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# THE CHICAGO FIRST-TIME HOME BUYER GUIDE

Everything You Need to Know to Buy  
Your First Home in Chicago

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By Catalin Maticiuc | Crosstown Chicago | [crosstownchicago.com](https://crosstownchicago.com)

# Welcome

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Buying your first home is one of the biggest things you'll ever do. It can feel overwhelming — there's a lot of jargon, a lot of steps, and a lot of people telling you different things.

This guide cuts through all of that. I wrote it in plain English, with real numbers, so you know exactly what to expect — from your first credit check to the day you get your keys.

You don't need a finance degree to buy a home. You just need a good roadmap. This is it.

— *Catalin Maticiuc, Crosstown Chicago*

## What's Inside

**Before You Start:** Get your credit, down payment, and savings in order

**Step 1:** Get Pre-Approved — before you look at a single home

**Step 2:** Choose the Right Agent — and why it's free to you

**Step 3:** Define What You're Looking For

**Step 4:** The Home Search — how to move fast in Chicago

**Step 5:** Making an Offer — earnest money, contingencies, escalation

**Step 6:** Attorney Review — Illinois law, explained plainly

**Step 7:** The Home Inspection — what to look for, what to walk away from

**Step 8:** The Appraisal — what it is and why it protects you

**Step 9:** Underwriting — don't touch your finances until you close

**Step 10:** The Final Walk-Through

**Step 11:** Closing Day — what to bring, what to sign, what it costs

**Chicago Tips:** HOA fees, property taxes, parking, and vintage buildings

# Before You Start: Get Your Finances Right

Buying a home starts with your money — not with looking at houses. Get this wrong, and nothing else works. Get it right, and everything gets easier.

## Your Credit Score

Your credit score is a number between 300 and 850. It tells lenders how reliable you are with money. Think of it like a grade — the higher, the better.

Credit Score	What It Means	Loan Options
760+	Excellent — best rates	All loans, lowest rates
700–759	Very good — strong rates	All conventional & FHA
660–699	Good — decent rates	Conventional & FHA
620–659	Fair — higher rates	Conventional (barely), FHA
580–619	Low — limited options	FHA only (3.5% down)
Below 580	Work on it first	Most lenders will decline

### ■ What this means for you:

Check your credit score right now at [AnnualCreditReport.com](https://AnnualCreditReport.com) — it's free. If yours is low, don't panic. Most people can raise their score 40-60 points in 3-6 months.

### How to improve your score fast:

- Pay down credit card balances — try to use less than 30% of each card's limit
- Pay every bill on time — even one late payment hurts your score
- Don't close old credit cards — old accounts actually help your score
- Don't open new cards or take out new loans while preparing to buy

## Your Down Payment

The down payment is the chunk of cash you pay upfront when you buy. The rest comes from your mortgage — the loan your bank gives you. Here's how much you actually need:

Loan Type	Down Payment	On a \$350k Home	On a \$450k Home
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FHA Loan	3.5%	\$12,250	\$15,750
Conventional	3%	\$10,500	\$13,500
Conventional	5%	\$17,500	\$22,500
Conventional	10%	\$35,000	\$45,000
Conventional	20% (no PMI)	\$70,000	\$90,000

**What is PMI?** PMI stands for Private Mortgage Insurance. It's an extra monthly fee you pay when your down payment is less than 20%. It protects the bank — not you — if you stop paying. PMI typically costs \$100–\$200/month and goes away once you've paid down enough of your loan.

■ **What this means for you:**

Most first-time buyers in Chicago put down 3–5%. You don't need 20% to start. A typical first-time buyer needs \$12,000–\$25,000 down plus closing costs.

## Your Debt-to-Income Ratio (DTI)

DTI — short for debt-to-income ratio — is the percentage of your monthly income that goes toward paying debts. Banks use this to decide how much they'll lend you.

**Example:** You earn \$5,000/month. You pay \$400 for a car loan and \$200 in student loans. That's \$600/month in debt — 12% DTI. If your new mortgage payment is \$1,550/month, your total DTI is 43%.

### ■ The 43% Rule

Most lenders want your total DTI — including your new mortgage — to stay below 43-45%.

If your DTI is too high, pay down debts before applying.

Paying off a car or credit card can unlock significantly more buying power.

## Your Emergency Fund

Here's what nobody talks about: after you buy, you need money left over. Homes break. Furnaces fail in January. Roofs leak.

Aim to have 3–6 months of living expenses in the bank after closing. If your bills total \$4,000/month, keep \$12,000–\$24,000 left over after everything.

### ■ Don't drain your account to close

Going to zero is dangerous. One surprise repair — and there will be one — can put you in serious financial trouble if you have no cushion.

Keep a buffer. Your future self will thank you.

# Step 1: Get Pre-Approved

Before you look at a single home, you need a pre-approval letter. This is the first thing you do — not the second, not the third. First.

## Pre-Qualified vs. Pre-Approved — What's the Difference?

Pre-Qualification	Pre-Approval
You tell a lender your income. No documents checked.	Lender verifies income, credit, and documents.
Quick — maybe 10 minutes online.	Takes 1–3 business days.
Means almost nothing to a seller.	Shows sellers you're serious and financially ready.
Just an estimate. Not verified.	A real letter saying "we'll lend you up to \$X."

### ■ What this means for you:

In Chicago, sellers won't take you seriously without a pre-approval letter. If you call an agent or tour a home before getting pre-approved, you're wasting everyone's time — including your own. Get pre-approved first.

### Documents you'll need:

- Last 2 years of tax returns (W-2s and 1040 forms)
- Last 2 months of pay stubs
- Last 2–3 months of bank statements (all accounts)
- Government-issued ID — driver's license or passport
- A list of all monthly debt payments (car, student loans, credit cards)
- Self-employed? Also bring 2 years of business returns and a profit/loss statement

### ■ Chicago tip: Use a local lender

A pre-approval from a local lender — someone Chicago agents know and trust — carries more weight than one from a big national bank with no local presence.

Ask your agent for lender referrals. It matters more than people think.

## Step 2: Choose the Right Agent

A buyer's agent is your guide through the entire process — finding homes, writing offers, negotiating, and getting to closing.

**Here's the best part: it's free to you.** In almost every transaction, the seller pays both agents — theirs and yours. You get professional representation at no cost. There's no reason not to use one.

### Questions to ask before you hire an agent:

- How many buyers have you helped in the last 12 months?
- How well do you know [your target neighborhood]?
- How quickly do you respond to calls and texts?
- What's your plan when I need to move fast on a property?

#### ■ Red flags to watch for

They suggest skipping the home inspection to win a deal

They push you toward homes above your stated budget

They're slow to respond or hard to reach

They don't actually know the neighborhoods you're targeting

## Step 3: Define What You're Looking For

### Condo vs. Townhome vs. Single-Family Home

Type	What You Own	Monthly HOA?	Best For
Condo	Your unit only	Yes — \$200–\$700/mo	Low maintenance, urban lifestyle
Townhome	Unit + land (usually)	Yes — lower, \$100–\$350/mo	More space, less upkeep than house
Single-Family	Home + yard + garage	Usually no	Families, max space, full control

**Must-haves vs. nice-to-haves:** Write two lists before you search. Must-haves are non-negotiable (2 bedrooms, off-street parking, near transit). Nice-to-haves are things you'd love but could live without. When emotions take over at a showing, these lists keep you grounded.

■ **What this means for you:**

Don't just look at your maximum loan amount. Run the all-in monthly cost: mortgage + property taxes + insurance + HOA fees. In Chicago, property taxes on a \$400k home often add \$580–\$830/month on top of your mortgage. Know what you can comfortably afford, not just what the bank will lend you.

## Step 4: The Home Search

Your agent sets you up on the MLS — the Multiple Listing Service — which is the database where all homes for sale are listed. You get alerts the moment a new home that matches your criteria appears.

You can also search on Zillow or Redfin, but those sites often have delays. The MLS through your agent is faster and more accurate.

### ■ Chicago market reality

Good properties in popular neighborhoods move fast. Really fast.

A well-priced 2BR condo in Wicker Park or Logan Square can go under contract within a single weekend. If something checks your boxes, move within 24-48 hours.

### What to look for at a showing (beyond the aesthetics):

- **Water damage:** Look for stains on ceilings and walls — brown or yellow marks mean water got in.
- **Windows:** Old single-pane windows are expensive to replace.
- **Heating system:** Ask the age. Radiator heat is common in Chicago — it's effective, but check the boiler.
- **Basement:** Look for cracks, water stains, or a musty smell — all signs of moisture problems.
- **Building upkeep (condos):** Check the lobby, mailroom, garbage area. How a building looks maintained tells you a lot.

### ■ What this means for you:

You can change paint and flooring. You can't easily change the bones of a building. Focus on what's hard and expensive to fix, not what looks pretty.

## Step 5: Making an Offer

When you find the right home, your agent writes a formal offer — a legal document that includes your price, deposit, conditions, and target closing date.

### What's in an Offer

- **Purchase price:** What you're offering to pay.
- **Earnest money:** A deposit that shows you're serious (explained below).
- **Contingencies:** Conditions that let you back out safely (explained below).
- **Closing date:** When you want to take ownership — typically 30–45 days out.

### Earnest Money — What Is It?

Earnest money is a deposit you pay when your offer is accepted. Think of it as: "I'm serious — here's proof." In Chicago, this is typically **1–2% of the purchase price**.

Purchase Price	1% Earnest Money	2% Earnest Money
\$300,000	\$3,000	\$6,000
\$400,000	\$4,000	\$8,000
\$500,000	\$5,000	\$10,000

This money goes into **escrow** — a neutral third-party account that holds it while the deal is in progress. Escrow is basically a safe deposit box that neither buyer nor seller can touch. If the deal closes, the money goes toward your down payment. If the deal falls apart for a valid reason, you get it back.

### Contingencies — Your Safety Net

Contingencies are conditions in your offer that protect you. If those conditions aren't met, you can walk away and get your deposit back.

- **Inspection contingency:** You can inspect the home. If serious problems turn up, you can negotiate or walk.
- **Financing contingency:** If your loan falls through, you can cancel and get your deposit back.
- **Attorney review contingency:** Illinois law gives you 5 business days to have an attorney review the contract.

### ■ Escalation Clause — what is it?

An escalation clause tells sellers: "I offer \$400,000, but I'll beat any other offer by \$2,000 up to a max of \$420,000." It's a competitive tool in a hot market.

Use it when you're in a multiple-offer situation and you really want the home.

## Step 6: Attorney Review — Illinois-Specific and Critical

### ■ Illinois is an attorney state — every transaction requires one.

This is not optional. It's the law. And it protects you.

Buyers coming from other states often don't know this. Now you do.

### What Does Your Attorney Actually Do?

Your real estate attorney reviews your contract, negotiates repairs on your behalf, makes sure there are no legal problems with the property, and protects your interests all the way to closing. Think of them as your legal bodyguard.

### The Attorney Review Period

After your offer is accepted, you have **5 business days** for attorney review. During this window, both attorneys can change the contract, negotiate repairs, or cancel the deal entirely if something looks wrong.

### ■ What this means for you:

This is your safety net. Use it. Hire a real estate attorney as soon as your offer is accepted — ideally before. Ask your agent for referrals.

Attorney Cost	What You Get
\$500 – \$1,500 (flat fee, most transactions)	Contract review, repair negotiations, title review, closing representation, legal protection on the largest purchase of your life.

### ■ Bottom line

On a \$400,000 purchase, \$1,000 for legal protection is nothing.

This is not the place to cut corners.

## Step 7: The Home Inspection

A home inspection is when a professional goes through the property from top to bottom — roof, foundation, HVAC, electrical, plumbing, windows, everything. They give you a written report with photos of every issue they found.

Inspections typically cost **\$400–\$600 for a condo** and **\$500–\$800 for a single-family home**. Always pay for it. Always attend it.

### What to Do With the Results

Every home has something. The question is: is it normal wear and tear, or a real problem? Here's a guide:

Issue	Normal — Don't Panic	Negotiate a Credit	Consider Walking Away
Roof	< 5 yrs old, minor wear	Near end of life (15–20 yr)	Active leaks, major damage
HVAC / Furnace	< 10 yrs old, working fine	10–15+ yrs old, working	Not working, condemned
Water heater	Working, under 8 yrs old	10+ yrs old, nearing end	Major corrosion, failure
Electrical	Modern panel, grounded	Some old wiring mixed in	Knob-and-tube throughout
Foundation	Minor hairline cracks	Moderate cracks, monitoring	Structural movement, major
Basement	Dry, no stains	Minor moisture, fixable	Active flooding, mold

### Chicago-specific things to know:

- A lot of Chicago housing stock is from the 1920s–1950s. Older isn't bad — but know what you're buying.
- Radiator heat is common and effective, but check the age and condition of the boiler.
- Coach houses (small rear buildings on a lot) have their own mechanical systems — inspect them separately.
- Knob-and-tube wiring in older buildings is a safety concern — get it evaluated by an electrician.

### ■ **Never skip the inspection**

A \$500 inspection can save you \$50,000 in surprises.

Some buyers waive inspection to be competitive. That's a gamble.

Know what you're buying. Always.

## Step 8: The Appraisal

After your inspection, your lender orders an appraisal. An appraiser — a licensed professional — visits the home and gives an independent opinion of what it's worth. Your lender won't loan you more than the appraised value.

### What if the appraisal comes in low?

Example: You agreed to pay \$410,000, but the appraiser says it's worth \$390,000. Your lender will only lend based on \$390,000. That leaves a \$20,000 gap.

- **Option 1:** Renegotiate with the seller — ask them to lower the price to \$390,000.
- **Option 2:** Pay the \$20,000 gap out of your own pocket.
- **Option 3:** Walk away — your financing contingency protects you and you get your deposit back.

#### ■ What this means for you:

The appraisal protects you from overpaying. If it comes in low, your agent and attorney go to work. You don't just accept a bad deal.

## Step 9: Mortgage Underwriting & Clear to Close

Underwriting is when your lender does a deep review of your finances before they officially approve your loan. Think of it as the final exam — pre-approval was the homework.

**They're checking:** your income, employment, credit (pulled again), the appraisal, and the property's title history.

#### ■ Do NOT do any of these between offer and closing:

Open new credit cards or take out new loans — even at 0% interest

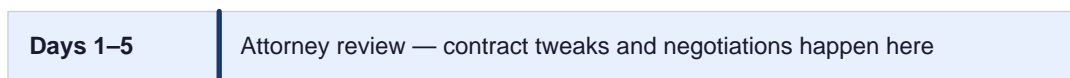
Quit your job or change employers

Make large cash deposits without telling your lender first

Buy a car, boat, or other big-ticket item

Any of these can kill your loan approval right before closing

## The Timeline



<b>Days 1–7</b>	Schedule and complete your home inspection
<b>Days 7–14</b>	Negotiate inspection repairs; lender orders appraisal
<b>Days 14–28</b>	Mortgage underwriting — lender reviews everything in detail
<b>Days 28–42</b>	Final loan approval, "clear to close" received
<b>Day 30–45</b>	Final walk-through (day before closing), then closing day!

## Step 10: The Final Walk-Through

The final walk-through happens 24–48 hours before closing. You walk through the home one last time to make sure everything is right.

- All agreed repairs were actually completed
- No new damage happened between inspection and now
- All appliances that were supposed to stay are still there and working
- Lights, outlets, and faucets all work
- The home is clean and empty (if it was supposed to be)

### ■ What this means for you:

This is your last chance to catch problems before you own the place. Bring your inspection report. Don't rush it.

## Step 11: Closing Day

Closing is the day you sign a stack of papers and get your keys. It happens at a title company — a business that handles the legal transfer of ownership. Plan on 1–2 hours.

**What is a title company?** A title company researches the ownership history of the property to make sure no one else has a legal claim to it. They also handle the money — making sure it all goes to the right places. They're the neutral referee at closing.

Bring To Closing	What You're Signing
<ul style="list-style-type: none"> <li>• Government-issued ID (driver's license or passport)</li> <li>• Cashier's check OR wire transfer confirmation for down payment + closing costs (personal checks NOT accepted)</li> <li>• Your attorney's phone number, just in case</li> </ul>	<ul style="list-style-type: none"> <li>• The deed — transfers ownership to you</li> <li>• The mortgage note — your promise to repay</li> <li>• The closing disclosure — detailed breakdown of every dollar in/out (review this 3 days before closing — lender must send it early)</li> <li>• Title insurance documents</li> </ul>

### Closing Costs — What You'll Owe

Closing costs are fees paid on top of your down payment to finalize the purchase. In Chicago, expect **2–3% of the purchase price** in closing costs. On a \$400,000 home, that's **\$8,000–\$12,000**.

Cost Item	What It Is	Typical Amount
Lender origination fee	Bank's charge to process your loan	\$1,000–\$2,500
Title insurance	Protects you if ownership is disputed later	\$1,500–\$3,000
Attorney fee	Your attorney's closing fee	\$500–\$1,500
Transfer tax (buyer)	City tax when ownership changes hands	\$7.50 per \$1,000
Prepaid insurance	First year of homeowners insurance	\$1,000–\$2,000
Prepaid taxes	Property taxes paid at closing (2–3 mo.)	Varies — often \$2,000+
Recording fees	Government fee to record the deed	\$50–\$200

### ■ Chicago Transfer Tax — explained simply

The buyer pays \$7.50 per \$1,000 of the purchase price.

On a \$400,000 home:  $400 \times \$7.50 = \$3,000$ . That's your transfer tax.

The seller pays a separate transfer tax — that's their cost, not yours.

Factor this into your total cash needed at closing.

#### **After you close:**

- Change the locks immediately — you don't know who has old key copies
- Update your address with USPS, your bank, employer, and subscriptions
- Keep all closing documents in a safe place — you'll need them at tax time
- Set up a home maintenance fund: save roughly 1% of your home's value per year

# Chicago-Specific Things You Need to Know

## HOA Fees

HOA stands for Homeowners Association. If you buy a condo or townhome, you pay monthly dues to this group. They manage the building — maintenance, insurance on common areas, management company. Typical HOA fees in Chicago: **\$200–\$700/month** depending on the building and amenities.

### ■ What this means for you:

A \$320,000 condo with \$600/month HOA fees might cost you more per month than a \$360,000 condo with \$250/month HOA fees. Always compare the all-in monthly cost.

## Special Assessments

A special assessment is an extra, unplanned charge from the HOA when the building needs a major repair the regular savings don't cover. New roof, tuckpointing (repairing the brick and mortar), elevator replacement — these can land as a bill of \$500 to \$15,000.

### Before you buy a condo, ask for:

- HOA meeting minutes from the last 2 years — these often mention upcoming repairs
- The reserve fund balance — how much money the building has saved up
- Any pending or planned special assessments

*Your attorney can request all of this during attorney review.*

## Property Taxes

Cook County property taxes are among the highest in the country. This is not a small number — it significantly affects your monthly payment.

Home Price	Estimated Annual Tax	Added Monthly
\$300,000	\$5,500–\$8,000	\$460–\$670/mo
\$400,000	\$7,000–\$10,000	\$580–\$830/mo
\$550,000	\$10,000–\$14,000	\$830–\$1,170/mo

*Always ask for the actual tax bill — not an estimate. Your agent can pull this.*

## Parking

In many Chicago neighborhoods, parking is a significant cost. A garage space or dedicated parking pad can cost **\$20,000–\$50,000 extra** as an add-on to a condo purchase. Some buildings include parking in the price; others sell it separately. If you own a car, factor this in before falling in love with a parking-free unit.

## Vintage Buildings

Chicago has stunning vintage buildings — brick courtyard buildings from the 1920s, greystones, coach houses. They're charming and often well-built. But they come with old mechanical systems. Get a thorough inspection. Ask about the age of everything.

# Your Quick Reference Cheat Sheet

<b>Before you start</b>	Fix credit, save your down payment, keep an emergency fund
<b>Step 1 — Pre-approval</b>	Get pre-approved before you look at a single home
<b>Step 2 — Agent</b>	Hire a local expert — it's free to you
<b>Step 3 — Define search</b>	Know your must-haves, real budget, and target neighborhoods
<b>Step 4 — Search</b>	Set up MLS alerts; move within 24–48 hrs on good listings
<b>Step 5 — Offer</b>	Earnest money (1–2%), contingencies protect you, escalation clause helps
<b>Step 6 — Attorney review</b>	5 business days — Illinois law, \$500–\$1,500, non-negotiable
<b>Step 7 — Inspection</b>	\$400–\$800, always do it, negotiate problems
<b>Step 8 — Appraisal</b>	Lender orders it; protects you from overpaying
<b>Step 9 — Underwriting</b>	30–45 days; don't touch your finances
<b>Step 10 — Walk-through</b>	24–48 hrs before closing; check all agreed repairs
<b>Step 11 — Closing</b>	Bring ID + cashier's check; budget 2–3% for closing costs

## Numbers to Remember

<b>620</b>	<b>3.5%</b>	<b>2–3%</b>	<b>5 days</b>
Min credit score (conventional loan)	Min down payment (FHA loan)	Closing costs (of purchase price)	Attorney review period (IL law)



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# Ready to Find Your First Home?

Book a Free Strategy Call with Catalin

**+1 (773) 830-2917**

**[crosstownchicago.com](https://crosstownchicago.com)**

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*No pressure. No pitch.*

*Just a real conversation about what's possible for you.*

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