



Free Educational Resources for Homebuyers

First-Time Buyer Booklet

A step-by-step roadmap from budgeting to closing day.

In this guide you'll learn:

- The First-Time Buyer Landscape (and How This Guide Works)
- Who Counts as a First-Time Homebuyer?
- Are You Financially Ready to Buy?
- How Much House Can You Afford? DTI and the 28/36 Guideline
- Credit Scores: How They Shape Your Loan and Your Rate
- How Much Down Payment Do You Really Need? (The 20% Myth)

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The First-Time Homebuyer's Complete Guide

Your first home, fully understood -- one step at a time. Buying your first home means learning a new language of down payments, credit scores, loan programs, and closing costs all at once. This guide breaks the whole journey into plain-English steps: how much house you can afford, how down payment assistance works, FHA vs. conventional vs. VA and USDA, what closing costs really are, and how to read a Loan Estimate -- every figure cited to HUD, the CFPB, and other authoritative sources.

The First-Time Buyer Landscape (and How This Guide Works)

Buying your first home may be the largest financial decision you ever make, and today it takes more planning than it did a generation ago. Understanding the current landscape helps you set realistic expectations before you begin.

In 2025, first-time buyers made up just 21% of all home buyers -- a record low since the National Association of Realtors began tracking in 1981. For context, before the 2008 housing downturn, first-timers were routinely about 40% of the market. Over the same period the median age of first-time buyers rose to an all-time high of 40, up from the late 20s in the 1980s.

The takeaway is encouraging, not discouraging: the buyers who reach the closing table almost always get there through preparation, not luck. This guide walks through every stage -- from checking whether you are financially ready, to understanding loan programs and down payment assistance, to reading your final closing paperwork.

How this guide works. MortEdu is a purely educational publisher. It is not a lender, broker, or loan servicer, it does not originate or offer loans, and it never sells or shares your information with lenders or any third party. Everything below explains concepts in plain English so you can make informed decisions and ask sharper questions. It is educational information, not personalized financial, legal, or tax advice.

Who Counts as a First-Time Homebuyer?

The phrase is broader than it sounds. You do not necessarily have to have never owned a home.

The U.S. Department of Housing and Urban Development (HUD) defines a first-time homebuyer as someone who has had no ownership interest in a principal residence during the three-year period ending on the date of purchase. So if you owned a home years ago but have rented for the past three years, you may qualify as a first-time buyer again.

HUD's definition also recognizes several special exceptions, which can matter for program eligibility:

- Displaced homemakers -- an individual who has not worked full-time in the labor force for a

number of years but provided unpaid household work for a family.

- Single parents who previously owned a home only with a former spouse while married.
- Someone whose only prior ownership was a principal residence not permanently affixed to a permanent foundation.
- Someone whose only prior ownership was a property that was not code-compliant and could not be brought into compliance for less than the cost of building a permanent structure.

This status matters because it can unlock assistance programs and certain loan features. Always confirm the definition used by a specific program, since some programs set their own criteria.

Are You Financially Ready to Buy?

Before focusing on houses, it helps to honestly assess your financial foundation. Lenders look at four broad areas, and so should you.

- Income stability. Steady, documentable income matters more than a high income. Lenders typically want to see a consistent history, often around two years, and they verify it with pay stubs, W-2s, or tax returns for self-employed applicants.
- Employment history. Lenders generally look for a stable, documentable income history -- often about two years -- because it helps them judge whether income is likely to continue. Gaps or a recent switch to a different field are not automatic disqualifiers, but they are among the things an underwriter reviews.
- Existing debt. Monthly obligations -- car loans, student loans, credit cards, personal loans -- reduce how much home you can afford, because they count against your debt-to-income ratio (explained in the next section).
- Savings. You need money for a down payment, closing costs, and ideally a cushion of reserves after closing so a surprise expense does not derail you.

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