



The Complete First-Time Homebuyer's Playbook

A Complete Guide to Buying, Financing, and Owning Your First Home with Confidence



SECTION 1

Your Home. Your Future.

Buying a home is the single most powerful wealth-building decision most people will ever make. This guide gives you everything you need to do it with confidence.

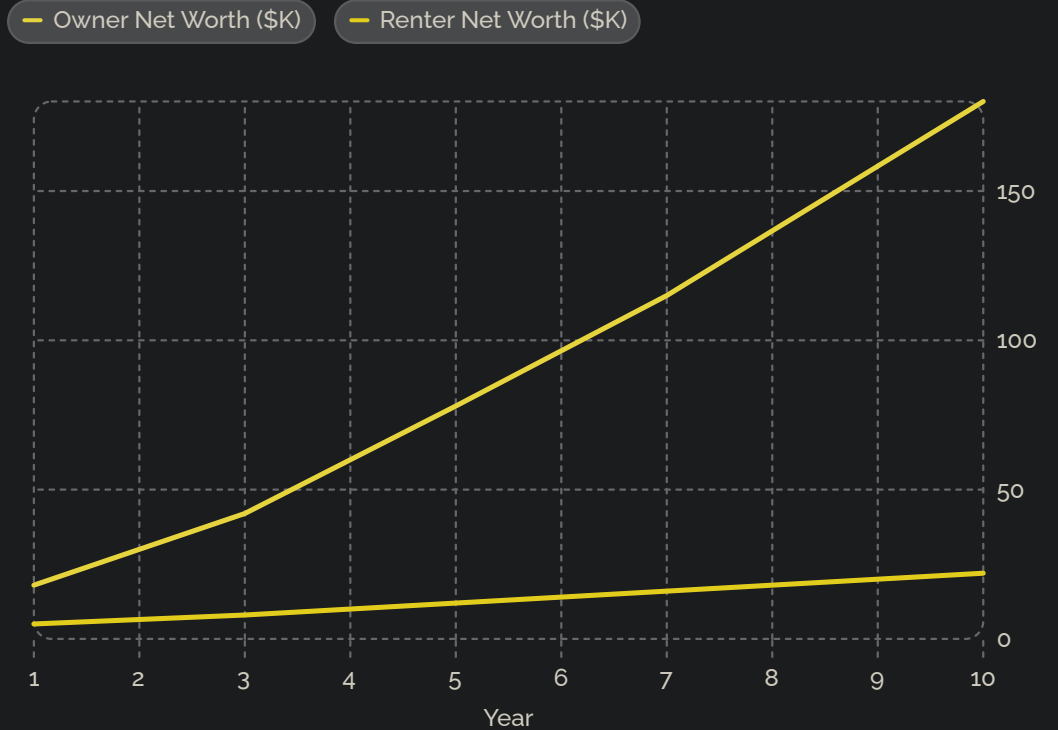
Renting vs. Owning

Renting

Flexibility, no
maintenance — but
zero equity built

Owning

Every payment **builds**
wealth you keep





The Emotional Side of Buying

Fear is normal

Manageable with the right knowledge

Confidence comes from understanding

The process — not from avoiding it

Mortgage Myths — Debunked

Myth: You need 20% down

Reality: Some programs start at 0–3%

Myth: Perfect credit required

Reality: 580+ qualifies for FHA

Myth: Takes months

Reality: 30–45 days is standard

The Homebuying Timeline at a Glance

1

Month 1–2

Financial prep & pre-approval

2

Month 2–4

Home search & offer

3

Month 4–5

Mortgage process & closing

4

Day 1

Keys in hand



SECTION 2

What Is a Mortgage?

A mortgage is a loan secured by real estate. You borrow money to buy a home, then repay it — with interest — over time. The home itself is the collateral.

PITI — The Four Parts of Your Payment



Principal

Reduces your loan balance



Interest

Cost of borrowing



Taxes

Property taxes, held in escrow



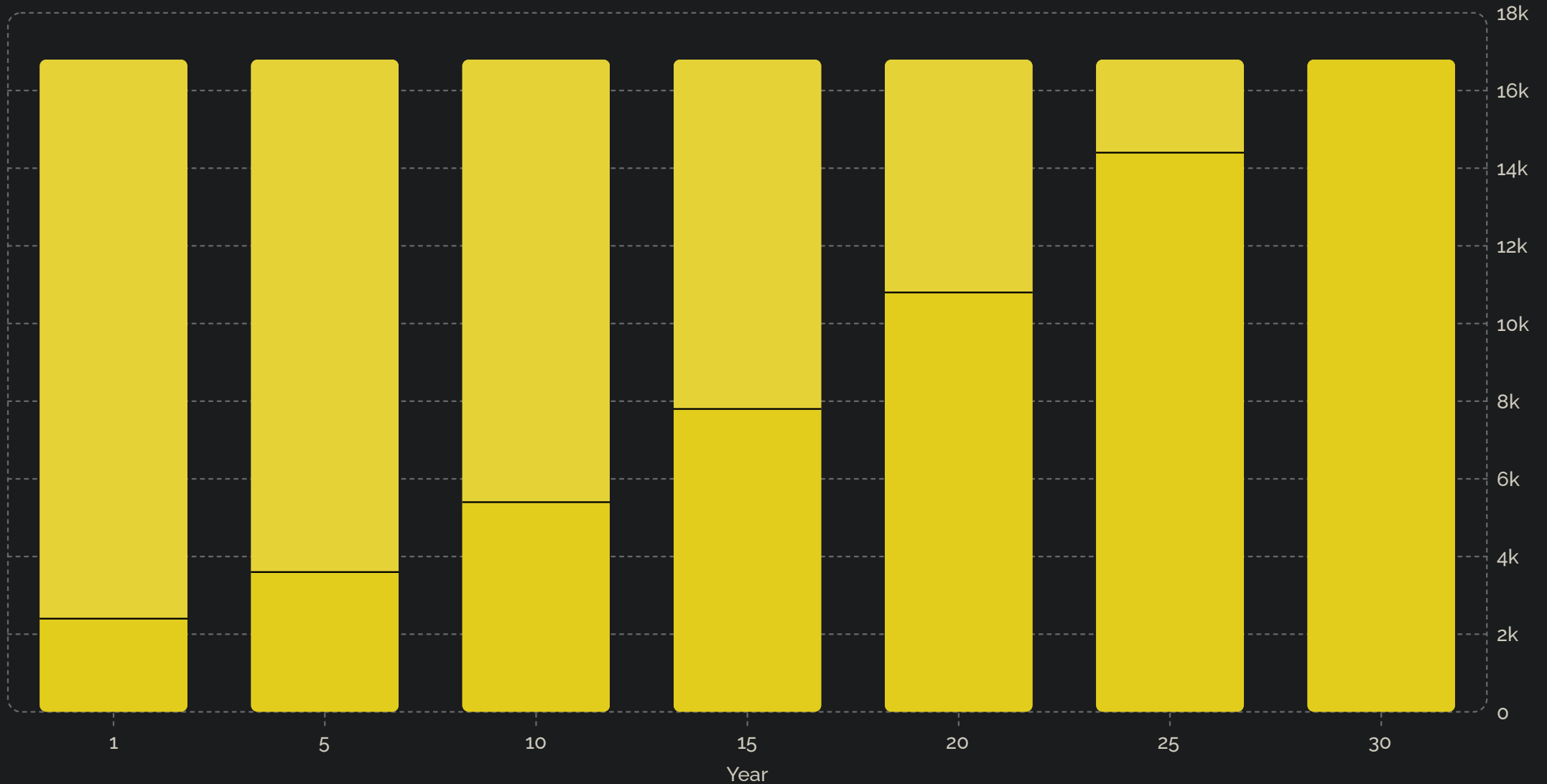
Insurance

Homeowners + mortgage insurance if applicable

How Amortization Works

Early payments are mostly interest. Over time, more goes to principal. This is amortization — and it's why staying in your home longer builds more equity.

Principal (\$) Interest (\$)





Escrow — Your Built-In Safety Net

- Your lender collects taxes and insurance monthly
- Funds are held in escrow and paid on your behalf
- No surprise bills — it's all built into your payment

Fixed vs. Adjustable Rate

Fixed Rate

Same rate for the life of the loan — **predictable, stable**

Adjustable Rate (ARM)

Lower initial rate, adjusts after a set period — **best for short-term ownership**

Interest Rate vs. APR

Rate

The cost of borrowing the money

APR

Rate + fees — the **true annual cost** of the loan

- ❑ Always compare APR when shopping lenders — not just the rate.

Discount Points — Buy Your Rate Down

- **1 point** = 1% of loan amount paid upfront
- Reduces your interest rate — typically **0.25% per point**
- Break-even: divide cost by monthly savings to see if it's worth it



Loan Term Comparison

On a \$400K loan at 7% — your term choice has dramatic consequences.

30-Year Monthly: \$2,661 Total Interest: \$558,036 Total Paid: \$958,036	20-Year Monthly: \$3,101 Total Interest: \$344,240 Total Paid: \$744,240	15-Year Monthly: \$3,595 Total Interest: \$247,100 Total Paid: \$647,100
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Term	Monthly Payment	Total Interest	Total Paid
30-Year	\$2,661	\$558,036	\$958,036
20-Year	\$3,101	\$344,240	\$744,240
15-Year	\$3,595	\$247,100	\$647,100



Why Lenders Sell Your Loan

Your lender may sell your mortgage to an investor after closing. Your terms never change — only who you send payments to. This is normal and regulated.

SECTION 3

The Four C's of Mortgage Qualification



Credit

Your borrowing history and score



Capacity

Your ability to repay (income vs. debt)



Capital

Assets, savings, and reserves



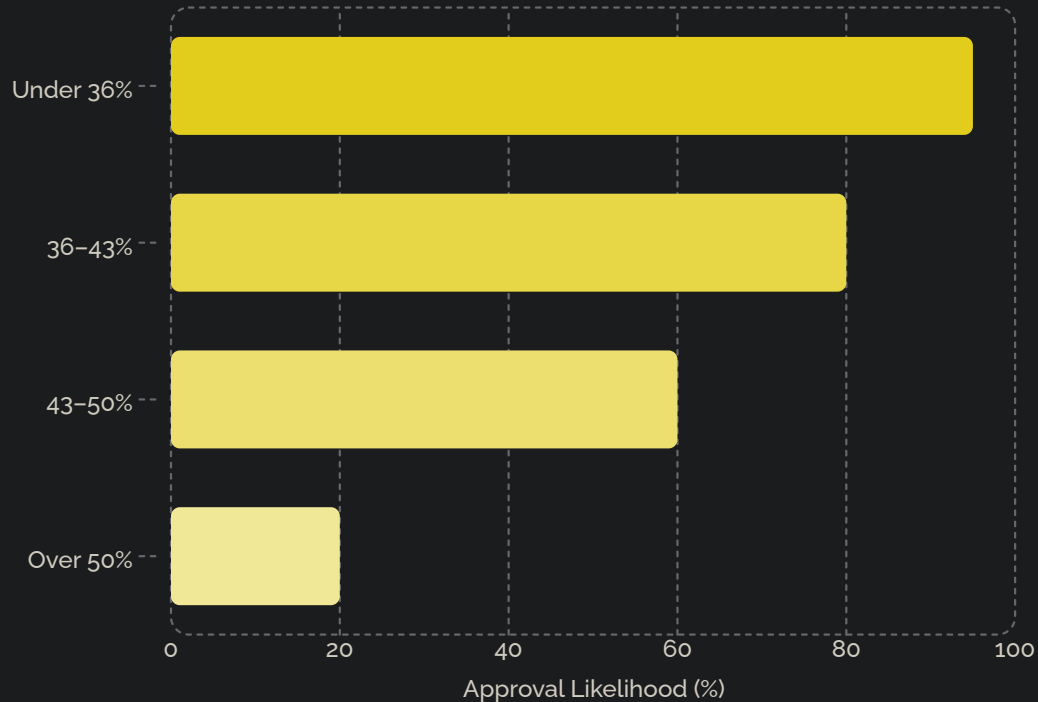
Collateral

The home's value and condition

Debt-to-Income Ratio (DTI)

DTI = Monthly debts ÷ Gross monthly income. Most programs allow up to 43–50% DTI. **Lower is always better.**

DTI Range



- ❏ Lower DTI significantly improves approval odds and loan terms. Aim below 36% whenever possible.

Credit Score Ranges

760+

Best rates available

700–759

Strong — competitive rates

640–699

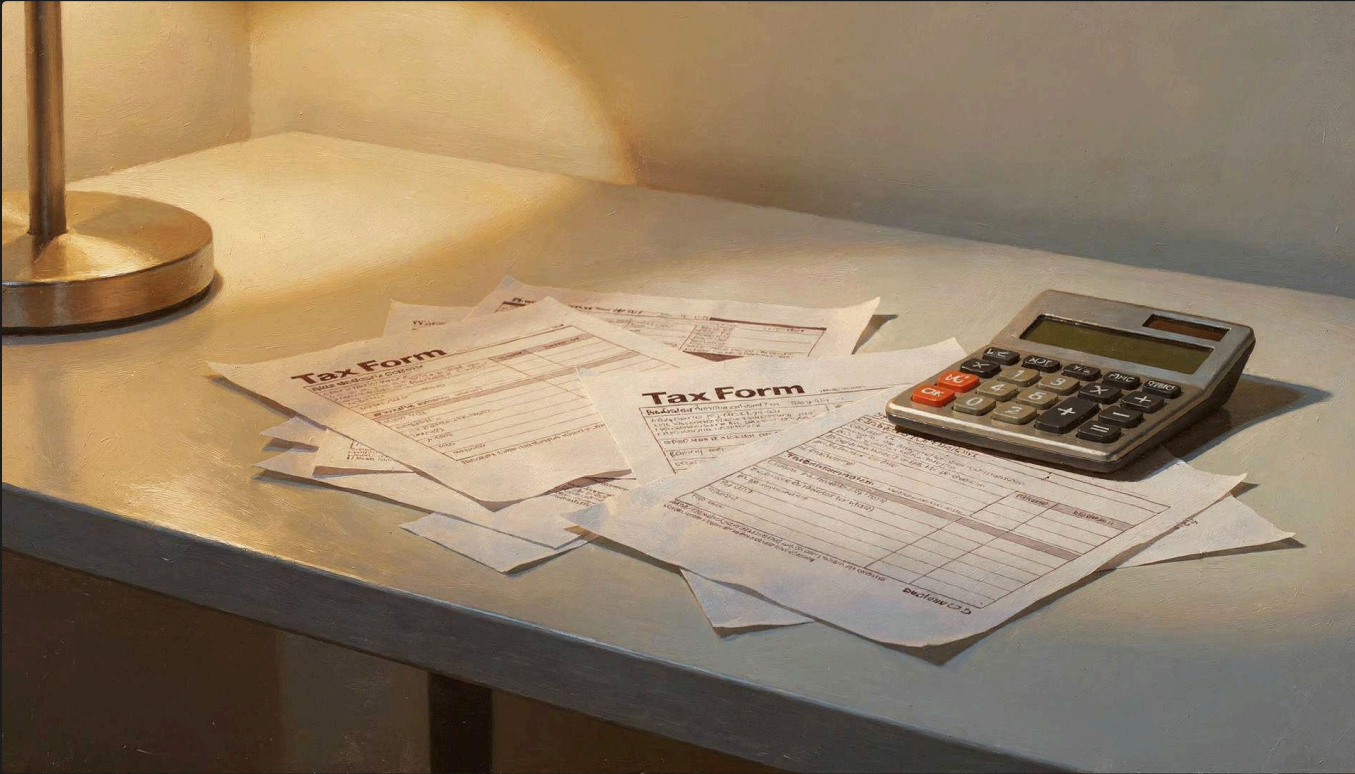
Acceptable — slightly higher rates

580–639

FHA eligible — limited programs

Below 580

Significant barriers — time to rebuild



How Lenders Calculate Income

- **Salaried:** $\text{Base pay} \times 12$
- **Hourly:** $\text{Hours} \times \text{rate} \times 52 \text{ weeks}$
- **Bonus/Commission:** 2-year average
- **Self-Employed:** 2-year tax return average (net income)
- **Rental Income:** 75% of gross rent

What Underwriters Look For

→ Stable Employment

2+ years preferred — no unexplained gaps

→ Consistent Income

Reliable, documented income history

→ Sourced & Seasoned Assets

60-day bank statements required

→ Clean Deposits

No large undocumented deposits

Common Reasons for Denial — and How to Fix Them

Issue	Solution
High DTI	Pay down debt before applying
Low credit score	6–12 months of credit repair
Insufficient assets	Build reserves, document gift funds
Employment gap	Wait for 2-year history to establish

SECTION 4

Conventional Loans

Down Payment

3-20%

Credit

620+ (740+ for best rates)

Best For

Strong credit buyers, avoiding FHA premiums

PMI

Required below 20% down — drops off at 80% LTV



FHA Loans

3.5% Down

With 580+ credit score

10% Down

With 500–579 credit score

MIP Required

Mortgage insurance for life of loan
in most cases





VA Loans — Earned and Exceptional

0% Down

No down payment required

No PMI — Ever

A benefit earned through service

Best For

Active duty, veterans, surviving spouses



One of the most powerful mortgage benefits available to any American.

USDA Loans

0% Down

No down payment required

Eligible Areas

Rural and suburban locations —
check USDA maps

Income Limits

Apply — verify eligibility before
proceeding



Jumbo Loans

Loan Amount

Above conforming limits
(\$766,550 in most areas)

Credit Required

700+ typically required

Down Payment

10-20%+ required

Documentation

Stricter reserves and documentation requirements

Specialty Programs



Renovation Loans

203k / HomeStyle — finance purchase + repairs in one loan



Bridge Loans

Buy before you sell



Construction Loans

Build from the ground up



Physician Loans

High DTI, low down payment for medical professionals

Non-QM Programs

Bank Statement

12–24 months of deposits — for self-employed borrowers

Asset Depletion

Use assets as qualifying income

DSCR

Investment property — cash flow qualifies, not personal income

📌 Higher rates — but access where traditional programs fall short.

Home Equity Products

HELOC

Revolving credit line — flexible,
variable rate

Home Equity Loan

Lump sum, fixed rate

Cash-Out Refinance

Replace your mortgage + access
equity

SECTION 5

How Much Do You Actually Need to Save?

Down Payment

3–20% of purchase price

Closing Costs

2–5% of loan amount

Reserves

2–6 months of mortgage payments

Moving + Setup

Budget \$3,000–\$10,000



Improving Your Credit Before You Apply



Pay every bill on time

Payment history is **35% of your score**



Keep balances below 30%

Of your credit card limits



Don't close old accounts

Length of history matters



Dispute errors

On your credit report — they cost you

What NOT to Do Before Closing

No new credit cards or loans

No large purchases

Cars, furniture — wait until after closing

No job changes

Without consulting your lender first

No large undocumented deposits

No co-signing for anyone else's loan



SECTION 6

Beyond the Listing Price

Property Taxes

Vary dramatically by county — research before you fall in love

HOA Fees

Can add \$200–\$1,000+/month

Flood Zones

Require separate insurance — check FEMA maps

School Districts

Affect resale value significantly

New Construction vs. Existing Homes

New Construction

Warranties, modern systems, customization — but longer timelines

Existing Homes

Established neighborhoods, faster close — but potential repairs

Both have merit — match to your priorities and timeline.



The Home Inspection — Never Skip It

- Costs \$300-\$600 — **worth every dollar**
- Reveals structural, mechanical, and safety issues
- Use findings to negotiate repairs or credits
- Specialty inspections: roof, HVAC, foundation, mold, radon

SECTION 7

Anatomy of a Purchase Contract

01

Offer Price

Your opening position

02

Earnest Money

Good faith deposit — 1–3% of price

03

Contingencies

Inspection, financing, appraisal protections

04

Closing Date

Typically 30–45 days from acceptance

Negotiation Strategies That Work



Seller Concessions

Request concessions to cover closing costs



Inspection Leverage

Use findings to negotiate price reductions or credits



Escalation Clauses

Strategic tool in competitive markets



Appraisal Gap Coverage

Know your limit before you write it



SECTION 8

From Application to Keys — Step by Step



Pre-Qual

Pre-Approve

Processing

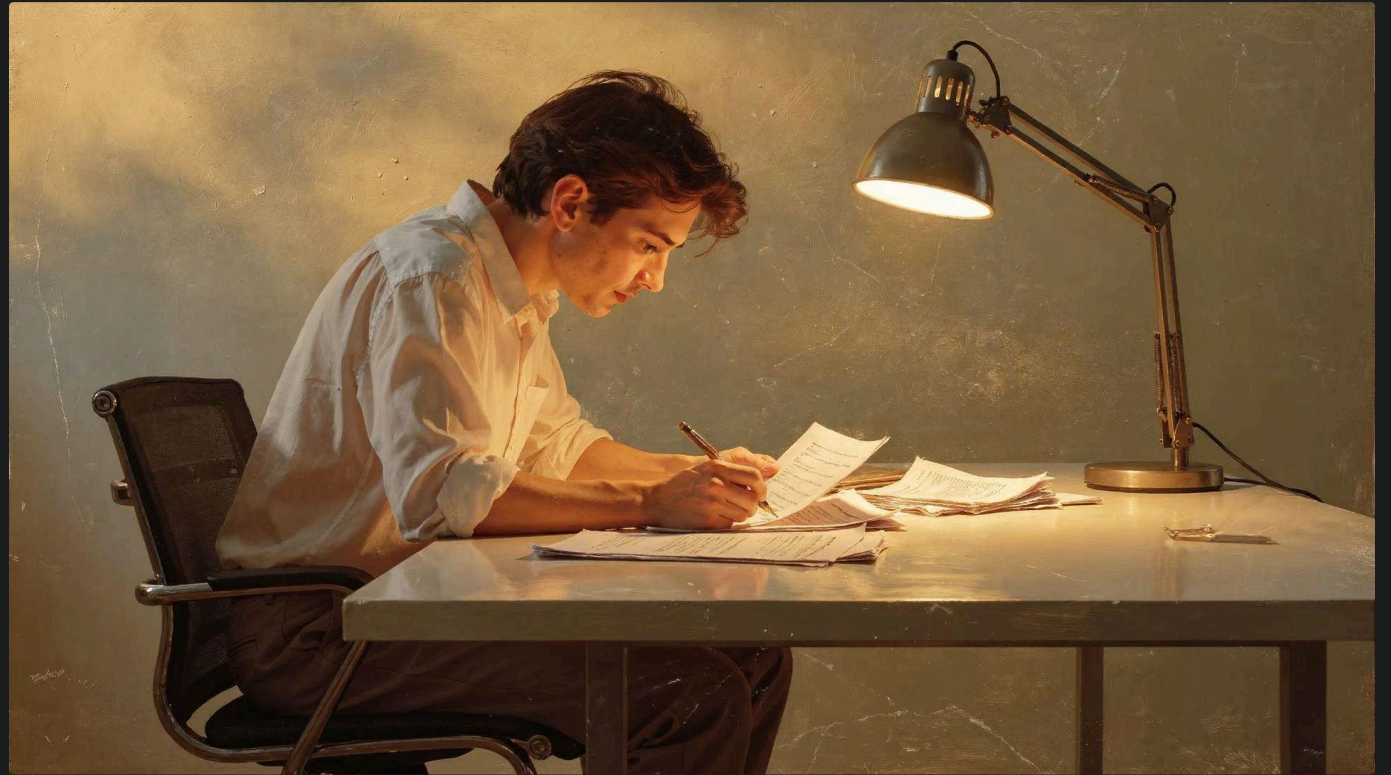
Underwrite

Clear to
Close

What Happens in Underwriting

An underwriter reviews every document to verify you meet the loan program's guidelines. They are not your enemy — they are protecting both you and the lender.

- ❑ Respond to conditions quickly. Speed is your best strategy.



The Closing Disclosure



Issued 3 business days
before closing

Federal law guarantees you time
to review



Shows final loan terms
and all costs

Monthly payment, interest rate,
closing costs



Compare to your Loan
Estimate

Flag any unexpected changes
immediately

Closing Day — What to Expect

Bring Valid ID

Plus certified funds (wire or cashier's check)

Sign ~100+ Pages

Your loan documents and deed

Funding & Recording

Same day or next business day

The Keys Are Yours

Welcome home



SECTION 9

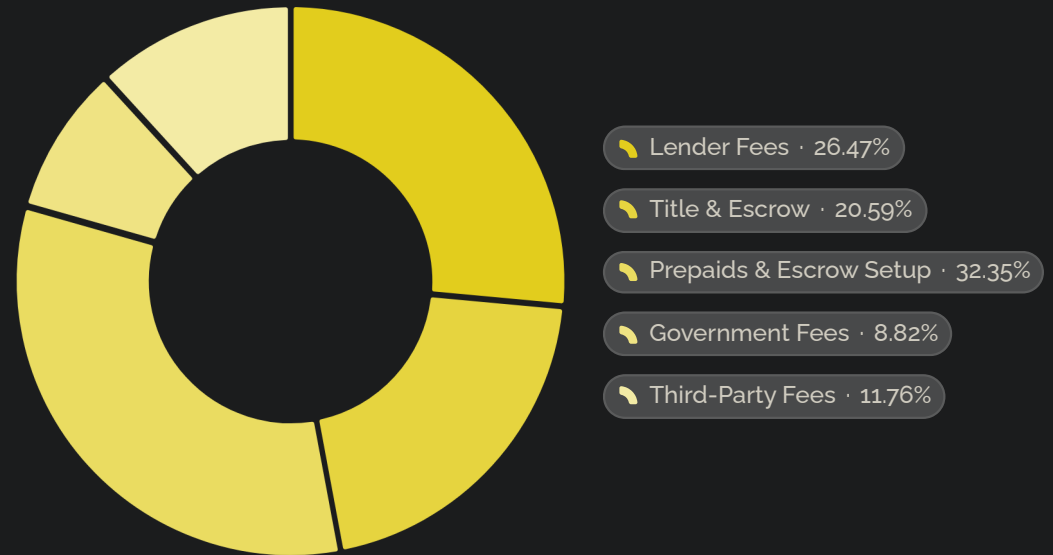
What Are Closing Costs?

2–5%

of the loan amount — paid at settlement. Covers lender fees, title, escrow, government recording, and prepaid expenses.

Closing Cost Breakdown

- **Lender fees:** Origination, underwriting, processing
- **Title fees:** Title search, title insurance
- **Government:** Recording fees, transfer taxes
- **Prepays:** First year insurance, prepaid interest, escrow setup
- **Third-party:** Appraisal, survey, attorney



Who Pays What — and What's Negotiable

Seller Concessions

Can cover buyer closing costs —
negotiate this in your offer

Lender Credits

Trade a slightly higher rate for
reduced upfront costs

Fixed vs. Negotiable

Some fees are fixed by law —
others are negotiable



SECTION 10

Your First Mortgage Payment

Your first payment is typically due the 1st of the month following 30 days after closing.

Close on March 15 → First payment due May 1. Prepaid interest at closing covers the gap.

Escrow Analysis — What It Means

Annual Review

Your servicer reviews your escrow account every year

Payment Adjusts

If taxes or insurance increased, your payment adjusts accordingly

Surplus Refunded

Shortages spread over 12 months — no sudden shocks



Homestead Exemption — Apply Immediately

- Reduces your **assessed property value** for tax purposes
- Saves **hundreds to thousands** per year depending on your state
- Must be your primary residence — apply **within the first year**

✔ One of the most overlooked benefits of homeownership. Don't miss it.

Maintenance Planning

1–2%

Annual Reserve

Of home value — budgeted for maintenance each year

\$8K

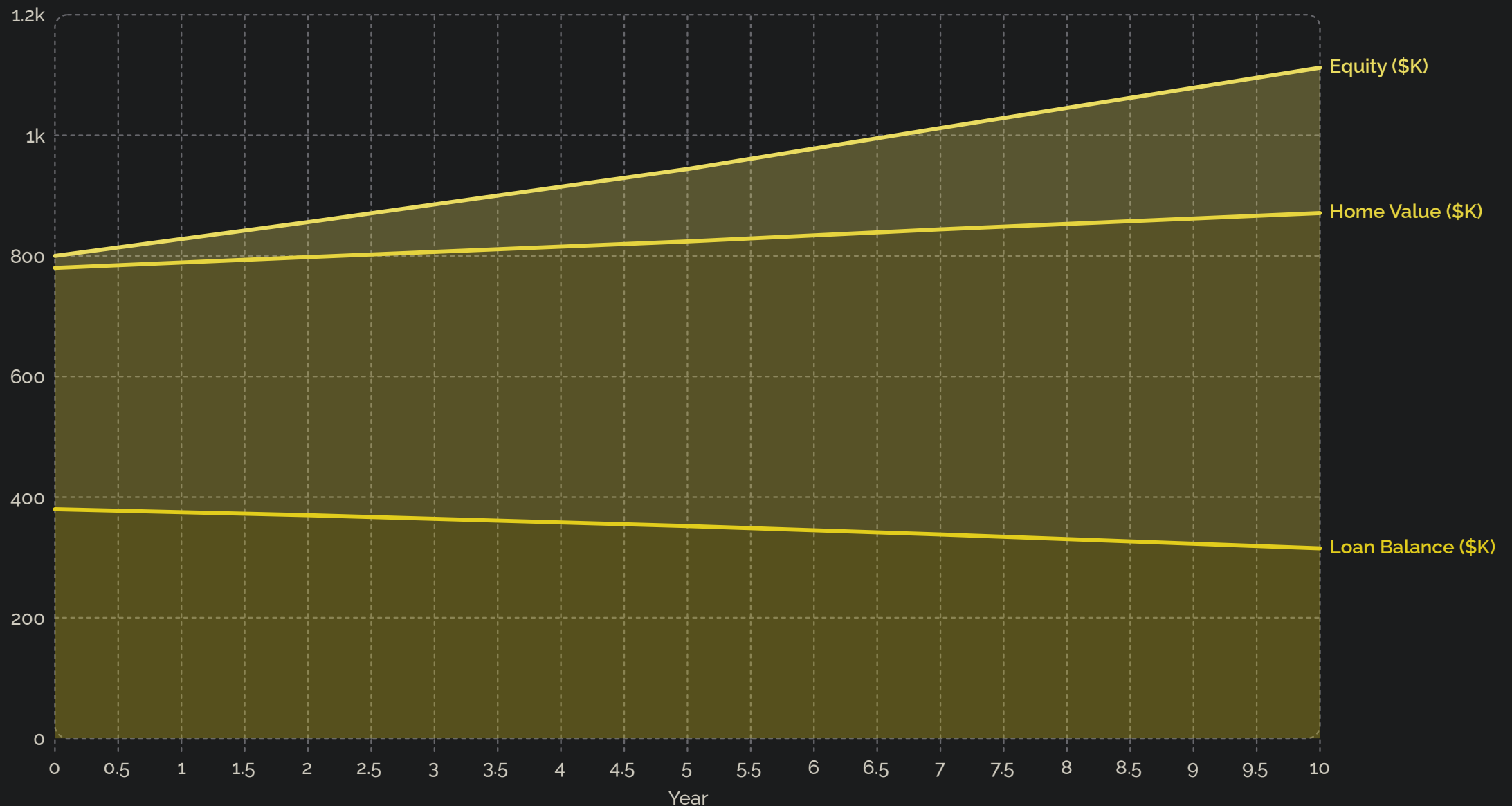
Annual Max

On a \$400K home — \$4,000–\$8,000/year to set aside

 Deferred maintenance is the most expensive kind.

Equity — Your Growing Asset

Equity = Home Value – Loan Balance. It grows two ways: your loan balance decreases with every payment, and your home's value appreciates over time.





The Power of Appreciation

4%

Historic Annual Appreciation

U.S. home values, long-term average

80%

Return on Down Payment

A 4% gain on \$400K = \$16,000 on a \$20,000 investment — in one year

Refinancing — When It Makes Sense

01

Rate drops 0.75–1%+

Below your current rate

02

Calculate break-even

$\text{Closing costs} \div \text{monthly savings} = \text{months to recoup}$

03

Plan to stay past break-even

Otherwise the savings don't materialize

04

Cash-out refinance option

Access equity for renovations or investments

Extra Payments — The Math Is Compelling

One Extra Payment/Year

30-year loan pays off in ~24 years

Tens of Thousands Saved

In interest over the life of the loan

But Compare First

Investment returns before
committing extra cash

Homeownership is the primary vehicle through which American families build and transfer wealth. The equity you build today becomes the foundation your family stands on tomorrow.



FINANCIAL DECISION FRAMEWORK

A Mortgage Is a Wealth-Building Tool

Leverage

Control a \$400K asset with
\$20K down

Good Debt

Appreciating asset, tax
considerations, forced savings

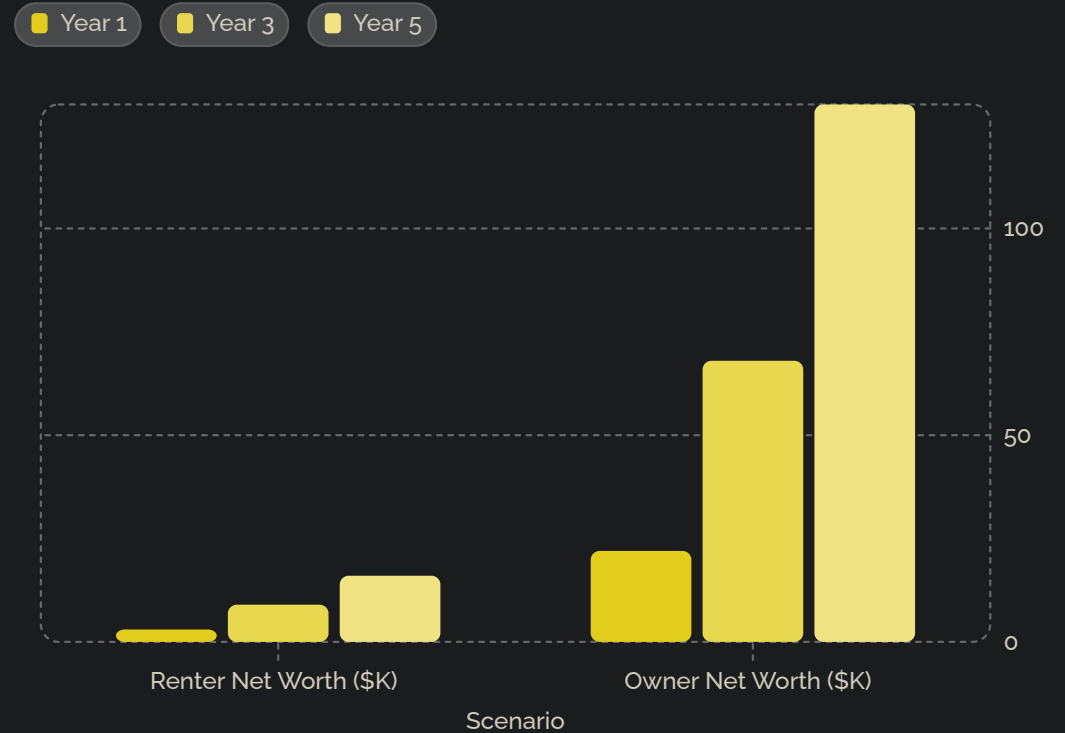
Opportunity Cost of Waiting

Every year of delay is a year of appreciation lost

Buy Now or Wait?

"Marry the house, date the rate." Refinance when rates fall.
Waiting for rates while prices rise often costs more.

5-year rent vs. buy: ownership wins in most U.S. markets.



Down Payment Strategy — Is 20% Always Best?

3–5% Down

Enter the market sooner — preserve liquidity

10% Down

Balance — lower PMI, more reserves

20% Down

No PMI, but opportunity cost of capital is real

❏ PMI is not always the enemy — sometimes it's the price of entry into a rising market.

Should You Buy Discount Points?

Calculate your break-even: cost of points ÷ monthly savings. If you'll stay past break-even → points likely make sense. If you may move or refinance within 5 years → probably not.

Points Paid	Upfront Cost	Rate Reduction	Monthly Savings	Break-Even
0 points	\$0	—	—	—
1 point	\$4,000	0.25%	\$67	60 months
2 points	\$8,000	0.50%	\$134	60 months

Fixed Rate vs. ARM — Decision Framework

Choose Fixed If

- Long-term ownership planned
- Rate certainty matters to you
- Current rates are historically reasonable

Consider ARM If

- Selling or refinancing within 5–7 years
- Initial savings are significant
- You can absorb rate variability

Real-World Buyer Profiles



First-Time Professional

5% down Conventional, 30-year fixed — preserves cash flow



Veteran

VA loan, 0% down, no PMI — maximum benefit utilized



Self-Employed

Bank Statement loan, 10% down — income documented via deposits



Physician

Physician loan, 0–5% down, high DTI accepted



Common Financial Mistakes Homeowners Make

- Becoming house poor — buying at the absolute top of budget
- Draining emergency savings for the down payment
- Ignoring maintenance costs — they are not optional
- Carrying high-interest consumer debt after closing
- Failing to review homeowners insurance annually

Tax Considerations — A High-Level Overview

Mortgage Interest Deduction

May be deductible — consult a tax professional

Property Tax Deduction

Deductible up to \$10,000 (SALT cap)

Capital Gains Exclusion

Up to \$250K/\$500K on primary residence sale

Homestead Exemption

Reduces assessed value — apply in year one

The Best Mortgage Is the One That Fits Your Life

The best mortgage is not simply the one with the lowest interest rate. It is the one that aligns with your long-term financial goals, preserves flexibility, supports wealth creation, and gives you confidence throughout your homeownership journey.



Frequently Asked Questions

How do I know if I'm ready to buy? Start with pre-approval to understand your position	How long does the process take? 30–45 days from contract to close
Do I need a real estate agent? Strongly recommended — typically paid by the seller	Pre-qual vs. pre-approval? Pre-approval is verified and carries weight with sellers
Will applying hurt my credit? One mortgage inquiry has minimal impact	Can I use gift money for a down payment? Yes — with a gift letter and documentation
What if the appraisal comes in low? Negotiate price, pay the gap, or walk away (with contingency)	What happens if rates change after I lock? A rate lock protects you for 30–60 days

Mortgage Glossary — Essential Terms

Amortization Gradual loan repayment through scheduled payments	APR Annual Percentage Rate — total cost of borrowing including fees	Rate Lock Agreement to hold your interest rate for a set period	Refinance Replace your existing mortgage with a new loan
Clear to Close (CTC) All underwriting conditions satisfied	DTI Debt-to-Income Ratio — monthly debts divided by gross income	Title Insurance Protects against ownership disputes or liens	Underwriting Process of evaluating a loan application for approval
Escrow Account holding funds for taxes and insurance	LTV Loan-to-Value — loan amount divided by appraised value	VA Loan Mortgage benefit for eligible veterans and service members	PITI Principal, Interest, Taxes, Insurance — the four components of your payment
PMI Private Mortgage Insurance — required on conventional loans below 20% down		MIP Mortgage Insurance Premium — FHA's version of mortgage insurance	

Your Step-by-Step Path to the Keys

01 Review your credit Pull your free report and know your score	02 Calculate your budget Income, debts, and savings
03 Get pre-approved With a trusted lender	04 Engage a buyer's agent In your target market
05 Search and identify Tour homes and make your choice	06 Make an offer With strong contingencies
07 Complete inspection And negotiate findings	08 Lock your rate And submit your full application
09 Respond to underwriting Quickly and completely	10 Review Closing Disclosure Carefully — compare to Loan Estimate
11 Close, fund, record Receive your keys	12 Apply for homestead exemption Within 30 days of closing

Knowledge Builds Confidence. Guidance Builds Successful Homeowners.

When you're ready to take the next step, **Vabasso** combines intelligent technology with experienced mortgage professionals to simplify every stage of the journey. Whether you're exploring your options or ready to buy, we're here to help you make informed decisions with confidence.