mold, etc.) if needed

Stage 6: Clear to Close

- [ ] Review and sign your Closing Disclosure (CD). Compare it to your Loan Estimate
- [ ] Send your wire transfer using verified instructions from the title or escrow company
- [ ] Schedule and complete your final walkthrough with your agent
- [ ] Bring 2 forms of ID to closing: a government-issued photo ID, 2nd can be a social security card, or even a credit card
- [ ] Sign closing documents and collect a copy for your records
- [ ] Get your keys

Stage 7: New Homeowner

Day 1 Tasks

- [ ] Change or rekey all exterior locks
- [ ] Locate and label the water shutoff, gas shutoff, and breaker panel
- [ ] Test all smoke and CO detectors and install replacements if needed
- [ ] Purchase and place fire extinguishers on each floor
- [ ] Clean the dryer duct and confirm the exhaust vents outside
- [ ] Identify and test the sump pump if you have a basement
- [ ] Set up autopay for your mortgage

Home Organization

- [ ] Create a home binder or digital folder with:
    - Mortgage and insurance contacts

    - Utility account info
    - Appliance serial numbers
    - Maintenance records
- [ ] Add curtains or blinds to improve insulation
- [ ] Create a monthly home maintenance savings fund

Seasonal or Ongoing

- [ ] Change furnace filters every 1-3 months
- [ ] Clean gutters and downspouts once or twice per year
- [ ] Label each circuit breaker and test functionality
- [ ] Revisit your inspection report and create a repair plan
- [ ] Re-shop home insurance annually
- [ ] Schedule preventive maintenance for HVAC and plumbing
- [ ] Install long screws in door hinges and strike plates for added security