

FREE GUIDE FOR FIRST-TIME BUYERS

Get Mortgage-Ready.

Your step-by-step financial checklist before you start house hunting in
Elgin, IL.

6

Sections

5

Common Mistakes to Avoid

90

Day Action Plan

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A Note from Maria

Most buyers are closer than they think.

I've sat across the table from hundreds of first-time buyers over the past 10 years. The conversation almost always starts the same way: "I don't think I'm ready yet."

Sometimes that's true — but more often, the problem isn't their finances. It's that nobody has ever explained what lenders actually look for. Once we walk through the numbers together, most buyers realize they're months away from pre-approval, not years.

This guide is the conversation I have with every buyer before we start looking at homes. Work through it at your own pace. If you want to go through it together, call or text me. That conversation is always free.

REACH MARIA DIRECTLY

(779) 970-4339 · ElginFoxRiverLiving.com

Your Credit Score Reality Check

Understanding what lenders actually pull — and how to improve it fast.

Your credit score is the first thing a lender looks at. But most buyers don't realize there are different types of scores, and lenders use a specific version called the **FICO mortgage score** — which may differ from what your credit card app shows.

Minimum Scores by Loan Type

Loan Type	Min. Credit Score	Min. Down Payment
FHA Loan	580+	3.5%
FHA Loan (lower score)	500–579	10%
Conventional Loan	620+	3%–5%
Conventional (best rates)	740+	3%+
USDA Loan (rural areas)	640+ (typical)	0%
VA Loan (veterans)	620+ (typical)	0%

How to Raise Your Score in 30–90 Days



Pay down credit card balances below 30% utilization

This is the fastest single lever. Aim for under 10% for maximum impact.



Don't close old credit cards

Closing cards reduces your available credit and hurts your utilization ratio.



Dispute any errors on your report

Pull your free report at AnnualCreditReport.com. One error can drop your score 20–50 points.



Avoid opening new credit lines

Each hard inquiry can ding your score 5–10 points. Wait until after closing.



Do NOT pay off collections without talking to a pro first

Paying a collection may do nothing for your mortgage score — and in some states can restart the statute of limitations on the debt.

WATCH OUT

Do NOT pay a credit repair company before talking to a lender. Many things they charge for are things you can do yourself — for free.

MARIA'S TIP

Before you pay a collection account, talk to a lender — or call me. Mortgage lenders use older FICO scoring models where a paid collection still counts as a negative mark, so paying it may not improve your score at all. On top of that, making a payment can restart the statute of limitations on the debt in many states — giving the collector renewed legal power to sue you. Every situation is different. Let a professional review your full picture and give you a personalized plan before you spend a single dollar trying to fix your credit.

How Much Do You Need to Save?

Down payment + closing costs: the full picture most buyers miss.

The down payment is only part of what you'll need at closing. Most first-time buyers don't account for closing costs, and it catches them off guard.

Down Payment by Loan Type

Loan Type	Down Payment	Notes
FHA	3.5% (580+ score) 10% (500–579)	Requires mortgage insurance (MIP)
Conventional	3%–20%	PMI required if <20% down
USDA	0%	Rural/suburban areas only; income limits apply
VA	0%	For veterans, service members & eligible spouses
Conventional 97	3%	For first-time buyers; income limits may apply

Don't Forget: Closing Costs

Closing costs typically run **2%–5% of the loan amount**, paid at closing — separate from your down payment. On a \$250,000 home, that's \$5,000–\$12,500.

Closing Cost Item	Typical Cost
Lender origination fee	0.5%–1% of loan
Appraisal	\$400–\$600
Home inspection	\$300–\$500
Title insurance	\$700–\$1,500
Prepaid property taxes & insurance	2–3 months upfront
Recording fees	\$50–\$200
Total estimate	2%–5% of loan amount

Your Debt-to-Income Ratio (DTI)

The number lenders care about as much as your credit score.

DTI measures how much of your monthly income goes toward debt payments. There are two types lenders calculate:

Type	What It Includes	Max (typical)
Front-End DTI (Housing Ratio)	Proposed mortgage payment + taxes + insurance + HOA	28%–31% of gross income
Back-End DTI (Total Debt Ratio)	All of the above + car payments, student loans, credit cards, etc.	36%–50% of gross income

Calculate Your DTI Right Now

Step 1: Add up all your monthly minimum debt payments (car, student loans, credit cards, personal loans).

Step 2: Divide that total by your gross monthly income (before taxes).

Step 3: Multiply by 100 to get your percentage.

REAL EXAMPLE

Example: \$1,200 in monthly debts ÷ \$5,000 gross income = 24% DTI Add an estimated \$1,400 mortgage payment: \$2,600 ÷ \$5,000 = 52% — too high. Pay off the car (\$400/mo): \$2,200 ÷ \$5,000 = 44% — now you qualify.

How to Improve Your DTI

- Pay off the smallest debt first (quick win, biggest ratio drop)
- Don't take on new monthly obligations before applying
- Consider a side income for 2+ years of documented self-employment
- Ask about co-borrower options (a spouse or parent can help)

The 6 Things NOT to Do Before Closing

These mistakes have killed more loan approvals than bad credit scores.

From the moment you start house hunting until the day you close, your financial picture is under a microscope. Lenders often re-pull your credit right before closing.

1

Open a new credit card or loan

Even a store card at checkout can drop your score and raise your DTI.

2

Make a large purchase on credit

A new car, furniture, or appliances before closing is a common deal-killer.

3

Change jobs or go self-employed

Lenders want 2 years of stable income history. A job change mid-process can pause everything.

4

Make large, unexplained deposits

Every deposit over a certain threshold needs a paper trail. Gifts must be documented.

5

Miss a payment on any account

One late payment can drop your score 50–100 points at exactly the wrong time.

6

Co-sign a loan for someone else

It adds to your debt obligations even if you never make a payment.

Your 90-Day Mortgage-Ready Action Plan

Month by month, from where you are now to pre-approved.

START HERE — TALK TO A LENDER FIRST

Before you start this plan, I strongly recommend a quick call with a lender — not to apply, just to get a clear starting point. I work with a team of trusted, local lenders who I personally refer my clients to. They will review your credit, income, and savings and give you a personalized roadmap so you're working on the right things from day one. Reach out to me directly and I'll connect you with the right person on my team: (779) 970-4339 · maria@ElginFoxRiverLiving.com

MONTH 1 — GET CLEAR ON YOUR NUMBERS

- Pull your free credit report at AnnualCreditReport.com (all 3 bureaus)
- Dispute any errors — this alone can take 30–45 days to resolve
- Calculate your DTI (use the formula from Section 3)
- List every debt with its balance, minimum payment, and interest rate
- Open a dedicated savings account for your down payment + closing costs

MONTH 2 — CLEAN UP AND BUILD UP

- Pay credit card balances below 30% utilization (target <10%)
- Set all bills to autopay — no missed payments during this window
- Start tracking and cutting discretionary spending to accelerate savings
- Research down payment assistance programs in Illinois (IHDA programs)
- Talk to 2–3 lenders — get pre-qualification (soft pull, no credit impact)

MONTH 3 — GET PRE-APPROVED AND START LOOKING

- Choose your lender and submit a formal pre-approval application
- Gather documents: 2 years W-2s, 2 months bank statements, pay stubs
- Receive your pre-approval letter — this sets your real budget

- Contact Maria to start touring homes within your approved range
 - Maintain your financial picture: no new debt, no job changes
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8 Questions to Ask Your Lender

Shop lenders like you'd shop a contractor. These questions reveal everything.

Not all lenders are equal. Rates, fees, timelines, and responsiveness vary significantly. You can shop multiple lenders within a 14-day window without hurting your credit score (the bureaus treat them as one inquiry).

1 What types of loans do you offer, and which do you recommend for my situation?

Why: A good lender explains options. A bad one pushes one product regardless.

2 What is the current interest rate and APR?

Why: The APR includes fees and is the real comparison number between lenders.

3 What are all the fees I'll pay at closing? Can I get a Loan Estimate?

Why: They're required to give you a Loan Estimate within 3 days of application.

4 How long does your pre-approval process take?

Why: Strong lenders pre-approve in 24–72 hours. Vague timelines are a red flag.

5 Do you sell your loans after closing?

Why: Many do — it's normal, but know who you'll be making payments to.

6 What's your average closing time?

Why: 30–45 days is standard. Much longer can cost you the deal.

7 Will I have one point of contact throughout the process?

Why: Handoffs between departments cause delays and miscommunication.

8 What do you need from me upfront to lock in this rate?

Why: A clear answer signals they're organized. Vague answers don't.

Ready to know where you stand?

Let's talk through your numbers together.

This guide gives you the foundation. But the fastest way to know if you're ready — and exactly what to work on — is a real conversation.

I offer a free 20-minute mortgage readiness call to any first-time buyer in the Elgin area. We'll go through your actual numbers, talk through your timeline, and come up with a concrete plan. No pressure, no obligation.

Call or Text	Email	Website
(779) 970-4339 English & Español	maria@ elginfoxriverliving.com Response within 24 hours	ElginFoxRiverLiving.com Free Mortgage-Ready Guide

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