# The First-Time Homebuyer's Guide

## Everything you need to know, without the overwhelm

From getting your finances mortgage-ready to walking out of closing with the keys — a clear, practical roadmap for buying your first home with confidence.

**3%**
Down payments can start this low

**7**
Steps from house hunt to keys

**~50**
Days from offer to closing, on average

PRESENTED BY CRUSH MORTGAGE

# Handing You the Keys to First-Time Homebuying

> *Owning a home is a dream for many — but the journey can feel overwhelming. With the right guidance and preparation, you can navigate the process with confidence and land a home you love that fits your budget.*

This guide walks you through each stage of the homebuying journey: preparing your finances, understanding what homeownership really costs, choosing the right loan, and moving from offer to closing. Keep it handy, mark it up, and reach out to your Crush Mortgage loan officer whenever a question comes up — that's what we're here for.

## What's Inside



**THE CRUSH MORTGAGE PROMISE**

Buying your first home shouldn't feel like a test you didn't study for. We'll explain every option in plain English, help you compare programs, and stay by your side from pre-approval to closing day.

# Get Your Financial House in Order

Before you start house hunting, take stock of where you stand. Your income, debts, savings, and credit determine both your budget and the mortgage terms you can secure.

## How Much House Can You Afford?

Add up your total monthly income, then subtract your non-housing expenses (car payment, loans, childcare, groceries, savings, subscriptions). What's left is your **available budget for housing** — your estimated monthly housing costs (mortgage, taxes, insurance, utilities, maintenance) should never exceed it. If they do, adjust your price range or trim discretionary spending.

## How Much Do You Need for a Down Payment?

**3–20%**
Typical down payment range on a home purchase

**7%**
What first-time buyers put down on average

**3.5%**
Minimum down payment with an FHA loan

**Quick math:** On a $200,000 home, 3.5% down is $7,000 and 7% is $14,000. Already have savings? Divide savings by price: $10,000 saved on a $200,000 home = 5% down. Remember — the more you put down, the lower your monthly payment.

## Know Your Debt-to-Income (DTI) Ratio

**DTI = Monthly debt payments ÷ Gross monthly income**

Include your *future* mortgage payment when you calculate it. Example: $700 in debts + $1,000 mortgage = $1,700 ÷ $4,500 income = **37.7% DTI**. A DTI of **36% or lower** is considered healthy; many lenders won't finance borrowers above **43%**.

## Check Your Credit

- ✓ A FICO® score of **620+** is generally recommended for a mortgage; FHA loans can work with **580+** at just 3.5% down.
- ✓ Keep credit utilization (balances ÷ limits) **at or below 30%**.
- ✓ Pay every bill on time, pay down card balances, and **don't open or close accounts** while house shopping.
- ✓ Pull your free reports at **annualcreditreport.com** and dispute any errors with the bureau that issued the report.

**CRUSH IT TIP**

Check your credit reports several months before you plan to shop. That gives you time to correct inaccuracies and pay down balances — both can meaningfully improve your rate.

# The Real Cost of Buying a Home

Your down payment isn't the whole story. Plan for these upfront and ongoing costs so nothing catches you off guard.

## Upfront Costs

| Cost | Typical Amount | What It Is |
|---|---|---|
| **Earnest money** | 1–3% of price | A good-faith deposit made within days of your offer being accepted; it goes toward your down payment. |
| **Closing costs** | 2–5% of price | Lender fees, agent commission, appraisal, inspections, and underwriting fees to finalize the sale. |
| **Down payment** | 3–20% of price | Your own money toward the purchase. VA and USDA loans can eliminate it entirely. |

**Good news:** These don't all apply to everyone. Some programs cover the down payment, and you can negotiate for the seller to cover some closing costs.

## Ongoing Costs to Budget For

- **Maintenance:** plan on roughly **1% of the home's price per year** (HVAC tune-ups, gutters, lawn care).
- **Repairs:** anything that breaks is yours to fix — your inspection report previews what's coming.
- **Utilities:** water, gas, electric, trash. Ask for the home's recent average costs.
- **Appliances & furniture:** a washer/dryer set alone runs $500–$2,000.
- **Pest control & security:** quarterly treatments $100–$300; security systems $200–$600 to install.
- **HOA dues:** typically **$200–$300/month**, but can range $100–$1,000.

## Buying in an HOA? Know Before You Owe

A homeowners association sets and enforces rules for the neighborhood and maintains shared amenities. If the home you buy is in one, membership isn't optional — so request and review the bylaws and fees before you commit.

**PROS**

- ✓ Helps maintain property values
- ✓ Community amenities & perks
- ✓ Services like lawn care or trash pickup

**CONS**

- × Monthly, quarterly, or annual dues
- × Special assessments for big expenses
- × Property & activity restrictions — plus fines

**WHEN IT PAYS TO OWN**

Homeownership comes with tax perks: you may deduct mortgage interest, points, and property taxes if you itemize, and federal credits reward energy-efficient upgrades like solar panels and efficient appliances.

# Mortgage 101

A mortgage is simply a loan made specifically to buy a home — the lender pays the seller, and you repay on an agreed schedule. Here's what matters most.

## Fixed vs. Adjustable Rate

### Fixed-Rate (FRM)

Your rate and payment never change. About **90% of buyers** choose one — 30-year terms are most common, 15-year terms build equity faster. Easy to budget; refinance later if rates drop.

### Adjustable-Rate (ARM)

A lower initial rate that's fixed for a set period, then adjusts with the market. Payments can rise significantly once adjustments begin — know your caps and your worst-case payment before signing.

## Pre-Qualified vs. Pre-Approved — The Difference Matters

### Pre-Qualification

A quick **estimate** of what you may qualify for, based on info you provide. Uses a soft credit check (no score impact). A helpful first step — not a commitment.

### Pre-Approval

A verified, **conditional commitment** to lend a specific amount at a specific rate, usually valid 60–90 days. It shows sellers you're serious and speeds up your purchase.

**Shop without fear:** multiple mortgage hard inquiries within a 45-day window count only once toward your FICO® score — so compare offers from multiple lenders.

## What Will Your Payment Look Like?

Approximate monthly payments — 30-year fixed-rate loan with 3% down (excludes taxes & insurance).

| Rate | $200,000 | $250,000 | $300,000 | $350,000 | $400,000 |
|---|---|---|---|---|---|
| 5.0% | $1,041 | $1,302 | $1,562 | $1,823 | $2,083 |
| 5.5% | $1,102 | $1,377 | $1,652 | $1,928 | $2,203 |
| 6.0% | $1,163 | $1,454 | $1,745 | $2,035 | $2,326 |
| 6.5% | $1,226 | $1,533 | $1,839 | $2,146 | $2,452 |
| 7.0% | $1,291 | $1,613 | $1,936 | $2,259 | $2,581 |
| 7.5% | $1,356 | $1,696 | $2,035 | $2,374 | $2,713 |

**LOCK IT IN**

Want to protect the rate in your loan offer while you shop? Ask about a **rate lock**. And remember amortization: early payments go mostly to interest, so extra principal payments early in the loan save you the most.

# Loan Programs Built for First-Time Buyers

You may need far less cash than you think. These programs lower the barriers to your first home — your Crush Mortgage loan officer can tell you exactly which ones you qualify for.

### FHA Loan

3.5% down

The most popular first-timer option. Insured by the Federal Housing Administration, with accessible credit requirements (scores from 580 with 3.5% down) and often lower closing costs. Trade-off: mortgage insurance is required, and county loan limits apply.

### Conventional 97

3% down

A Fannie Mae loan with just 3% down, flexible terms, and no prepayment penalty. PMI is required but **cancelable once you build enough equity**. DTI must stay at or below 43%, and you must live in the home.

### HomeReady™ / Home Possible®

3% down

Fannie Mae and Freddie Mac options for low- to moderate-income buyers (income limits based on Area Median Income). Down payment can come from gifts, grants, or second mortgages; a short homebuyer education course is required. Typical minimum score: 660.

### USDA Loan

$0 down

Zero-down financing for homes in eligible rural and suburban areas, with rates often below conventional loans and no traditional PMI. Income limits apply (guaranteed loans: up to 115% of area median income; DTI ≤ 41%).

### VA Loan

$0 down

For veterans, active-duty military (including National Guard and Reserves), and surviving spouses. No down payment, no private mortgage insurance, competitive rates, and no prepayment penalty. Requires a Certificate of Eligibility from the VA.

### Good Neighbor Next Door

50% off

HUD's program gives police officers, firefighters, teachers, and EMTs a 50% discount on eligible homes in revitalization areas — no credit or income requirements, but you must live in the home at least three years.

**MORE HELP IS OUT THERE**

State, county, and city **down payment assistance programs** offer grants, low-interest second loans, and tax credits. **Gift funds** from family can cover costs too (documented with a gift letter), and a **co-signer** can strengthen your application. Ask us what's available in your area.

# Protect Your Approval

**DO**

- ✓ **Compare loan options** — types, rates, terms, and down payments — to find your best fit.
- ✓ **Get pre-qualified or pre-approved** before you start shopping.
- ✓ **Know your worst-case payment** if you're considering an ARM.

**DON'T**

- × **Make major financial changes** before closing — no job changes, new credit lines, or big deposits without a paper trail.
- × **Count on refinancing** to a lower rate later — it's never guaranteed.
- × **Buy at the full amount you're approved for** unless it truly fits your budget.

## The Loan Application Checklist

Have these ready and your application will move fast. When in doubt, bring it — over-prepared beats under-prepared.

### Personal Information

- ✓ Government-issued ID & Social Security number
- ✓ Addresses for the past 7 years
- ✓ Current rent amount & landlord contact (past 2 years)
- ✓ Marital status & dependents' ages

### Employment & Income

- ✓ Two years' employment history (W-2s)
- ✓ Recent pay stubs & current income info
- ✓ Federal tax returns — past 2 years
- ✓ Self-employed? Year-to-date P&L statement
- ✓ Records of other income (alimony, child support, rental)

### Financial Assets

- ✓ Two months of statements for all bank accounts
- ✓ Investment & retirement account statements (401(k), IRA, brokerage)
- ✓ Documentation for vehicles or real estate you own
- ✓ Down payment gift letters, if applicable

### Financial Liabilities

- ✓ Balances & monthly payments for all debts — credit cards, student loans, auto loans, personal loans, medical bills
- ✓ Child support or alimony obligations

**HONESTY PAYS**

Always be upfront with your lender about anything that could affect your finances — like divorce or settlement proceedings. The process is thorough, and misrepresentations can lead to denial or worse.

# The Home Purchase Process: 7 Steps

From house hunting to keys in hand — here's the full journey and how long each stage typically takes. On average, it's about **50 days from accepted offer to closing**.

### 1 Find the Home You Want

AVG. TIME: 10 WEEKS

Usually the longest stage. Your agent helps you find promising listings and sets expectations based on your budget and market conditions.

### 2 Make an Offer

AVG. TIME: 1 DAY

Your offer covers price, earnest money, closing date, who pays which costs, and contingencies. An agent can often submit it the same day — speed matters in competitive markets.

### 3 Seller Accepts or Counters

AVG. TIME: 2–3 DAYS

Sellers typically respond within 48 hours: accept, reject, or counter. A counter starts a negotiation over price, timeline, or terms until both sides agree — or walk away.

### 4 Appraisal & Inspection

AVG. TIME: 1 WEEK

Your lender orders an appraisal (~$300–$600) to confirm value; a licensed inspector (~$200–$400) checks the structure and systems. Findings can trigger repairs, renegotiation, or a walk-away.

### 5 Title & Escrow

AVG. TIME: 2 WEEKS

A title inspection verifies the seller's legal right to sell and surfaces liens or unpaid taxes. Title insurance protects you, and a neutral escrow account holds all funds during the transaction.

### 6 Underwriting

AVG. TIME: 2–3 WEEKS

Your lender reviews everything in detail and may request more documents. When it's complete, you'll receive a **"clear to close"** — your financing is finalized and approved.

### 7 Closing

AVG. TIME: 2–3 HOURS

Do your final walk-through, review your closing disclosure, then sign the paperwork. Funds are disbursed, the loan begins, and you walk out a homeowner — keys included.

**CONCENTRATE ON CONTINGENCIES**

Contingencies protect you. A **financing contingency** means you're not in breach if your loan falls through; **condition contingencies** let you adjust or withdraw if the inspection reveals a major concern. Skip them and you could lose your earnest money — or be bound to buy.

# Shop Smart, Close With Confidence

## Red Flags to Watch for During Showings

- × Uneven floors or large cracks in exterior walls (foundation trouble)
- × A sagging roof, dark streaks, or curled/missing shingles
- × Aging HVAC, furnace, or water heater
- × Foggy, cracked, or stuck windows
- × Termite damage or widespread water damage
- × Very close creeks or water (flood-prone)
- × Long time on market with withdrawn offers — inspections may have scared buyers off

## What Your Lender Will Require

- ✓ **Home condition:** the home should meet local building regulations; major inspection issues can give a lender pause.
- ✓ **Money trail:** documentation showing where your down payment and earnest money come from — including any recent large deposits.
- ✓ **Home insurance:** coverage at least equal to the mortgage amount, arranged during underwriting. Get multiple quotes.

## Know Your Closing Documents

You'll sign a stack of paperwork at closing. The ones to understand in advance:

| Document | What to Check |
|---|---|
| **Closing disclosure** | The final terms — rate, APR, monthly payment, fees, and cash needed to close. Compare it against your loan estimate. |
| **Mortgage note** | The legally binding repayment terms: amount borrowed, rate, due dates, and what happens if you don't pay. |
| **Initial escrow disclosure** | The property tax and insurance amounts paid from your escrow account in year one. |
| **Title insurance commitment** | Confirms who owns the property and flags any liens or conflicts on the title. |

**A SAFETY NET WORTH CONSIDERING**

A **home warranty** can be negotiated into the sale. It typically covers major systems and appliances — when something breaks, you pay a fixed service fee and the warranty company handles the repair. Just be sure you understand the coverage terms.

# Your Homebuying Team

You don't have to do this alone. Your lender and your real estate agent work together at every step — from pre-approval and house hunting to negotiation and closing day. Reach out anytime.

**YOUR MORTGAGE TEAM**

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## Your Next Three Steps

**1**

### Get Pre-Approved

Gather your documents and lock in your buying power before you shop.

**2**

### Set Your Budget

Know your comfortable monthly payment — not just your maximum approval.

**3**

### Start Touring

Team up with your agent and go find the one worth making an offer on.

**Ready to crush it? Let's get you pre-approved.**