

FIRST-TIME HOME BUYER COMPLETE PREP KIT

Everything you need to know before you apply — written in plain English

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"Knowledge is the most powerful thing I can give you before you sit across from any lender. Walk in knowing what they know. It changes everything." — Dr. Robert McNeill

WHAT THIS GUIDE COVERS

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Section 2	DTI — the number that controls everything about your qualification
Section 3	Credit Scores — what they mean, what changes them, what each tier unlocks
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Section	Topic
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SECTION 1: THE HOME BUYING TIMELINE

Most first-time buyers dramatically underestimate how long buying a home takes — and how many moving parts have to align at exactly the same time. A realistic timeline prevents the two most common mistakes: rushing the preparation phase and misunderstanding what has to happen and in what order.

Phase	Typical Timeframe	What Happens / What You Are Doing
Financial Preparation	3–12 months before buying	Building credit, saving down payment, reducing DTI, gathering documents
Education & Research	Overlaps with preparation	Understanding loan types, neighborhoods, realistic price ranges, total costs
Pre-Approval	1–2 weeks	Submit documents, lender pulls credit, issues pre-approval letter with qualifying amount
Home Search	2–12 weeks (varies widely)	Working with agent to find the right home in your budget — can be fast or slow depending on market
Under Contract	1–5 days after offer accepted	Purchase agreement signed, earnest money deposited, inspection and appraisal ordered
Inspection Period	7–14 days typically	Inspector examines property, you review findings, negotiate repairs or credits
Loan Processing	3–5 weeks	Lender orders appraisal, underwriter reviews full file, conditions are issued and cleared
Clear to Close	1–3 days before closing	Underwriter approves file, Closing Disclosure issued — you have 3 business days to review
Closing Day	One appointment, 1–2 hours	Sign all documents, wire funds, receive keys — you are a homeowner
Total Typical Timeline	3–6 months from serious start	Longer if credit repair or significant saving is needed first

WARNING | Do Not Skip the Preparation Phase

The buyers who get the best loans, the best rates, and the smoothest closings are the ones who spent 3–12 months preparing before ever contacting a lender. The buyers who rush in unprepared spend more money, have more stressful closings, and sometimes lose homes they loved because a preventable issue surfaced at the last minute. Preparation is not wasted time — it is the highest-value investment you make in this process.

What "Pre-Approval" Actually Means — And What It Does Not

Pre-approval is not a guarantee that you will get the loan. It is a conditional commitment based on the information you provided at the time of application. The underwriter has not yet reviewed your full file. Many things can still change between pre-approval and closing.

Term	What It Actually Means	Reliability
Pre-Qualification	Informal estimate based on self-reported information — no credit pull, no document review	Low — treat as rough estimate only
Pre-Approval	Credit pulled, documents reviewed by loan officer — conditional approval subject to property and final underwriting	Moderate — good faith estimate, not a guarantee
Underwritten Pre-Approval	Actual underwriter has reviewed your file — strongest pre-approval available	High — only the property appraisal and title remain
Clear to Close	Underwriter has fully approved everything — closing is scheduled	Very high — only administrative steps remain

PRO TIP | Ask for an Underwritten Pre-Approval in Competitive Markets

In a market where you may be competing with multiple offers, a standard pre-approval letter is the minimum — not the advantage. Ask your lender if they offer fully underwritten pre-approvals. When sellers see that an actual underwriter has reviewed your file, your offer carries significantly more weight than a buyer with only a loan officer's pre-approval. This can be the difference between winning and losing a bidding situation.

SECTION 2: DTI — THE NUMBER THAT CONTROLS EVERYTHING

Debt-to-Income ratio (DTI) is the single most important number in your mortgage qualification. More loans are denied because of DTI than any other single factor — including credit score. Understanding it, calculating it accurately, and knowing how to improve it before you apply is the foundation of your home buying strategy.

Front-End vs. Back-End DTI

DTI Type	What It Includes	Lender Limits
Front-End (Housing) DTI	Your new housing payment only: principal + interest + property taxes + homeowners insurance + HOA if applicable (PITI)	Conventional: 28% guideline FHA: 31% guideline (Less strictly enforced than back-end)
Back-End (Total) DTI	EVERYTHING: your new housing payment PLUS all existing monthly debt obligations — car loans, student loan minimums, credit card minimums, personal loans, child support, alimony	Conventional: 43–45% maximum FHA: 50% maximum with compensating factors VA: 41% guideline

Calculate Your DTI Right Now

Step-by-Step DTI Calculation

Step 1 — List your gross monthly income (before taxes):

Salary or hourly: use annual gross \div 12. Do NOT use take-home pay. Variable income (commission, overtime, bonuses): must have 2-year history, lender uses 24-month average.

Step 2 — List every monthly minimum debt payment:

Car loan minimum + Student loan minimum (even if deferred — see warning below) + Credit card minimums (the minimum due, not what you actually pay) + Personal loan minimums + Any child support or alimony payments = Your total monthly debt

Step 3 — Calculate current DTI: Total monthly debt \div Gross monthly income

Step 4 — Estimate your new housing payment (PITI): Use the PITI calculator at www.drrobmortgage.com — enter your target price, estimated taxes, and insurance for that area.

Step 5 — Calculate your projected back-end DTI: (Total monthly debt + New PITI) \div Gross monthly income

Example: Gross income \$6,500/mo | Car \$380 + student loan \$210 + credit card minimums \$120 = \$710 existing debt | Target PITI \$1,650 | Back-end DTI = $(\$710 + \$1,650) \div \$6,500 = 36.3\%$ → Qualifies conventional.

WARNING | The Three DTI Mistakes That Blindside First-Time Buyers

(1) Using take-home pay instead of gross income — lenders always use pre-tax gross. Using take-home can make your DTI look 25–30% worse than lenders actually calculate it. (2) Using what you actually pay on credit cards instead of the required minimum — lenders use the minimum payment shown on your statement, not the extra you choose to pay. (3) Forgetting deferred student loans — most programs count 0.5–1% of the outstanding loan balance as a monthly payment even when you are in deferment and currently paying \$0. On \$45,000 in student loans, that is \$225–\$450/month added to your DTI automatically.

How to Lower Your DTI Before Applying

Strategy	DTI Impact	Notes
Pay off a car loan or personal loan completely	High — eliminates entire payment	Removing a \$400/month payment is worth roughly \$55,000 more home at conventional rates
Pay off smallest credit card balances completely	Moderate — removes minimum payments	Focus on elimination, not just reduction — removing a \$75/month minimum matters more than reducing a \$400 balance
Add a co-borrower with income	High — increases denominator	Both incomes are counted; both credit scores are considered — the lower of the two middle scores is used
Increase your down payment	Moderate — reduces loan amount and payment	Larger down = smaller PITI = lower front-end and back-end DTI
Document all qualifying income sources	High if untapped income exists	Part-time income with 2-year history, rental income, boarder income, alimony received all count if properly documented
Avoid new debt entirely	Critical — no new loans or cards	One new car payment can eliminate your qualification for a specific price point
Do not pay down revolving debt (cards) expecting DTI improvement	Zero impact on DTI	Paying a card from \$3,000 to \$1,500 does NOT change the minimum payment lenders count — only full payoff removes the payment

SECTION 3: CREDIT SCORES — WHAT THEY MEAN AND HOW TO MOVE THEM

Your credit score does not just determine whether you qualify — it determines the interest rate you pay for the life of the loan. A 40-point difference can mean \$150–\$300 more per month on the same loan. Over 30 years, that is \$54,000–\$108,000. Your score is worth investing in.

The Score Your App Shows Is NOT What Your Lender Sees

Credit Karma, Capital One CreditWise, most bank apps, and free monitoring services use VantageScore — a model that can differ from your actual FICO mortgage score by 20–60 points. Mortgage lenders use FICO Score 2 (Experian), FICO Score 4 (TransUnion), and FICO Score 5 (Equifax). They pull all three, then use your middle score for qualification. Get your real FICO scores at [myFICO.com](https://myfico.com) before assuming you qualify.

What Each Score Tier Unlocks

Score Range	What It Unlocks	Rate Impact vs. 760+
Below 500	No standard mortgage program — focus entirely on credit building first	N/A
500–579	FHA with 10% down payment only — very limited lender options	Significantly higher rate
580–619	FHA with 3.5% down — major milestone. Most conventional lenders require 620+	+1.5–2.5% above best rate
620	Conventional loan minimum — unlocks Fannie Mae and Freddie Mac programs	+1.0–1.5% above best rate
640	Better conventional pricing; Non-QM programs become accessible	+0.75–1.25% above best rate
660	Conventional rate tiers begin improving noticeably at most lenders	+0.50–0.75% above best rate
680	Strong conventional pricing — meaningful payment reduction versus 640	+0.25–0.50% above best rate
720	Excellent rate tier — near-best pricing at most lenders	+0.10–0.25% above best rate
740+	Best conventional rates — maximum benefit from score improvement	Baseline — best available
760+	No meaningful difference above 760 at most lenders	Same as 740+ at most programs

What Your Score Is Made Of

Factor	Weight	How to Help It	How to Hurt It
Payment History	35%	Pay every account on time, every month — zero exceptions	One 30-day late payment drops most scores 50–100 points

Factor	Weight	How to Help It	How to Hurt It
Credit Utilization	30%	Keep each individual card below 30%; push to 10% for best scores	Maxing cards or consistently carrying high balances suppresses score significantly
Length of History	15%	Keep old accounts open even if unused; age of oldest and average age both matter	Closing old accounts reduces average age and available credit simultaneously
Credit Mix	10%	Having both installment loans (auto, student) and revolving credit (cards) helps	Having only one type of credit limits your score ceiling slightly
New Inquiries	10%	Avoid any new credit applications for 6+ months before applying for mortgage	Each hard inquiry costs 5–10 points; stays on report 2 years

The Fastest Ways to Raise Your Score

Action	Timeframe for Score Impact	Estimated Improvement
Pay down high-utilization credit cards (each card below 30%)	Next statement cycle — 30–45 days	20–80 points depending on starting utilization
Pay cards below 10% utilization	Next statement cycle	Additional 10–30 points on top of above
Dispute and remove credit report errors	30–45 days after correction	20–100+ points depending on severity of error
Rapid rescore through lender after paying down debt	3–7 business days	Same as paydown above — just much faster
Pay for delete on a collection account	30 days after deletion confirmed	30–100+ points depending on recency of collection
Become an authorized user on a family member's old, well-managed account	30–60 days	10–40 points — depends on the account's history and limit

PRO TIP | Rapid Rescore — Available Only Through Your Lender

If you are close to a qualifying threshold and need a faster result than waiting for the next statement cycle, ask your loan officer about rapid rescoring. After you pay down a debt or have an error corrected, your lender can submit proof to the bureau and have your score updated within 3–7 business days. Cost is typically \$25–50 per account per bureau. Worth every dollar if it moves you from 619 to 621 or from 739 to 741.

SECTION 4: LOAN PROGRAMS — EVERY OPTION COMPARED HONESTLY

Most first-time buyers know about FHA and conventional loans. Few know about VA, USDA, Non-QM, and down payment assistance combinations. Understanding all your options before you walk into any lender's office is the difference between choosing a loan and being sold one.

Conventional Loan (Fannie Mae / Freddie Mac)

Factor	Detail
Minimum Down Payment	3% (first-time buyers) / 5% (repeat buyers)
Minimum Credit Score	620 required / 740+ for best rates
Maximum DTI	43–45% back-end (some lenders allow to 50% with compensating factors)
Mortgage Insurance	PMI required below 20% down — cancels automatically at 80% LTV
Loan Limits	Higher limits than FHA in most markets — check conforming limits at FHFA.gov
Property Condition	Flexible — no minimum property condition requirement beyond safety
Income Documentation	2 years tax returns, W2s, 30 days pay stubs

Best For

Best for buyers with 620+ credit score, stable income, and a plan to eliminate PMI. The flexibility on PMI removal and higher loan limits make this the preferred long-term choice when you qualify.

FHA Loan (Federal Housing Administration)

Factor	Detail
Minimum Down Payment	3.5% with 580+ score / 10% with 500–579 score
Minimum Credit Score	580 for 3.5% down / 500 for 10% down
Maximum DTI	Up to 50% with compensating factors — most flexible DTI of any standard program
Mortgage Insurance	MIP upfront (1.75% of loan, rolled into loan) + monthly MIP for life of loan if less than 10% down
Loan Limits	Set by county — varies significantly by area. Check current limits at HUD.gov
Property Condition	Must meet FHA Minimum Property Standards — cannot have major deferred maintenance
Income Documentation	Same as conventional — 2 years of income history required

Best For

Best for buyers with 580–619 score, higher DTI, or limited down payment. FHA is not a fallback loan — it is the right tool when it fits your situation. Just understand the lifetime MIP cost.

VA Loan (Veterans Affairs — Veterans Only)

Factor	Detail
Minimum Down Payment	Zero — no down payment required for eligible veterans
Minimum Credit Score	580–620 at most lenders (VA has no official minimum — lenders set their own)
Maximum DTI	41% guideline / residual income requirement adds another layer of approval
Mortgage Insurance	None — VA loans have no monthly PMI. Funding fee applies instead (can be financed into loan)
Loan Limits	No loan limits for eligible veterans with full entitlement (as of 2020)
Funding Fee	1.25–3.3% of loan amount depending on down payment and usage — waived for disabled veterans
Property Condition	Must meet VA Minimum Property Requirements — similar to FHA standards

Best For

The best loan available for eligible veterans. No down payment, no PMI, competitive rates, and no loan limit with full entitlement. If you or your spouse have served, always check VA eligibility first.

USDA Loan (Rural Development)

Factor	Detail
Minimum Down Payment	Zero — no down payment required in eligible rural areas
Minimum Credit Score	640+ most lenders
Maximum DTI	41% front-end / 41% back-end guideline
Income Limits	Household income must be at or below 115% of area median income — check eligibility at usda.gov
Geographic Restriction	Property must be in a USDA-eligible rural or suburban area — many suburban areas qualify
Mortgage Insurance	Annual guarantee fee (0.35% of loan balance) + upfront fee (1% of loan — can be financed)
Property Condition	Must be modest in size and cost — luxury features may disqualify

Best For

Often overlooked — USDA offers zero down in a wider range of areas than most buyers expect. Many suburban communities qualify. Check the USDA property eligibility map at usda.gov before assuming you do not qualify.

Non-QM Loans (Bank Statement, P&L;, Asset Depletion)

Factor	Detail
Minimum Down Payment	10% typical for bank statement / 10–20% asset depletion
Minimum Credit Score	640+ for most Non-QM programs
Income Documentation	No tax returns — uses bank statements, CPA P&L;, or liquid assets instead
Rate Premium	+0.75–1.75% above conventional rate — real cost over time
DTI Limit	Up to 50% depending on program
Best Income Scenario	Self-employed buyers with high deposits but low Schedule C net income
Key Consideration	Plan to refinance into conventional when possible — the rate premium adds up significantly over time

Best For

The right tool for self-employed buyers whose tax returns underrepresent their actual income. Not a fallback — a legitimate solution for a specific situation. See the Self-Employed Home Buyer Survival Guide for complete details.

FHA vs. Conventional — The Decision That Matters Most

Factor	FHA	Conventional
Min score for entry	580	620
Min down payment	3.5%	3%
Max DTI	50% (with compensating factors)	43–45%
Mortgage insurance	MIP for life of loan (if < 10% down)	PMI drops at 80% LTV automatically
Property condition	Must pass FHA standards	More flexible
Seller concession limit	6% of purchase price	3% (< 10% down) / 6% (10%+ down)
Loan limits	Lower — set by county	Higher conforming limits
Best when score is:	580–619	620+
Best when DTI is:	Above 45%	At or below 45%
Best when down payment is:	3.5% — limited cash available	5–20% — better cash position

WARNING | The Hidden 30-Year Cost of FHA Mortgage Insurance

On an FHA loan with less than 10% down, you pay MIP (Mortgage Insurance Premium) for the ENTIRE life of the loan — it never cancels regardless of your equity. On a \$300,000 loan, MIP costs roughly \$150–165/month. Over 30 years: \$54,000–\$59,000 in pure insurance cost. FHA is still the right answer in many situations — just go in with eyes open. If you start with FHA, build a refinance plan: when your home reaches 20% equity (through appreciation or paydown), refinance into conventional and eliminate the MIP permanently.

SECTION 5: DOWN PAYMENT — SOURCES, SEASONING & THE CASH TRAP

The down payment is where more first-time buyers get blindsided than anywhere else. It is not just about having enough money — it is about where the money came from, how long it has been in your account, and whether you can document every dollar. Getting this wrong causes last-minute closing failures when buyers are already emotionally and financially committed.

The 60-Day Seasoning Rule

Your down payment funds must be in your personal bank account for a minimum of 60 days before your application date. Lenders pull 2–3 months of bank statements and scrutinize every deposit that is larger than roughly half your monthly income. Any deposit that cannot be sourced and explained can disqualify those funds entirely — or stall your closing until it is resolved.

Funds Source	Seasoning Required	Documentation Lender Needs
Regular payroll / direct deposit	None — expected pattern	No extra documentation needed
Tax refund deposit	60 days preferred	May need to provide tax return for verification
Sale of a vehicle or personal property	60 days	Bill of sale: buyer name, date, amount — lender will verify plausibility
Gift from family member	Immediate — with full gift package	Signed gift letter + donor bank statement showing funds leaving + your statement showing funds arriving
Cash savings kept at home	Problematic — cannot be sourced	Deposit at least 75 days before application; no documentation makes cash genuinely difficult
Retirement account withdrawal (401k, IRA)	60 days in bank account	Distribution statement + documentation of penalty paid if applicable
Business account transfer to personal	60 days in personal account	Both business and personal statements for the full period
Legal settlement or court judgment	60 days + documentation	Copy of settlement agreement with amount and date
Inheritance	60 days + documentation	Death certificate + executor distribution letter or trust documentation
Cryptocurrency sale converted to cash	60 days in bank account	Exchange account transaction history + wire receipt
Bonus check (one-time or irregular)	60 days if significantly above normal	Employer verification letter if amount raises sourcing questions
Proceeds from sale of another property	60 days from closing date	HUD-1 or Closing Disclosure from that sale transaction
Down payment assistance program funds	Varies by program — typically immediate with DPA docs	DPA award letter + all program documentation

WARNING | The Cash-Under-the-Mattress Problem

Saving cash at home then making one large deposit right before applying is one of the most common — and most dangerous — mistakes first-time buyers make. Lenders cannot verify the source of cash, and "I was saving it at home" is not an acceptable explanation under any standard loan program. Any deposit over roughly half your monthly income will trigger a sourcing requirement. If you have cash savings at home: deposit them NOW, not when you are ready to buy. Give yourself at least 75 days — 60 days of seasoning plus a 15-day buffer for the application process.

PRO TIP | Work Backwards From Your Target Closing Date

Decide when you want to close. Count backwards 75 days from your planned application date — that is when your down payment must be in the bank. Not when you want to apply, when the money must already be there. Closing in May and applying in April? Every dollar of your down payment must be sitting in your account by January 15th at the latest. Do this calculation today — most buyers discover they need to start sooner than they thought.

Gift Funds — The Complete Documentation Requirement

Gift funds from family members are allowed on most loan programs. But the documentation requirements are specific and non-negotiable. Missing even one item at the closing table causes stalls. Prepare every item on this list before the funds are ever transferred.

- > **A signed gift letter** — must state: the exact dollar amount gifted, the donor's name and relationship to you, the subject property address, and an explicit statement that the funds are a gift and are NOT expected to be repaid under any circumstances, ever
- > **Bank statement from the donor** showing the funds leaving their account — must show the donor's name on the account, the date, and the amount matching the gift letter
- > **Bank statement from your account** showing the funds arriving — must match the gift letter amount
- > **The donor cannot be** the seller, real estate agent, builder, or any other party who has a financial interest in the transaction — this would constitute an undisclosed kickback
- > **Business account gifts are generally not allowed** — the gift must come from a personal account belonging to the donor
- > **The lender may ask the donor to show sufficient funds** before the gift was made — they are verifying the donor actually had the money and did not borrow it

WARNING | The Informal Repayment Trap — This Is Mortgage Fraud

If a family member gives you money for your down payment but expects to be paid back — even informally, even verbally with a handshake — this is legally a loan, not a gift, and must be disclosed to the lender. Signing a gift letter that states "no repayment expected" when repayment is actually expected is mortgage fraud — a federal crime. If someone is helping you and expects repayment, talk to your loan officer about how to properly structure and disclose it before any money moves. There are compliant ways to handle this. Hiding it is not one of them.

SECTION 6: DOWN PAYMENT ASSISTANCE PROGRAMS

Down payment assistance (DPA) is one of the most underused resources in real estate. The National Association of Realtors estimates that 70% of first-time buyers who qualify for DPA do not know it exists. Programs vary by state, county, city, and employer — and many lenders do not proactively offer them because they require more paperwork.

Types of Down Payment Assistance

DPA Type	How It Works	Typical Amount	Key Requirement
Forgivable Grants	Funds given outright — not repaid if you stay in the home for a set period (typically 3–5 years)	2–5% of purchase price	Occupancy requirement — must live in home as primary residence
Deferred Payment Loans	Second mortgage with zero payments until you sell, refinance, or pay off the first mortgage	2–5% of purchase price	Repaid at sale or refinance — no monthly cost while you live there
Amortizing Second Mortgage	Second mortgage with low monthly payments alongside your first mortgage	2–5% of purchase price	Adds a second payment — factor this into your DTI calculation
Matched Savings Programs	Program matches your deposits dollar-for-dollar up to a cap	\$2,000–\$10,000 typical match	Requires saving period — usually 6–12 months of consistent deposits
Employer-Assisted Housing	Employer contributes to your down payment as a benefit	Varies — \$1,000–\$10,000+ at larger employers	Must stay employed with that employer for a defined period
State Housing Finance Agency Programs	Below-market rate loans combined with DPA for qualifying buyers	Varies by state and program	Income limits, purchase price limits, homebuyer education course

Texas-Specific Programs

Program	What It Offers	Who Qualifies	Where to Apply
TDHCA My First Texas Home	Up to 5% of loan amount in DPA for down payment and closing costs, combined with a 30-year fixed mortgage at competitive rates	First-time buyers (or not owned in 3 years), income and purchase price limits apply by county	TDHCA.state.tx.us — through approved lenders
TDHCA Texas Mortgage Credit Certificate	Federal tax credit of up to 40% of annual mortgage interest paid — can be used alongside DPA	First-time buyers, income and purchase price limits	TDHCA.state.tx.us — must apply through approved lender before closing
TSAHC Home Sweet Texas	Down payment assistance grants and loans for qualifying buyers at or below income limits	Both first-time and repeat buyers who meet income limits	TSAHC.org — through approved lenders

Program	What It Offers	Who Qualifies	Where to Apply
TSAHC Homes for Texas Heroes	Additional DPA for teachers, firefighters, police, nurses, veterans, and corrections officers	Qualifying professionals at income limits	TSAHC.org
City-Specific Programs	Houston, Dallas, San Antonio, Austin all have city-funded DPA programs with their own rules	Varies by city — typically income-limited, primary residence	Contact your target city's housing department directly

PRO TIP | Ask Every Lender This Exact Question

"What down payment assistance programs are you approved to offer in the county where I am buying?" Not all lenders are approved for all DPA programs — some require specific lender certification. A lender who is not DPA-approved in your target county literally cannot access those programs for you, regardless of whether you qualify. This one question can reveal thousands of dollars in available assistance that the lender you're sitting across from cannot offer but a different lender can. Always ask. Always compare.

What Typically Disqualifies Buyers From DPA Programs

DPA programs have rules. Knowing the disqualifiers before you apply saves time and prevents surprises late in the process when you are already emotionally invested.

Disqualifier	Why It Matters	Workaround or Alternative
Income above program limit	Most DPA programs cap eligibility at 80-120% of Area Median Income	TSAHC Homes for Texas Heroes has separate limits for qualifying professions — always check multiple programs
Purchase price above program cap	DPA programs set maximum purchase prices — often lower than hot market values	TDHCA updates limits periodically — confirm current caps before limiting your search
Credit score below DPA minimum	Most DPA requires 620-640 minimum score, some higher	Build score first using the Credit Repair & Seasoning Roadmap, then apply
Owned a home in the past 3 years	Most first-time buyer DPA programs require no ownership in prior 3 years	TSAHC Home Sweet Texas has no first-time buyer requirement — check all programs
Homebuyer education not completed	Most programs require HUD-approved course before closing	Complete the course online at eHome America or Framework early — takes 4-6 hours
Property type not eligible	Many programs exclude condos, manufactured homes, or mixed-use	Confirm property eligibility before making any DPA-dependent offer
DTI exceeds program limit	Some DPA programs have stricter DTI rules than the base loan	Reduce DTI first — payoff a car loan or small credit card before applying
Lender not program-approved	Your lender may not be certified for a specific DPA program	Ask the DPA program directly for its list of approved lenders in your area

The Homebuyer Education Requirement — Do It Now, Not Later

Virtually every DPA program and most first-time buyer loan products require a HUD-approved homebuyer education course. This cannot be done the day before closing — it must be completed before you are under contract at most lenders. Do it now. The course is genuinely useful even without the requirement: it covers budgeting, the loan process, what to look for in a home, and first-year ownership responsibilities. Most buyers say it saved them from at least one costly mistake.

Provider	Format	Cost	Where to Access
eHome America	Online self-paced — widely accepted by Texas DPA programs	\$99	eHomeAmerica.org
Framework Homeownership	Online self-paced — widely accepted nationally	\$75	FrameworkHomeownership.org
HUD-Approved Counselors	In-person or phone — often free; also satisfies course requirement	Free-\$75	HUD.gov/find-a-housing-counselor
TDHCA Online Course	Required specifically for TDHCA programs — also satisfies general requirement	\$35	TDHCA.state.tx.us

SECTION 7: CLOSING COSTS — EVERY FEE ITEMIZED

Closing costs are the expense that blindsides more first-time buyers than any other. Buyers budget carefully for the down payment, then discover three days before closing that they also need an additional \$8,000–\$18,000 in costs that nobody clearly explained. Here is every fee, what it is, who it goes to, and how to reduce it.

Fee Category	Typical Range	Who Receives It	Negotiable?
Loan origination fee	0–1% of loan amount	Your lender	Yes — compare between lenders
Underwriting fee	\$400–\$900	Your lender	Sometimes — often bundled
Application fee	\$0–\$500	Your lender	Yes — many lenders waive
Appraisal fee	\$400–\$750	Appraiser (ordered by lender)	No — required; paid upfront; non-refundable if you do not close
Credit report fee	\$25–\$75	Credit bureau via lender	No — required
Title search fee	\$300–\$600	Title company	Shop between title companies
Title insurance — lender's policy	\$400–\$900	Title company	Required — rate regulated in Texas
Title insurance — owner's policy	\$400–\$900	Title company	Strongly recommended; protects you personally from ownership disputes
Settlement / closing fee	\$300–\$700	Title company or closing attorney	Shop between title companies
Recording fees	\$50–\$250	County government	No — set by government
Transfer taxes	\$0 in Texas	State government	N/A — Texas has no state transfer tax
Prepaid homeowners insurance	\$800–\$2,500 (first year)	Your insurance carrier	Shop insurance carriers — can save hundreds
Prepaid property taxes (escrow)	2–6 months of taxes	Escrow account	No — amount depends on closing date and tax rate
Prepaid interest	Varies by closing date	Your lender	Reduce by closing near end of month
HOA transfer / set-up fees	\$200–\$600 if applicable	HOA management	Sometimes waivable — ask HOA
TOTAL ESTIMATE	2–5% of purchase price		\$300K home: \$6,000–\$15,000 on top of down payment

Five Ways to Reduce Closing Costs

1. Negotiate Seller Concessions

Ask the seller to pay a portion of your closing costs as part of your purchase offer. In a balanced or buyer-friendly market, sellers often agree to contribute 2–3% of the purchase price toward closing costs. This is completely standard and legal. Conventional loans allow up to 3% seller concessions with less than 10% down, and up to 6% with 10%+ down. FHA allows up to 6%. Have your real estate agent negotiate this — do not be shy about asking.

2. Use Lender Credits (No-Closing-Cost Option)

Accept a slightly higher interest rate in exchange for the lender paying your closing costs. You pay nothing upfront at the table but more in interest over the life of the loan. This is a legitimate tool for cash-constrained buyers — ask your lender to show you the "breakeven" calculation: how many months until the higher rate costs more than the credits saved. If you plan to sell or refinance within 5 years, this often makes mathematical sense.

3. Close Near the End of the Month

Prepaid interest covers the days from your closing date to the end of that month. Close on the 28th and you pay 2–3 days of interest. Close on the 3rd and you pay 27–28 days. On a \$350,000 loan at 7%, each day of prepaid interest costs about \$68. Closing on the 28th vs. the 3rd saves approximately \$1,700 with zero negotiation, zero paperwork, and zero compromise.

4. Shop Title and Settlement Companies

Lender fees are regulated, but title and settlement fees are not. You have the legal right to choose your own title company (in most states, including Texas). Get quotes from 2–3 title companies in your area — the difference on title insurance, title search, and settlement fees can easily be \$500–\$1,500 on the same transaction.

5. Negotiate Lender Fees Directly

Application fees, processing fees, and some origination charges are negotiable. When you receive Loan Estimates from multiple lenders, you can use competing offers as leverage. Ask any lender directly: "Can you match or beat this competing offer?" Many will adjust their fees to win your business, especially if your credit profile is strong.

SECTION 8: THE APPRAISAL — WHAT CAN GO WRONG AND HOW TO PROTECT YOURSELF

The appraisal is an independent assessment of the home's market value, ordered by your lender but paid for by you. Lenders will not loan more than the appraised value — so an appraisal that comes in below your purchase price creates a real problem that you need a plan for before you are under contract.

How Appraisals Work

- > Your lender orders the appraisal after you are under contract — you cannot use an appraisal from a previous transaction
- > You pay the appraisal fee upfront — typically \$400–\$750 — and it is non-refundable even if the deal falls apart
- > The appraiser inspects the property and compares it to recent comparable sales ("comps") in the area
- > The appraisal determines the property's estimated fair market value — not necessarily what you agreed to pay
- > Lenders will only loan up to the lesser of: (a) the appraised value or (b) the purchase price
- > You receive a copy of the appraisal and have the right to dispute errors in the report

When the Appraisal Comes In Below Purchase Price

This is one of the most stressful scenarios in real estate — and it is more common in fast-moving markets. Know your options before you are under contract.

Option	What It Means	When to Use It
Renegotiate with seller	Ask seller to reduce price to appraised value	Best option — sellers often prefer this to losing the deal entirely
Pay the difference in cash	You bring extra cash to cover the gap between appraised value and purchase price	Works if you have the cash reserves — lender only loans on appraised value
Split the difference	You and seller each cover part of the appraisal gap	Common compromise — requires negotiation and cash reserves
Challenge the appraisal	Submit comparable sales you believe the appraiser missed — request reconsideration	Worth doing if the appraisal is genuinely too low based on market data
Walk away	Exercise your appraisal contingency and get your earnest money back	Use when seller won't negotiate and you cannot cover the gap

WARNING | Never Waive Your Appraisal Contingency Unless You Fully Understand the Risk

In competitive markets, buyers sometimes waive the appraisal contingency to make their offer more attractive. This means: if the appraisal comes in \$30,000 below purchase price, you are legally obligated to proceed with the purchase and cover the gap in cash — or lose your earnest money. Only waive this contingency if you (a) have verified cash reserves to cover a potential gap, (b) have done your own comparable sales research, and (c) understand you are taking a real financial risk. This is not a decision to make under pressure.

SECTION 9: THE HOME INSPECTION — ALWAYS. NO EXCEPTIONS.

In competitive markets, some buyers skip the inspection to make their offer more attractive. This is one of the costliest mistakes a first-time buyer can make. The inspection fee — typically \$350–\$600 — is the best money you will spend in the entire process. Here is why.

What a Home Inspection Covers

System / Area	What Inspector Examines	Common Issues Found
Foundation & Structure	Cracks, settling, moisture intrusion, load-bearing walls	Foundation movement is the most expensive repair in Texas — can be \$5,000–\$40,000+
Roof	Age, condition, missing/damaged shingles, flashing, gutters	Roof replacement: \$8,000–\$25,000 — sellers often negotiate on this
HVAC Systems	Heating, cooling, ductwork, filters, age of units	AC units over 12–15 years old are near end of life in TX — budget \$5,000–\$12,000 to replace
Electrical	Panel, wiring, outlets, GFCI protection, grounding	Older homes may have aluminum wiring or outdated panels — safety and insurance risk
Plumbing	Water heater, pipes, water pressure, drainage, fixtures	Polybutylene or galvanized pipes (common in older homes) may need full replacement
Insulation & Ventilation	Attic insulation, ventilation, vapor barriers	Inadequate insulation dramatically increases energy costs in Texas heat
Exterior	Grading, drainage, siding, windows, doors, deck/patio	Poor grading pushes water toward foundation — major cause of foundation issues
Basement / Crawl Space	If applicable — moisture, pests, structural	Moisture and pest damage can be hidden for years — crawl space inspection is critical

After the Inspection — Your Options

- > **Request repairs:** Ask the seller to fix specific items before closing — typically framed as critical safety and structural items, not cosmetic issues
- > **Request a price reduction:** Instead of requiring repairs, ask for a price reduction equal to the estimated repair cost — often cleaner than requiring sellers to manage contractors
- > **Request a closing credit:** Seller credits you money at closing that you use to pay for repairs yourself after moving in — gives you control over contractor selection
- > **Accept as-is and walk away:** If inspection reveals serious problems the seller will not address and you cannot afford to fix, your inspection contingency allows you to walk away and recover your earnest money
- > **Accept as-is and proceed:** If issues are minor or priced into the purchase, proceed with full knowledge of what you are buying

PRO TIP | Specialized Inspections Worth Adding

Beyond the standard home inspection, consider these additional inspections depending on the property: (1) Sewer scope — camera inspection of the sewer line from house to street — \$100–\$250, can reveal tree root intrusion or collapsed pipes before you own the problem. (2) Termite / WDO inspection — often required by lenders anyway; \$75–\$150. (3) Foundation elevation survey — essential in Texas; most standard inspections flag foundation concerns but a structural engineer provides a detailed report; \$300–\$600. (4) Pool inspection if applicable — \$150–\$250. The total cost of all four is under \$1,000 and could save you from a \$30,000 surprise.

SECTION 10: THE LOAN PROCESS — EVERY STAGE EXPLAINED

Understanding what happens at each stage of your loan removes the anxiety of the unknown and helps you respond faster when your lender asks for something. Speed of response is one of the biggest factors in whether you close on time.

Stage 1: Pre-Approval Application

You submit your income documents, employment history, and authorization for a credit pull. The loan officer reviews your file and issues a pre-approval letter with a maximum loan amount and estimated rate range. This is not yet a full underwriting review — it is a qualified opinion based on the documents provided.

- [] Submit complete documents upfront — missing one item delays everything downstream
- [] Be precise and consistent — income figures must match your tax returns and pay stubs exactly
- [] Disclose everything — undisclosed debt discovered later can kill your loan

Stage 2: Property Under Contract

Once your offer is accepted, the clock starts. Your lender orders the appraisal and formally opens your loan file. The purchase agreement, property address, and final loan amount are now fixed. Your rate lock window begins.

- [] Lock your interest rate — discuss timing with your lender (lock too early and you pay for extensions; too late and rates may rise)
- [] Order your home inspection immediately — do not wait
- [] Respond to every lender request within 24 hours — this is not optional during this phase

Stage 3: Processing

A loan processor organizes your complete file — tax returns, pay stubs, bank statements, employment verification, and the appraisal — and prepares it for underwriting review. They may request additional documents called "conditions."

- [] Provide all requested documents immediately — conditions are not optional
- [] Do NOT make any large purchases, open new credit, or change jobs during this period
- [] Do NOT move large sums of money between accounts without telling your loan officer first

Stage 4: Underwriting

An underwriter — a person, not software — reviews your complete file against program guidelines. They may issue conditions: additional documents or explanations they need before approving. This is the most variable stage in terms of time and the most common source of delays.

- [] Respond to conditions same day if at all possible
- [] Write clear, concise explanation letters for anything the underwriter questions
- [] Do not make any financial changes — the underwriter may re-pull your credit before closing

Stage 5: Clear to Close

Underwriting has fully approved your file. Your Closing Disclosure — the final itemized list of all costs — is issued. Federal law requires you have 3 business days to review it before you can sign closing documents.

- [] Compare EVERY line on the Closing Disclosure to your original Loan Estimate — question any fee that increased significantly
- [] Arrange your closing funds — cashier's check or wire transfer (confirm wire instructions by phone to prevent fraud)
- [] Schedule your final walk-through of the property within 24 hours before closing

Stage 6: Closing Day

You sign approximately 50–100 pages of documents. The title company disburses funds to all parties. The deed is recorded at the county. You receive your keys.

- [] Bring a government-issued photo ID — no ID, no closing
- [] Bring your cashier's check or confirm wire was received — confirm with title company the morning of
- [] Read every document before signing — you have the right to ask questions about anything you do not understand

WARNING | The Four Things That Kill Loans After Pre-Approval

(1) New debt: buying a car, opening a credit card, or taking a personal loan changes your DTI and your credit profile — lenders re-check both before closing. (2) Job change: changing employers or going from W2 to self-employed resets your income documentation requirements and can terminate your loan mid-process. (3) Large unexplained deposits: cash deposits or wire transfers that cannot be sourced freeze your file until resolved. (4) Credit inquiries: even applying for a store card creates a hard inquiry that the lender will see — and must explain.

SECTION 11: CHOOSING A LENDER — HOW TO COMPARE AND WHAT TO AVOID

Choosing a lender based on the lowest advertised rate is one of the most expensive mistakes first-time buyers make. The lender relationship affects your rate, your fees, your closing timeline, and whether your loan actually closes. Here is how to evaluate lenders like a professional.

Types of Lenders

Lender Type	What They Are	Advantages	Disadvantages
Mortgage Broker	Intermediary who shops your loan across multiple wholesale lenders	Access to many programs; competitive pricing; broker works for you	Adds a layer; communication can be slower; quality varies widely
Retail Bank	Your local or national bank offering mortgages directly	Convenient if you already bank there; portfolio loans available	Often less competitive rates; stricter overlays; less flexibility on guidelines
Credit Union	Member-owned financial institution with mortgage division	Often good rates; relationship-based; may hold loan in portfolio	Membership required; fewer programs; may not sell your loan (can be good or bad)
Mortgage Banker / Direct Lender	Originates and funds loans directly — may sell to investors	Full control of process; wide program access; faster decisions	Quality varies by company; no comparison shopping in one place
Online Lender	Technology-first lenders: Rocket Mortgage, Better, loanDepot, etc.	Fast; easy document upload; competitive rates	Less personal service; harder to reach humans for complex issues

How to Actually Compare Lenders

Get Loan Estimates from at least 2–3 lenders within a 14-day window (all mortgage inquiries in this window count as a single credit pull). Compare these specific items:

What to Compare	Why It Matters	What to Look For
APR — Annual Percentage Rate	Includes rate PLUS fees — the true apples-to-apples cost comparison	Lower APR = lower total cost even if interest rate appears similar
Origination charges (Section A on LE)	Lender's direct fees for making the loan	Can vary by \$1,000–\$3,000+ between lenders on the same loan amount
Total closing costs (Page 2 of LE)	All costs combined — lender, title, prepaids	Compare total cash needed at closing, not just lender fees
Estimated monthly payment (PITI)	What you actually pay each month	Must include taxes, insurance, and any HOA — not just principal and interest
Loan type and terms offered	Whether they are offering you the right product	Ask why they are recommending each specific loan type

What to Compare	Why It Matters	What to Look For
Estimated cash to close	Total funds you need to bring to the table	This number should match your savings plan
DPA programs available	Whether they can access assistance programs in your area	Ask specifically: "What DPA programs are you approved for in my county?"

WARNING | Red Flags When Evaluating a Lender

(1) Cannot give you a Loan Estimate within 3 business days of application — they are legally required to. (2) Discourages you from shopping other lenders or pressures you to decide immediately. (3) Quotes a rate verbally but will not put it in writing on a Loan Estimate. (4) Cannot tell you the full list of documents they need upfront. (5) Estimates closing costs that seem unusually low — fees that appear low on the LE sometimes balloon on the Closing Disclosure. Compare carefully.

Red Flags When Choosing a Lender

Red Flag	Why It Matters	What to Do
Advertised rate has many asterisks and fine print	Teaser rates often require perfect credit, large down payments, or points — the real rate you qualify for may be significantly higher	Always ask for a Loan Estimate to see the actual APR with fees included
Cannot give you a written Loan Estimate	A lender who is ready to proceed must provide a Loan Estimate by law within 3 business days of receiving your application	Walk away from any lender who resists putting costs in writing
Pressures you to apply immediately or skip comparison shopping	Good lenders welcome comparison shopping — they know their value	Multiple quotes within 14 days count as one credit inquiry — always shop at least 2-3 lenders
Unfamiliar with DPA programs in your target county	Not all lenders are approved for all DPA programs — an uninformed lender cannot access funds you qualify for	Ask explicitly: "What DPA programs are you approved for in [county]?" If they cannot answer, find a DPA specialist
Guarantees approval before reviewing your documents	No legitimate lender can guarantee approval without reviewing income, credit, and assets	Pre-approval based on stated income only is worthless — require document review
Rushes you past reviewing the Loan Estimate	The Loan Estimate is your legal protection — every fee is documented and forms the basis for comparison	Take it home and review it carefully before proceeding
Origination fee above 1% with no credit to offset it	Origination fees directly add to your closing costs — benchmark against other quotes	Compare total lender fees on Line A of each Loan Estimate, not just the rate
Rate lock is vague or undocumented	Without a written rate lock, rates can change — sometimes significantly — between approval and closing	Get rate lock terms in writing: rate, expiration date, extension cost if needed
Drastically different Closing Disclosure at the table	Certain fees can increase between Loan Estimate and Closing Disclosure — lenders cannot increase origination fees at all	Review your Closing Disclosure at least 3 business days before closing and question any increase

How to Read a Loan Estimate — The Lines That Actually Matter

The Loan Estimate is a standardized 3-page form every lender must give you within 3 business days of application. It is the primary tool for comparing lenders fairly. Most buyers skim it. Here are the exact lines that tell you the real cost.

Loan Estimate Section	What to Look At	Why It Matters
Page 1 — Projected Payments	Total monthly payment breakdown including MI and estimated escrow	This is your real monthly cost — compare this number, not just the rate

Loan Estimate Section	What to Look At	Why It Matters
Page 2 — Section A: Origination Charges	Origination fee, points, underwriting fee	These are lender fees that cannot legally increase at closing — compare exactly across lenders
Page 2 — Section B/C: Services	Appraisal, credit report, title search, settlement fees	Section B fees cannot increase; Section C fees can change if you shop (which you should for title)
Page 2 — Section E: Prepaids	Insurance, prepaid interest, property taxes	Not a lender profit center — similar across lenders. Closing date affects prepaid interest amount.
Page 2 — Section F: Escrow Setup	Initial escrow deposit amounts	Can vary based on closing date — higher months of escrow required when closing mid-year
Page 3 — Comparisons: APR	Annual Percentage Rate — always higher than the note rate	APR is the most accurate single-number comparison across lenders — it includes fees in the rate equivalent
Page 3 — Comparisons: Total Interest Percentage	Total interest paid over life of loan as % of loan amount	Shows long-term cost — useful when comparing 15 vs 30 year or different rate/fee combinations
Page 3 — In 5 Years	Total principal, interest, and MI paid through Year 5	Critical comparison point if you plan to sell or refinance within 5 years — short-term cost can differ dramatically

SECTION 12: 15 QUESTIONS TO ASK EVERY LOAN OFFICER

Walk into every lender conversation with these questions written down. A strong loan officer will welcome them and answer confidently. A weak one will deflect, get vague, or make you feel uncomfortable for asking. That reaction is information. These are your questions. You are entitled to clear answers to every one.

Question 1: What loan programs do I qualify for — and why do each of the others not apply to me?

Why it matters: You want ALL your options on the table, not just the product they default to. If they mention only one program without explaining why others do not fit, push back. A well-qualified loan officer can explain exactly why FHA fits better than conventional for your specific situation, or vice versa.

Question 2: What is my qualifying income, and how exactly did you calculate it?

Why it matters: Verify they used the right income figure. For salaried employees, confirm they used gross not take-home. For hourly or variable income, confirm they averaged 24 months correctly. For self-employed, confirm they used net income plus allowable add-backs.

Question 3: What is my total estimated monthly payment — including principal, interest, property taxes, homeowners insurance, and HOA?

Why it matters: Never compare loans on interest rate alone. Get the full PITI number. A lower rate with higher estimated taxes or insurance can produce a higher actual payment. PITI is the only honest comparison between loans.

Question 4: Can I see the complete Loan Estimate, and can you walk me through every fee on page 2?

Why it matters: The Loan Estimate is a standardized federal form — you are legally entitled to receive it within 3 business days of application. Review every line. Ask about any fee you do not recognize. Lender fees in Section A are the most negotiable.

Question 5: What is the interest rate AND the APR — and what is the difference between them for my loan?

Why it matters: APR includes lender fees and gives the true cost comparison. A loan with a 6.875% rate and high origination fees may have a higher APR than a loan with a 7.0% rate and no fees. APR is the only fair basis for comparing different lenders.

Question 6: How does the rate lock work — how long is it, what happens if we need an extension, and who pays for extensions?

Why it matters: Rate locks typically last 30–60 days. Extensions cost money — usually 0.125–0.25% of the loan per 15 days. If the delay is caused by the lender, push for them to cover the extension cost. Get the rate lock policy in writing before you lock.

Question 7: Will I pay mortgage insurance? How much is it monthly, and when exactly can it come off?

Why it matters: For FHA: MIP is for life of the loan with less than 10% down — it never cancels. For conventional: PMI drops automatically at 80% LTV based on original purchase price. You can request cancellation when your loan balance reaches 80% based on appraised value. Get the monthly dollar amount and the timeline — not just a vague answer.

Question 8: What down payment assistance programs are you approved to offer in the county where I am buying?

Why it matters: Not all lenders are approved for all DPA programs. This question reveals immediately whether your lender can access thousands in available assistance — or whether you should also consult a lender who specializes in DPA programs in your area.

Question 9: What is the complete list of documents you need from me, and by when do you need each one?

Why it matters: Get the full list upfront — not a "we will let you know as we go" answer. Every missing document creates a condition. Conditions create delays. Delays can cost you the home. Organize everything before you apply and deliver it all at once.

Question 10: What is the realistic closing timeline, and what are the most common causes of delay?

Why it matters: A good loan officer can give you a specific estimate and identify the risk points in your file proactively. If they say "30 days" without any qualification, ask them to walk through what could push that timeline and what you can do to prevent it.

Question 11: What happens if the appraisal comes in below my purchase price?

Why it matters: Know your options before you are under contract: renegotiate with seller, pay the gap in cash, challenge the appraisal, or walk away. A loan officer who says "it will be fine" without explaining options is not preparing you. Get a real answer.

Question 12: Are there any prepayment penalties on this loan?

Why it matters: Most conventional loans have none. FHA loans have none. But some Non-QM products do. Always ask. A prepayment penalty is very expensive if you sell or refinance within the first few years — it can run into thousands of dollars.

Question 13: Will my loan be sold after closing — and if so, how do I find out who my new servicer is?

Why it matters: Most loans are sold to Fannie Mae, Freddie Mac, or other investors within 60 days of closing. Servicing (who you pay) may transfer as well. You must receive written notice 15 days before any servicing transfer. Ask where you should mail your first payment if you have not heard.

Question 14: What could cause my loan to be denied after pre-approval?

Why it matters: A direct, honest question that strong loan officers answer confidently. Common answers: income verification failure, significant credit change, appraisal shortfall, job change, or title issue. If your loan officer cannot articulate specific risks in your file, they have not reviewed it carefully enough.

Question 15: What do you need from me right now to keep this loan on track?

Why it matters: Ask this at every stage of the process — pre-approval, under contract, during processing, and after clear to close. The answer tells you exactly where you are and what the next bottleneck is. A loan officer who cannot give a clear answer to this question at any point in the process is not organized.

PRO TIP | Shopping Multiple Lenders Will NOT Hurt Your Credit Score

All mortgage-related hard inquiries within a 14-day window count as a single inquiry under FICO's mortgage shopping rules. Get pre-approvals from 2–3 lenders, compare their Loan Estimates side by side, and choose the best total deal — not just the best rate headline. The difference in fees and rates between lenders on a \$350,000 loan can easily exceed \$15,000–\$25,000 over the life of the loan. An hour of comparison shopping is the highest-return investment you make in this entire process.

SECTION 13: YOUR REAL NUMBERS AT THREE PRICE POINTS

Abstract percentages mean less than actual dollar amounts. Here is what buying actually costs — in cash needed at closing and in full monthly payment — at three common Texas price points, across three loan programs. These are estimates using illustrative rates. Your exact numbers will differ based on your credit score, your county's tax rate, and your insurance quote.

Assumptions: Interest rate 7.00% (illustrative). Property taxes 2.2% annually (common in many Texas counties). Homeowners insurance \$1,800/year. No HOA. PMI ~0.85%/year. FHA MIP ~0.55%/year. Closing costs estimated at 2.5% of purchase price. Use the PITI calculator at www.drrobmortgage.com with your actual target address for a precise estimate.

\$250,000 Purchase Price

	Conventional 3% Down	FHA 3.5% Down	VA / USDA 0% Down
Down Payment	\$7,500	\$8,750	\$0
Upfront MI or Funding Fee	None	\$4,222 added to loan	VA ~\$5,375 (2.15%, 1st use)
Closing Costs (est. 2.5%)	\$6,250	\$6,250	\$6,250
Total Cash Needed at Closing	~\$13,750	~\$15,000	~\$6,250
Monthly Principal & Interest	\$1,614	\$1,604	\$1,663
Monthly Taxes (est.)	\$458	\$458	\$458
Monthly Insurance (est.)	\$150	\$150	\$150
Monthly PMI / MIP	\$172 (PMI)	\$110 (MIP)	\$0
Total Monthly Payment (PITI)	\$2,394	\$2,322	\$2,271
Gross Income Needed (43% DTI, no other debt)	\$5,567/mo	\$5,400/mo	\$5,281/mo

\$350,000 Purchase Price

	Conventional 3% Down	FHA 3.5% Down	VA / USDA 0% Down
Down Payment	\$10,500	\$12,250	\$0
Upfront MI or Funding Fee	None	\$5,911 added to loan	VA ~\$7,525 (est.)
Closing Costs (est. 2.5%)	\$8,750	\$8,750	\$8,750
Total Cash Needed at Closing	~\$19,250	~\$21,000	~\$8,750
Monthly Principal & Interest	\$2,259	\$2,247	\$2,328
Monthly Taxes (est.)	\$642	\$642	\$642

	Conventional 3% Down	FHA 3.5% Down	VA / USDA 0% Down
Monthly Insurance (est.)	\$150	\$150	\$150
Monthly PMI / MIP	\$240 (PMI)	\$154 (MIP)	\$0
Total Monthly Payment (PITI)	\$3,291	\$3,193	\$3,120
Gross Income Needed (43% DTI, no other debt)	\$7,653/mo	\$7,426/mo	\$7,256/mo

\$450,000 Purchase Price

	Conventional 5% Down	FHA 3.5% Down	VA 0% Down
Down Payment	\$22,500	\$15,750	\$0
Upfront MI or Funding Fee	None	\$7,599 added to loan	VA ~\$9,675 (est.)
Closing Costs (est. 2.5%)	\$11,250	\$11,250	\$11,250
Total Cash Needed at Closing	~\$33,750	~\$27,000	~\$11,250
Monthly Principal & Interest	\$2,843	\$2,888	\$2,994
Monthly Taxes (est.)	\$825	\$825	\$825
Monthly Insurance (est.)	\$175	\$175	\$175
Monthly PMI / MIP	\$302 (PMI)	\$198 (MIP)	\$0
Total Monthly Payment (PITI)	\$4,145	\$4,086	\$3,994
Gross Income Needed (43% DTI, no other debt)	\$9,640/mo	\$9,502/mo	\$9,288/mo

WARNING | FHA MIP vs. Conventional PMI — The Long-Term Math

FHA looks cheaper upfront at lower down payments — but the lifetime MIP changes that math dramatically. On a \$350,000 FHA loan with 3.5% down, MIP runs ~\$154/month and NEVER stops. On a conventional loan, PMI of ~\$240/month cancels automatically when your balance reaches 80% of the original value — typically year 7–9. Total conventional PMI cost: ~\$20,000. Total FHA MIP over 30 years: ~\$55,000. FHA is still right for many buyers — just build a refinance plan to eliminate MIP once you have 20% equity.

THE TRUE COST OF YOUR INTEREST RATE — WHAT EVERY BUYER NEEDS TO SEE

Most buyers focus on the monthly payment. The interest rate feels like an abstraction. These tables make it concrete: here is exactly how much each rate difference costs you over the life of your loan — and why your credit score is worth investing in.

Total Interest Paid by Rate — \$300,000 Loan, 30 Years

Interest Rate	Monthly P&I;	Total Interest (30 yrs)	Extra Cost vs. 6.5%	Score Range Typically Needed
6.00%	\$1,799	\$247,560	—	760+ (best tier)
6.50%	\$1,896	\$282,560	+\$35,000	740-759
7.00%	\$1,996	\$318,560	+\$71,000	700-739
7.50%	\$2,098	\$355,280	+\$107,720	660-699
8.00%	\$2,201	\$392,360	+\$144,800	620-659
8.50%	\$2,307	\$430,520	+\$182,960	Non-QM / lower score range
9.00%	\$2,414	\$468,840	+\$221,280	Non-QM / hard money

The buyer who takes the time to raise their score from 660 to 760 before applying — reducing their rate from ~8.0% to ~6.0% — saves \$144,800 in total interest on a \$300,000 loan. If it takes 18 months of credit work to get there, every month was worth \$8,044 in savings.

The Real Cost of a Half-Point Rate Difference

Loan Amount	0.5% Lower Rate Saves Per Month	Over 5 Years	Over 30 Years
\$200,000	\$57/month	\$3,420	\$20,520
\$300,000	\$86/month	\$5,160	\$30,960
\$400,000	\$115/month	\$6,900	\$41,400
\$500,000	\$143/month	\$8,580	\$51,480

Points — When Buying Down Your Rate Makes Sense

Mortgage points (also called discount points) let you prepay interest upfront to get a lower rate. One point costs 1% of the loan amount and typically reduces the rate by 0.25%. Whether this makes mathematical sense depends entirely on how long you keep the loan.

Scenario	Detail
Cost of 1 point on \$350,000 loan	\$3,500 paid upfront at closing
Rate reduction from 1 point	Approximately 0.25% (varies by lender and market)

Scenario	Detail
Monthly savings from 0.25% lower rate	Approximately \$53/month on \$350,000
Breakeven period	\$3,500 upfront ÷ \$53/month savings = 66 months (5.5 years)
When points make sense	You are confident you will keep the loan at least 5-7 years AND you have the cash to pay them without depleting reserves
When to skip points	You might sell, refinance, or move within 5 years — you will never recoup the upfront cost
Ask your lender	Request a no-points quote AND a 1-point quote and calculate your personal breakeven explicitly

PRO TIP | The Rate Lock Decision

A rate lock freezes your interest rate for a set period — typically 30, 45, or 60 days. Longer locks cost more (sometimes 0.125-0.25% extra). Lock too early and you pay for extensions if your closing is delayed. Lock too late and rates may rise. General guidance: lock when you have a fully executed purchase contract and a realistic closing timeline. Ask your lender the day you go under contract: "What is our lock strategy given the current rate environment and our closing date?" A good lender has an opinion and can explain the trade-offs clearly.

PMI and MIP — What These Really Cost Over Time

Scenario	Monthly MI Cost	Years Until Removed	Total MI Paid	How to Remove
Conventional, 3% down, 680 score	~\$190/month (est.)	~8-10 years (at 80% LTV)	~\$18,240-\$22,800	Automatic at 80% LTV — or request at 80%; drops at 78% automatically
Conventional, 5% down, 720 score	~\$140/month (est.)	~7-8 years (at 80% LTV)	~\$11,760-\$13,440	Same — request removal when you reach 80% based on original value or appraisal
Conventional, 10% down, 740 score	~\$80/month (est.)	~5-6 years (at 80% LTV)	~\$4,800-\$5,760	Same — drops sooner because you started closer to 80%
FHA, 3.5% down (any score)	~\$154/month (\$350K)	Never — for life of loan if < 10% down	~\$55,440 over 30 yrs	Only by refinancing into conventional once you have 20% equity
FHA, 10% down	~\$154/month (\$350K)	11 years	~\$20,328	Automatically removed at 11 years — more predictable than FHA with 3.5%
VA loan	\$0	N/A	\$0	VA loans have no monthly PMI — one of the VA loan's strongest advantages

WARNING | The FHA-to-Conventional Refinance Strategy

FHA is the right loan when you need it. But it should not be permanent. Once your home reaches 20% equity — through a combination of paydown and appreciation — refinancing into a conventional loan eliminates your MIP permanently. On a \$350,000 FHA loan, that saves \$154/month immediately. Track your equity annually. Run the refinance math when you hit 20%: if the rate environment is similar and you can cover closing costs, the math almost always works in your favor.

WHAT NOBODY TELLS FIRST-TIME BUYERS — 12 COUNTERINTUITIVE TRUTHS

These are the things most buyers find out the hard way — mid-process, under contract, or sitting at the closing table. Read these now.

1. Your pre-approval amount is not your budget.

A lender will approve you for the maximum they can legally lend based on your DTI. That maximum often produces a monthly payment that makes your financial life uncomfortable. The question is not "what will they approve?" — it is "what payment can I actually absorb without financial stress?" Run your own budget with the full PITI payment, plus \$300-600/month for maintenance, utilities increase, and incidentals before deciding your actual purchase limit.

2. The cheapest rate is often not the cheapest loan.

A lender advertising 0.25% lower than everyone else may be charging 1.5 points in origination fees to create that rate. On a \$350,000 loan, that is \$5,250 upfront to save \$50/month. Breakeven: 105 months — nearly 9 years. Compare APR and total lender fees side by side, not just the rate on the flyer.

3. Paying off a credit card does not immediately help your DTI.

If you pay a card from \$3,000 to \$1,500, the minimum payment shown on your statement barely changes — lenders use the minimum, not the balance. Only complete payoff removes the payment from your DTI calculation. Target full elimination of the smallest-payment debt first, not the largest balance.

4. Student loans in deferment still count against you.

Under most loan programs, if your student loan is deferred with no current payment, the lender still counts 0.5-1% of the outstanding balance as a monthly payment. On \$60,000 in student loans, that is \$300-600/month added to your DTI — even though you currently pay \$0. Account for this in your DTI calculation or it will be a surprise on your pre-approval.

5. You can negotiate after the inspection — in writing, not in person.

First-time buyers often feel awkward asking for repairs or credits after an inspection. Do not be. Sellers expect it, agents handle it routinely, and the transaction does not die from a reasonable request. A closing credit for \$5,000 in repair items is completely standard. What kills deals is asking for everything on a 40-item list or demanding specific contractors — keep requests focused on material defects.

6. Your home can appraise below your purchase price.

If the appraiser determines the home is worth less than you agreed to pay, your lender will only lend against the appraised value. On a \$330,000 offer that appraises at \$310,000, you must either renegotiate the price down, pay the \$20,000 gap out of pocket, or walk away. Build an appraisal contingency into every offer — it is your financial protection.

7. Moving money between your own accounts creates problems.

Transferring \$15,000 from your savings to your checking looks like a new deposit of unknown origin to an underwriter. Large transfers between your own accounts require a paper trail — both statements showing the transfer out and the deposit in. Tell your loan officer before moving any significant amount and keep statements showing the full trail.

8. Closing is not the end of your financial commitment.

The month after closing, most buyers face: first mortgage payment, moving costs, new furniture, minor repairs, utility deposits, and often the first HOA payment. Budget for \$3,000-8,000 in post-closing costs beyond what you spent at the table. Do not spend your emergency fund to close — you need it more in month two than you did at the closing table.

9. Your lender will re-pull your credit before closing.

Most lenders pull a soft credit refresh within 10 days of closing. If you opened new credit, made a large purchase on a credit card, or took out a personal loan after your original pull, the lender will see it. New monthly obligations change your DTI. New inquiries can trigger underwriter questions. Do not touch your credit from pre-approval to closing.

10. The open house agent works for the seller.

The agent sitting at the open house is representing the seller — not you. They are ethically required not to deceive you, but they are not required to advocate for your interests. Get your own buyer's agent whose job is to represent you, negotiate for you, and advise you on what to offer. In Texas, buyer's agent commission is typically paid by the seller.

11. Property taxes are not fixed — they can rise significantly.

Texas has no state income tax but relatively high property taxes, and county appraisal districts reassess values annually. Your tax rate in year 1 may not be your tax rate in year 3. File your homestead exemption immediately — it caps annual increases at 10% for your primary residence. Budget for tax increases when planning your long-term housing costs.

12. A low payment today is not a low payment forever — without a fixed rate.

Adjustable-rate mortgages (ARMs) offer lower initial rates that adjust after an initial fixed period (typically 3, 5, or 7 years). When they adjust, they can increase significantly. For most first-time buyers planning to stay in their home for 7+ years, a 30-year fixed rate is the safer choice. ARMs make sense only in specific situations — ask your lender to explicitly model the worst-case adjustment scenario before agreeing to one.

SECTION 14: AFTER YOU CLOSE — YOUR FIRST-YEAR CHECKLIST

Closing day is a finish line and a starting line at the same time. Most first-time buyers are so focused on getting to closing that they have not thought about what comes immediately after. These are the things that matter in your first year as a homeowner.

The First 30 Days

- [] Locate your first mortgage payment — it may be due to your original lender or a new servicer if the loan was sold; you should receive written notice if servicing transfers
- [] Set up automatic mortgage payments — a late payment on your mortgage damages your credit more than almost anything else
- [] Change all locks on every exterior door — the sellers had keys, and so did everyone they gave keys to
- [] Locate your main water shutoff valve and your electrical panel breaker box — know how to shut off water and power in an emergency
- [] Confirm your homeowners insurance is active and you have the policy documents and emergency claims number
- [] File your homestead exemption with your county appraisal district — in Texas, this reduces your taxable value and caps future tax increases; file by April 30th of the year after purchase
- [] Keep all closing documents in a secure, accessible place — you will need your closing disclosure and deed for taxes, refinancing, and future sales

The First Year

- [] Budget for unexpected repairs — a general guideline is 1–2% of purchase price annually for maintenance and repairs; on a \$300,000 home that is \$3,000–\$6,000 per year
- [] Track your home's value — Zillow, Redfin, and your county appraisal district all provide estimates; knowing when you reach 20% equity tells you when to request PMI removal
- [] Contest your property tax assessment if it seems high — you typically have 30–90 days from the assessment notice to file a protest with your county appraisal district; this can save hundreds annually
- [] Monitor your credit — homeownership itself does not build credit, but consistently paying your mortgage on time does significantly over time
- [] Resist the urge to refinance immediately — closing costs typically run \$5,000–\$10,000; refinancing makes mathematical sense when you can recoup those costs within your planned ownership horizon
- [] Do not tap home equity to fund lifestyle — a HELOC or cash-out refinance to buy furniture or take vacations converts equity you have built into debt you owe
- [] Build a relationship with a contractor you trust — having a reliable plumber, HVAC technician, and handyman before you need them urgently is worth more than you expect

First-Year Financial Mistakes to Avoid

- [] Do not immediately take out a HELOC or equity loan — you need time to build equity and understand your full monthly expenses before adding more debt
- [] Do not defer your first mortgage payment — some programs allow skipping the first month, but interest still accrues and the habit of late payment starts badly
- [] Do not ignore your escrow analysis letter when it arrives — if your taxes or insurance increased, your lender will adjust your monthly payment; review the analysis to confirm it is accurate
- [] Do not forget to update your address on all financial accounts, driver license, vehicle registration, and voter registration within 30 days of closing
- [] Do not skip homeowners insurance review at renewal — shop coverage annually; the rate your lender accepted at closing may not be the best available rate a year later
- [] Do not assume your property tax assessment is accurate — you have the right to protest any year you believe your assessed value is above market; file with your county appraisal district before the protest deadline (typically May 15 in Texas)

[] Do not make structural improvements without permits — unpermitted additions can complicate future sales, refinancing, and insurance claims

PRO TIP | Texas Homestead Exemption — Do Not Miss the Deadline

Texas homestead exemption reduces the taxable value of your primary residence by \$100,000 for school district taxes (as of 2023 law changes) and caps annual appraisal increases. File with your county appraisal district by April 30th of the year following your purchase. On a \$350,000 home in a county with a 2.5% tax rate, the homestead exemption saves approximately \$2,500 per year in property taxes. Missing this deadline costs you a full year of that savings. File early — forms are on your county appraisal district website.

SECTION 15: MONTH-BY-MONTH ACTION PLAN — 12 MONTHS TO KEYS

This plan assumes you want to buy within 12 months and need some preparation. If your credit is already 640+ and down payment is seasoned, compress the timeline. If you need significant credit repair, use the Credit Repair & Seasoning Roadmap alongside this guide.

Months 1–2 — Assessment — Know Exactly Where You Stand

- [] Pull all three credit reports at AnnualCreditReport.com — all three, on the same day
- [] Get your actual FICO mortgage scores at myFICO.com — not the score on your banking or credit app
- [] Calculate your current back-end DTI: list every minimum debt payment, estimate a realistic PITI for a target price, divide by gross monthly income
- [] Identify your credit score target: which threshold matters — 580, 620, 640, or higher?
- [] Calculate how much you need to save: down payment + closing costs (2–5%) + 2–3 months reserves
- [] Open a dedicated down payment savings account and set up automatic transfers on every payday
- [] Dispute any credit report errors using certified mail — see the Credit Repair & Seasoning Roadmap for templates
- [] Research realistic home prices in your target area — have a real estate agent walk you through current inventory

Months 3–4 — Credit Repair & DTI Reduction

- [] Pay every credit card below 30% utilization — individual card by individual card, not just overall
- [] Identify which single debt payoff would have the largest impact on your DTI
- [] Pay your card balance before the statement closes each month — not before the due date
- [] Do NOT apply for any new credit of any kind, including store cards or buy-now-pay-later
- [] Follow up on dispute responses from credit bureaus — escalate unresolved items to CFPB
- [] Continue automatic down payment savings without interruption — every paycheck, automatic
- [] Review your bank statements for the past 3 months — flag every large deposit you cannot clearly source and explain

Months 5–6 — Research & Document Building

- [] Research every down payment assistance program in your target county — TDHCA, TSAHC, and city programs
- [] Gather 2 years of W2s, 2 years of complete tax returns, and 30 days of current pay stubs — organize in a folder
- [] Pull 2–3 months of complete bank statements — all pages, including blank pages
- [] Talk to a real estate agent about realistic prices and current inventory in your target neighborhoods
- [] Calculate projected PITI using the calculator at www.drrobmortgage.com for 2–3 target price points
- [] Recheck your FICO score — has it moved? If not, what is the specific remaining obstacle?

Months 7–8 — Lender Selection & Pre-Approval Preparation

- [] Begin comparing lenders — find at least 2–3 including one that specializes in first-time buyers and DPA programs
- [] Ask each lender: "What DPA programs are you approved to offer in the county where I am buying?"
- [] Ask each lender to estimate your qualifying amount based on your income and debts before you formally apply
- [] Confirm your down payment funds are fully seasoned — 60+ days in your personal bank account
- [] Prepare your complete document package — all items organized and ready to submit on the day you apply
- [] Review your credit one final time — resolve any remaining issues before a lender pulls your file

Months 9–10 — Pre-Approval & Active Search

- [] Apply at 2–3 lenders within a 14-day window — all inquiries count as one credit pull under FICO rules
- [] Compare Loan Estimates line by line: APR, total closing costs, full monthly PITI, and mortgage insurance (monthly and lifetime)
- [] Select your lender and get a formal pre-approval letter — not a verbal commitment
- [] Begin active home search within your pre-approved budget, keeping a 5–10% cushion for bidding situations
- [] Do NOT make any large purchases, open new credit, change jobs, or co-sign for anyone during this period
- [] Ask your agent to negotiate seller concessions where the market allows — reduces your cash needed at closing

Months 11–12 — Under Contract Through Closing

- [] Accept an offer on a home and immediately order your home inspection — do not wait
- [] Respond to all lender document requests within 24 hours — delays cascade into potential closing date risk
- [] Do NOT deposit any large cash amounts without notifying your loan officer first
- [] Review your Closing Disclosure at least 3 business days before closing — compare every line to your Loan Estimate
- [] Confirm wire instructions by phone with the title company the morning you send your funds — wire fraud is real
- [] Do your final walk-through within 24 hours before closing to verify the property's condition
- [] File your Texas homestead exemption with your county appraisal district as soon as you close
- [] Get keys.

SECTION 16: COMPLETE READINESS CHECKLIST

Use this before contacting any lender. If you can check every box in your target loan type's category, you are ready to apply. If not, you know exactly what to work on first — and in what order.

Credit

- I know my actual FICO mortgage score (from myFICO.com — not a credit app)
- My score meets the minimum for my target loan program (580 FHA / 620 conventional)
- I have reviewed all three credit reports at AnnualCreditReport.com for errors
- All credit report errors have been disputed and resolved or are in process
- Credit utilization is below 30% on every individual credit card
- No new credit applications in the past 6 months
- No collections or charge-offs opened in the past 12 months
- All accounts are current — no missed payments in the past 12 months

Income & Employment

- I have 2 years of continuous employment history documented (same field)
- I have my last 2 years of W2s or tax returns organized and accessible
- I have 30 days of recent pay stubs
- Any variable income (overtime, bonus, commission) has a 2-year documented history
- I have not changed jobs or gone self-employed in the past 2 years without understanding the implications
- I know my gross monthly income — not take-home — and have used it to calculate my DTI

Debt-to-Income

- I have listed every monthly minimum debt payment including student loan minimums (even if deferred)
- I have calculated my projected back-end DTI with a realistic PITI estimate for my target area
- My projected back-end DTI is at or below 43% conventional or 50% FHA/Non-QM
- I have a specific plan for any debts currently pushing me above program DTI limits

Down Payment & Assets

- My down payment funds have been in my personal account for at least 60 days (75 to be safe)
- I can source and document every deposit over approximately half my monthly income in the past 3 months
- I have enough for both the down payment AND estimated closing costs (budget 2–5% of purchase price)
- I have 2–3 months of mortgage payment reserves remaining after all closing costs
- If using gift funds: I have the gift letter, donor bank statement, and have confirmed the donor is eligible
- I have researched down payment assistance programs available in my target county

Documentation Ready to Submit

- 2 years W2s — both years, all employers
- 2 years federal tax returns — complete, all pages, signed

- 30 days most recent pay stubs
- 2–3 months personal bank statements — all pages (including blank pages)
- Government-issued photo ID (driver's license or passport)
- Social Security number confirmed accurate
- Landlord contact information or 12 months of cancelled rent checks (if renting)
- Documentation for any large deposits or unusual income sources in past 3 months

Home Search Readiness

- I have a realistic understanding of actual home prices in my target area
- I have a real estate agent or have started interviewing agents
- I know what I need in a home vs. what I want — and the difference between the two
- I understand that closing costs and moving expenses are on top of my down payment
- I have decided on my target neighborhoods and researched school districts, commute, and services
- I have read Section 8 and Section 9 of this guide — I understand appraisals and inspections

SECTION 17: FREE TOOLS & OFFICIAL RESOURCES

Resource	What It Is	Where to Find It
DTI Calculator	Calculate your back-end DTI with your real income and a specific PITI target	www.drrobmortgage.com
PITI Estimator	Full monthly payment estimate — principal, interest, taxes, insurance, HOA	www.drrobmortgage.com
Closing Cost Estimator	Estimate total cash needed at closing for any purchase price	www.drrobmortgage.com
AnnualCreditReport.com	Official free reports from all 3 bureaus — federally authorized	AnnualCreditReport.com
myFICO.com	Your real FICO mortgage scores — what lenders actually see	myFICO.com (~\$19.95/mo)
CFPB Loan Estimate Explainer	Official guide to understanding your Loan Estimate and Closing Disclosure	ConsumerFinance.gov
CFPB "Know Before You Owe"	Federal guide to the mortgage process — plain English	ConsumerFinance.gov/owning-a-home
HUD Housing Counselors	Free federally approved housing counseling — in person or phone	HUD.gov/find-a-housing-counselor
TDHCA My First Texas Home	Texas DPA — up to 5% for qualifying first-time buyers	TDHCA.state.tx.us
TSAHC Home Sweet Texas	Texas DPA grants and loans for eligible buyers	TSAHC.org
FHA Loan Limits by County	Current FHA loan limits for your specific county	HUD.gov — search "FHA mortgage limits"
Conventional Conforming Limits	Current Fannie/Freddie loan limits	FHFA.gov
USDA Property Eligibility Map	Check if a specific address qualifies for zero-down USDA financing	eligibility.sc.egov.usda.gov
Texas County Appraisal Districts	File your homestead exemption after closing	Search "[your county] appraisal district"
Personal Strategy Call — Dr. McNeill	1-on-1 review of your complete situation, loan options, and timeline	DrMcNeill.as.me/?appointmentType=87745268

Questions about your specific situation? Book a free strategy call:
DrMcNeill.as.me/?appointmentType=87745268 | 832-701-8144 | robert@matadorlending.com | www.drrobmortgage.com

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