

First-Time Home Buyer Guide

Everything you need to know before you tour a single home

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Strategic Advantage Realty — brokered by eXp Realty

Serving Metro Indianapolis and Hendricks County, Indiana

Step 1: Know Your Budget

Your budget is the foundation of everything. Before you look at a single listing, get honest about four numbers: your monthly income, your existing debts and spending habits, your current savings, and what happens to your payment if property taxes or insurance go up. All four matter.

Pre-approval tells you the maximum you qualify for. That is **not** the same as what you should spend. Lenders will approve you for more than is comfortable in a lot of cases. Build your budget around what fits your life, not just what the bank will give you.

 **ONE THING MOST BUYERS MISS:** Property taxes in Hendricks County and the Indianapolis metro can run \$3,000 to \$5,000 or more per year. That adds \$250 to \$400 a month to your payment. Factor this in before you fall in love with a number.

Monthly Income

Know your take-home pay and any variable income sources before you set a target price.

Existing Debts

Student loans, car payments, and credit cards all factor into your debt-to-income ratio.

Current Savings

Down payment, closing costs, and reserves — you need cash for all three.

Tax & Insurance Buffer

Property taxes and insurance can add \$250–\$400/month. Plan for it upfront.

Step 2: Protect Your Credit

Your credit score affects your mortgage approval and your interest rate. A better score means better loan options. Most lenders want to see at least a **620 for conventional loans, 580 for FHA**. The higher your score, the lower your rate. Over a 30-year mortgage, that difference adds up to tens of thousands of dollars.

Your lender will pull your credit again right before closing. If your score drops between pre-approval and closing day, you can lose the loan. Guard it accordingly.

⚠ HEADS UP — PAYING DOWN DEBT ISN'T ALWAYS THE RIGHT MOVE: It sounds like the obvious thing to do, but paying off certain accounts right before you apply can actually lower your score. Credit utilization, account age, and the mix of what you carry all factor in. Before you make any financial moves, talk to a lender first.

✓ DO THIS

- Make all payments on time, every time
- Review your credit report for errors
- Keep old accounts open — account age matters
- Talk to a lender before paying anything off

🚫 AVOID THIS

- Financing furniture, even at 0% or no payments
- Running up credit card balances
- Co-signing any loan for anyone
- Applying for any new credit
- Changing jobs or going self-employed mid-process

ℹ DOWN PAYMENT REALITY: Most lenders require 3%–20% down. Down payment assistance programs exist in Indiana — ask your lender before assuming you need 20%.

Step 3: Get Pre-Approved the Right Way

There is a difference between pre-qualification and pre-approval, and it matters when you are competing for a home.

Pre-Qualification (PQ)

A quick estimate based on information you provide. No income verification, no credit pull, no documentation. Sellers know this is not a serious commitment. In a competitive market, a pre-qual letter will not carry much weight.

Pre-Approval (PA)

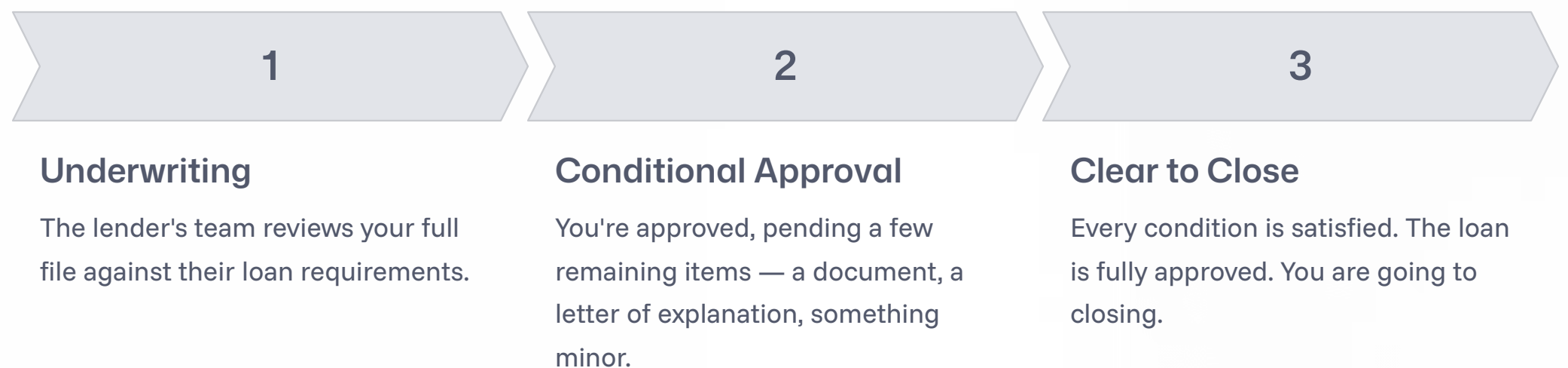
A real underwriting review with income verification, a credit pull, and documentation. This tells a seller you are qualified and serious. A strong pre-approval letter is one of the most useful tools you have when writing an offer.

What You'll Need for Pre-Approval

Get this organized before you start shopping — it speeds up everything.

01	02	03
Two years of tax returns and W-2s	Recent pay stubs	Two to three months of bank statements
04	05	
Social Security number	Documentation of any other income or assets	

Lender Milestones to Know



Step 4: Types of Financing

There are four main loan types available to most first-time buyers. Each has different down payment requirements, credit score thresholds, and mortgage insurance rules. Your lender can help figure out which one fits your situation.

Loan Type	Min. Down	Min. Credit	Mortgage Insurance
Conventional Not government-backed	3%–5% (20% to avoid PMI)	620+	Until 20% equity. Rate depends on down payment.
FHA Government-backed	3.5% (580+ credit)	580	1.75% upfront at closing + approx. 0.55%/yr for life of 30-yr loan.
VA Veterans only	0%	Varies by lender	No monthly mortgage insurance. 1.25–3.3% funding fee — can be financed into the loan.
USDA Rural areas only	0%	620	1% upfront + 0.35%/yr of remaining balance.

i **FHA AND VA APPRAISAL NOTE:** Both FHA and VA appraisals are stricter than conventional appraisals — they confirm market value AND verify the home meets minimum government property standards. VA appraisers can call for repairs a conventional loan would overlook entirely. If the appraiser requires repairs, a re-inspection is needed before the loan can close. Plan your timeline around this.

Step 5: What You'll Pay and When

The costs of buying a home fall into two separate buckets. Some come out of your pocket before you ever get to the closing table. Everything else is paid at closing. Knowing which is which helps you plan so nothing surprises you.

Paid Upfront – Before Closing

<p>Earnest Money Deposit</p> <p>Typically 1% of purchase price. Due within 3 days of accepted offer. Credited toward your down payment or closing costs at closing.</p>	<p>Credit Check – \$25 to \$50</p> <p>Charged by your lender when they pull your credit during pre-approval.</p>
<p>Home Inspection – \$400 to \$700</p> <p>Paid directly to the inspector at time of inspection. Never skip this.</p>	<p>Appraisal – \$400 to \$700</p> <p>Ordered by your lender. Confirms the home's market value before the bank will lend against it.</p>

Paid at Closing – 2% to 5% of Loan Amount

<p>Lender Fees</p> <p>Origination, underwriting, and processing charges. Outlined in your Loan Estimate.</p>	<p>Title Insurance</p> <p>Lender's policy is required. Owner's policy is optional but strongly recommended — it protects you personally.</p>
<p>Homeowner's Insurance</p> <p>First year typically paid at closing. Shop early — rates vary significantly.</p>	<p>Prepaid Taxes & Insurance</p> <p>Lenders often collect 2–3 months upfront to fund your escrow account.</p>
<p>Home Warranty – \$490 to \$800</p> <p>Optional. Covers major systems and appliances. Can be negotiated for the seller to pay.</p>	<p>Recording & Transfer Fees</p> <p>Government fees for recording the deed and transferring ownership. Vary by county.</p>

CAN CLOSING COSTS BE ROLLED INTO THE LOAN? Sometimes, depending on your loan type, lender, and appraised value. Rolling costs into the loan means you pay interest on them over time. Some programs also allow seller concessions to cover part of your closing costs — worth negotiating upfront.

Inspection Cost Reference

Prices are approximate and vary by inspector and market conditions.

Home Size	Est. Cost
Under 1,500 sq ft	\$400
1,500 to 2,000 sq ft	\$410
2,000 to 2,500 sq ft	\$425
2,500 to 3,000 sq ft	\$440
3,000 to 3,500 sq ft	\$460
3,500 to 4,000 sq ft	\$490
4,000 to 4,500 sq ft	\$560
4,500 to 5,000 sq ft	\$600
5,000 to 5,500 sq ft	\$660

Additional Specialist	Est. Cost
Radon Test	\$150
Septic / Well	\$150
Pool Inspection	\$150
Termite Inspection	\$85
Water Test	\$175
Indoor Air Quality	\$150
Asbestos Test	Varies
Detached Bldg <1,000 sf	\$75
Detached Bldg >1,000 sf	\$150

Never Waive Your Inspection

In a competitive market, you will hear about waiving contingencies to make your offer stronger. The inspection contingency is not one to give up lightly, and in most situations you should keep it.

The inspection contingency protects your earnest money. If the inspector finds something unacceptable and you have the contingency in place, you can walk away and get your deposit back. Without it, you are risking that money and buying the home's problems sight unseen.

📍 WHAT HAPPENS DURING THE INSPECTION PERIOD: You hire a licensed inspector who walks the entire home and produces a written report. You then have a set window — typically 5 to 10 days — to review the report and decide: accept the home as-is, request repairs or a price reduction, or walk away. This is your one real opportunity to find out what you are buying before it is yours.

Questions to Ask at Every Showing

- Where is the water heater and how old is it?
- When was the roof last replaced?
- What is the age of the HVAC system?
- Has there ever been water intrusion or flooding?
- Is there a sump pump, and has it ever failed?
- Is the water source city or well? Is there a septic system?
- Are there any HOA restrictions or fees?

⚠️ WATER HEATER LOCATION MATTERS MORE THAN MOST BUYERS REALIZE: A water heater installed on the second floor is a risk most buyers never think to ask about. When a second-floor unit leaks or fails, water moves through floors, ceilings, and walls fast. The repair bills follow. Always ask where it is, how old it is, and when it was last serviced. Most water heaters last 10 to 15 years.

Step 7: Things Most Buyers Find Out Too Late

You may qualify as a first-time buyer again

If you haven't owned a home in 3 years, the IRS and many down payment assistance programs consider you a first-time buyer. Programs and grants you assumed weren't available might still be on the table. Ask your lender to check before you assume you don't qualify.

New construction buyers must register an agent first

Most builders require agent registration on your very first visit — before you walk through the door. If you visit a model home without your consultant registered, you may lose the right to representation at that builder altogether. Text me before you visit any model home.

HOA rules can affect what you can do with the home

If a home has a homeowners association, there are monthly or annual fees and rules governing everything from fence colors to whether you can park a truck in the driveway. You have the right to review all HOA documents before closing. Read them.

Water damage disclosure is required in Indiana even after repairs

Indiana law requires sellers to disclose known water damage history, even if fully repaired. If a seller cannot account for a past water event on the disclosure, ask why.

Your first mortgage payment is not due on moving day

Mortgage interest is paid in arrears — you pay for the previous month. Close in June and your first payment is typically due August 1. Your closing disclosure will show the exact date and amount. This surprises almost every first-time buyer.

Your loan servicer might change after closing

You get a loan from your lender, then receive a letter saying it was transferred to a different company. This is completely normal and does not change your loan terms. Just make sure your payments go to the right place after any transfer notice.

Know where your water shutoff is before anything goes wrong

Your main water shutoff may be inside near the water heater, under a sink, in a utility room, or outside near the street. Find it before you need it. In a leak or burst pipe situation, every minute counts.

Step 8: Your Home Buying Roadmap

Here's the full process from start to keys, in the right order.



Closing Day – What to Bring



Government-Issued Photo ID

A driver's license or passport. Every person signing the documents will need one.



Proof of Homeowner's Insurance

Confirm your policy is active and the lender is listed as a loss payee.



Certified Funds or Wire Confirmation

Your closing disclosure shows the exact amount due. Bring a cashier's check or confirm your wire was received. Personal checks are not accepted.



Loan Estimate & Closing Disclosure

Bring both so you can compare line by line. If something looks different from what you expected, ask before you sign anything.

ⓘ WHEN IS YOUR FIRST MORTGAGE PAYMENT DUE? Not on moving day. Mortgage interest is paid in arrears. Close in June and your first payment is typically due August 1. Your closing disclosure will show the exact date and amount.

The First 7 Things to Do When You Buy a House

Most buyers know to change the address and order furniture. These are the things nobody thinks to mention.



01 – Change the Locks

You don't know how many copies of the old key exist. Rekey or replace every exterior lock on day one. A \$150 decision that buys real peace of mind.



02 – Find the Water Shutoff

Could be inside near the water heater, under a sink, or outside near the street. Find it before you need it. Make sure everyone in the house knows where it is.



03 – Label the Breaker Box

If it isn't already labeled, do it now before something trips at midnight. Walk each room, flip breakers one by one, and label every circuit clearly.



04 – Secure Sliding Doors & Windows

A wooden dowel rod in the track adds a secondary security layer that costs about \$2 and takes two minutes per opening.



05 – Set Up Cameras

Wireless cameras at the front door and any rear entry points give you visibility and a record. Set them up before you're fully moved in.



06 – Deep Clean Before Moving In

Cleaning an empty house is dramatically easier than cleaning one full of furniture and boxes. Hire it out or do it yourself — but do it before the movers show up.



07 – Meet Your Neighbors

Introduce yourself within the first week. Neighbors who know you are neighbors who notice when something looks off. It's the oldest home security system there is.

READY TO START?

You don't have to figure this out on your own

Most first-time buyers say the process felt overwhelming until someone walked them through it step by step. That's exactly what I do — and I do it before you tour a single house. If you're thinking about buying in the Metro Indianapolis or Hendricks County area and want to know exactly what to expect before you start, let's talk. A strategy call costs you nothing and will change how you approach the whole process.

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All costs shown are approximate and for educational purposes only. Consult your lender for exact figures specific to your loan and transaction.