BUYING YOUR FIRST HOME

First-Time Homebuyer Guide

How buying a first home works in California, what it really costs, which loan types allow a small down payment, and how to get ready before you shop.

Reviewed November 18, 2026 against the sources listed at the end of this guide.

Who this guide is for

You are thinking about buying your first home, or your first in a long time, and you want to understand the process before you talk to a real estate agent. Many loan programs define a “first-time homebuyer” as someone who has not owned a home in the past three years, so you may count even if you owned years ago. Check the definition for the specific program you are considering.

How buying a home works

Buying usually follows the same path, whatever loan you use.

1. **Talk to a lender early.** It is never too early to start the conversation. A short review of your income, savings and credit tells you what price range is realistic and what to work on first.
2. **Get pre-approved.** Your lender reviews your documents and credit and issues a pre-approval letter. Sellers and agents expect one with an offer.
3. **Shop and make an offer.** Your agent helps you write the offer. Once it is accepted, you are “in escrow.”
4. **Finish the loan.** The lender orders an appraisal, reviews updated documents and issues final approval. Many loans close in 30 days or less after an accepted offer, depending on the loan and the property.
5. **Sign and get the keys.** You review your Closing Disclosure, sign the final documents and the loan funds.

What it costs to buy

Plan for more than the down payment.

Cost	What it is	When you pay it
Earnest money deposit	Good-faith money held in escrow, credited toward your purchase	Shortly after your offer is accepted
Down payment	Your share of the price; the minimum depends on the loan	At closing
Closing costs	Lender, title, escrow, appraisal and government fees, plus prepaid taxes and insurance	At closing (some upfront, such as the appraisal)
Reserves	Savings left after closing; some loans require them, and they are wise either way	Not paid, but must be shown

Cost	What it is	When you pay it
Mortgage insurance	Protects the lender on low-down-payment loans	Usually monthly, sometimes also upfront

Low-down-payment loan options

These are the most common paths for first-time buyers. Each has its own rules and each lender may add requirements, so treat this as a starting map.

Loan	Smallest down payment	Good to know
Conventional (Fannie Mae / Freddie Mac)	3% for certain programs; 5% or more otherwise	Fannie Mae's HomeReady allows 3% down for buyers at or below 80% of area median income. Mortgage insurance can be cancelled later.
FHA	3.5% with a credit score of 580 or higher	Scores from 500 to 579 are limited to 90% financing (10% down). Has upfront and annual mortgage insurance.
VA	No down payment for eligible veterans and service members	One-time funding fee instead of monthly mortgage insurance; some veterans are exempt.
USDA	No down payment	Property must be in an eligible area and household income under local limits.

If you don't have the savings yet

Saving is still the best foundation. A good rule of thumb is to save at least 3% of the price you have in mind, plus closing costs, but there are other ways to fill a gap.

- **Gifts from family.** Most programs accept gift funds toward a down payment. Expect to provide a signed gift letter and a paper trail showing the money moving from the donor to you. Who can give, and how much, depends on the program.
- **A 401(k) loan or withdrawal.** Some retirement plans let you borrow from your account. Rules, repayment terms and tax consequences depend on your plan, so ask your plan administrator and a tax professional before you count on it.
- **Down payment assistance.** In California, the California Housing Finance Agency (CalHFA) offers programs such as the MyHome Assistance Program, a deferred-payment junior loan for down payment or closing costs that is paired with a CalHFA first mortgage. Some CalHFA programs, such as Dream For All, have run in limited funding rounds. Cities and counties may have their own programs. Income limits, amounts and availability change, so check the current rules.

Practice the payment before you buy

One of the best tests of readiness is to "live on" the new payment for a few months before you buy.

> **Hypothetical example.** Maya pays $2,800 a month in rent. Her estimated housing payment on the home she wants, including taxes, insurance and mortgage insurance, is $3,900. For six months she transfers the $1,100 difference into savings on the day her rent is due. If the budget works, she has proved she can handle the payment and added $6,600 to her savings. If it doesn't, she has learned that before signing anything. The figures are illustrations only.

Credit: what helps

You don't need perfect credit, but a higher score can mean a lower rate and less expensive mortgage insurance. Simple steps that often help:

- Pay every bill on time; one recent late payment can matter more than an old one.
- Keep credit card balances low compared with their limits, especially in the months before you apply.
- Avoid opening new accounts or financing a car while you are buying.
- Check your reports for errors and dispute anything that is wrong.

If your credit needs work, ask us to review it with you. We can tell you which changes are likely to matter most for the loan you want.

Comparing loan offers

For most home purchase mortgages, the lender must send or provide a Loan Estimate within three business days after receiving your application, meaning six pieces of information: your name, income, Social Security number, the property address, an estimate of its value and the loan amount. (Reverse mortgages and HELOCs use different disclosures.) A Loan Estimate is not an approval, and you are not committed to the lender.

To compare fairly, ask for the same loan type, term and down payment from each lender, and look at the rate, the lender's own fees on page 2, the cash needed to close and whether the rate is locked.

What to gather

- [ ] Pay stubs covering the last 30 days
- [ ] W-2s (and 1099s, if any) for the last two years
- [ ] Federal tax returns for the last two years, if you are self-employed or have rental, commission or bonus income
- [ ] Two months of statements for every bank, investment and retirement account you will use
- [ ] A photo ID for each borrower
- [ ] Details of any gift: donor's name, relationship, amount and where the money is now
- [ ] Explanations for recent large deposits, a job change or gaps in employment
- [ ] For veterans: your Certificate of Eligibility (we can request it for you)

Questions to ask your lender

- Which loan types fit my income, savings and credit, and what are the trade-offs between them?
- What total payment should I expect, including taxes, insurance and mortgage insurance?
- How much cash will I need to close, and how much should I keep in reserve afterward?
- Do I qualify for any down payment assistance, and how would it affect my loan?
- What can I do in the next few months to improve my approval or my rate?
- How long will my pre-approval last, and what would cause it to change?

Your next step

Tell us what you are trying to do and we will tell you, plainly, which options fit and what to gather. There is no cost to talk it through.

Start a free loan evaluation: journeymac.com/evaluation

Call: (626) 716-0585 **Email:** info@journeymac.com

Jason Leaf, President of Journey Mortgage Advisors, has worked in the mortgage industry since 1991. NMLS #308919 · DRE #01857242.

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This guide is general education, not a loan offer, a rate quote or legal, tax or financial advice. Program rules change and lenders add their own requirements; confirm details for your situation before you act. Examples marked “hypothetical” are illustrations only.

Sources

Reviewed November 18, 2026. Program rules change; check the current version of each source.

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