MINNESOTA HOMEBUYER'S CONNECTION

Minnesota First-Time Homebuyer Guide

A simple, practical guide to prepare for buying a home in Minnesota

MNHBC.com

Welcome: What This Guide Is For

Buying your first home can feel confusing because there are a lot of moving parts: credit, income, down payment, closing costs, loan programs, inspections, insurance, appraisals, and deadlines. This guide is designed to make the process easier to understand before you start shopping.

Minnesota Homebuyer Connection is a resource to help buyers get educated, organized, and connected with the right next step. This is not meant to replace advice from a licensed lender, realtor, attorney, tax professional, or housing counselor. It is meant to help you ask better questions and move forward with more confidence.

How to use this guide

Read it once from start to finish, then come back to the checklist-style pages when you are ready to talk with a lender, compare options, or start touring homes.

The big goal

Before you fall in love with a home, you want to know what monthly payment feels realistic, what cash you may need, what programs may fit, and what steps come next.

The Homebuying Process at a Glance

Every purchase is a little different, but most first-time buyers move through the same general path. Use this page as your map.

1

Get Organized

Review your budget, credit, income, savings, timeline, and goals.

2

Connect With a Lender

Discuss loan options, payment comfort, documents, and possible programs.

3

Get Pre-Approved

Understand your price range before shopping seriously.

4

Build Your Team

Lender, realtor, insurance, inspection, and title all matter.

5

Start Shopping

Compare homes based on needs, location, condition, and monthly cost.

6

Make an Offer

Review price, contingencies, earnest money, credits, and timing.

7

Inspection & Loan Process

Complete inspection, appraisal, underwriting, insurance, and final conditions.

8

Closing Day

Sign final paperwork, bring funds needed, and receive the keys.

Process tip

A pre-approval is not the finish line - it is the starting point. Once you have an accepted offer, the lender still needs to verify details, review the property, and issue final approval.

1. What to Know Before You Start Shopping

The best time to prepare is before you are emotionally attached to a home. A strong first step is to understand your full monthly housing cost, not just the purchase price.

Your budget should include more than principal and interest

- Mortgage principal and interest
- Property taxes
- Homeowners insurance
- Mortgage insurance, if required
- HOA dues, if applicable
- Utilities, maintenance, and future repairs

Minnesota reality check

Two homes with the same price can have very different monthly payments because taxes, insurance, HOA dues, and loan structure can vary. Always compare the full monthly payment, not just the asking price.

Documents to start gathering

- ✓ Recent pay stubs
- ✓ Last two years of W-2s or tax returns
- ✓ Bank statements
- ✓ Driver's license or photo ID
- ✓ Student loan, auto loan, credit card, and other debt details
- ✓ Rental history and current housing payment

2. Rent vs. Buy: When Buying Starts to Make Sense

Buying is not automatically better than renting. It depends on your timeline, cash position, payment comfort, stability, and goals.

	Why it matters
How long do you plan to stay?	Buying tends to make more sense when you expect to stay long enough to absorb transaction costs and build equity.
Can you handle maintenance?	A homeowner is responsible for repairs, updates, and surprises. Build a cushion into your plan.
Is your payment comfortable?	Do not let a pre-approval number pressure you into a payment that makes your life stressful.
Are you ready for commitment?	Buying gives more control, but it also reduces flexibility compared with renting.

A helpful mindset

The goal is not to buy the most expensive home you can qualify for. The goal is to buy a home that fits your life, your budget, and your next few years.

3. Pre-Qualification vs. Pre-Approval

These terms are often used casually, but they are not the same. A quick estimate can be useful, but a stronger pre-approval usually requires more documentation and review.

	What it usually means	How to use it
Pre-qualification	A basic estimate based on information you provide. It may not include full document review.	Good for early planning and rough budget conversations.
Pre-approval	A more serious review of credit, income, assets, and loan fit. Exact strength varies by lender.	Best before touring homes or making offers.
Final loan approval	Comes later, after the property, appraisal, title, insurance, and underwriting conditions are reviewed.	Needed before closing.

Important

A pre-approval is not a guarantee of final approval. Changes to income, credit, debts, employment, cash to close, or the property itself can affect the final loan decision.

4. Credit, Income, Debt, and Savings Basics

Lenders look at your ability and willingness to repay. In plain English, they are reviewing your credit history, income stability, monthly debts, assets, and the property you want to buy.

Credit

Your credit score can affect the loan options available, the interest rate, mortgage insurance, and program eligibility. Before applying, avoid opening unnecessary new credit, missing payments, or running up balances.

Income

Lenders usually need to verify that your income is stable, documentable, and likely to continue. Hourly, salary, commission, bonus, overtime, self-employment, and side income may be reviewed differently.

Debt

Monthly debts matter because they affect your debt-to-income ratio. Student loans, car payments, credit cards, personal loans, child support, and other recurring obligations may all be included.

Savings

Savings may be used for down payment, closing costs, reserves, inspections, moving costs, and emergency cushion. Cash to close can vary by loan type, property taxes, insurance, seller credits, and assistance programs.

5. Down Payment and Closing Costs

Your down payment is only one part of the cash needed to buy a home. Closing costs and prepaids can be a major surprise if no one explains them early.

	Plain-English explanation
Down payment	Your upfront investment toward the purchase price. Some loan programs allow lower down payments than buyers expect.
Lender costs	Fees or pricing connected to the mortgage. Some may be affected by the lender, rate choice, or credits.
Third-party costs	Services such as appraisal, title, credit report, inspection, or settlement services.
Prepaids and escrow	Items such as homeowners insurance, prepaid interest, and property tax/insurance escrow setup.
Seller credits	A negotiated amount the seller may contribute toward allowable buyer costs, depending on loan rules and the offer.

What buyers should ask

Ask your lender for a clear estimate showing payment, cash to close, what assumptions were used, and what could change before closing.

6. Minnesota Assistance and Program Options

Minnesota buyers may have access to state, county, city, nonprofit, lender, or employer-based programs. Eligibility can depend on income, purchase price, credit, household size, property location, education requirements, and the loan product used.

Minnesota Housing example

Minnesota Housing lists homebuyer loan programs with income and purchase price limits, owner-occupancy requirements, minimum credit score requirements, education requirements for certain borrowers, and down payment/closing cost loan options up to $18,000 for eligible buyers. Program rules can change, so buyers should verify current details before relying on any number.

Common types of help

- Down payment and closing cost loans
- Deferred payment loans
- Forgivable loans or grants in some local programs
- Lower down payment loan products
- Homebuyer education resources
- Special programs based on city, county, income, occupation, or household needs

Do not self-disqualify

Many people assume they make too much, have too little saved, or are not "first-time" enough. Ask anyway. Some programs define first-time buyer as someone who has not owned a home in the last three years.

7. Building Your Homebuying Team

A good team helps you avoid expensive surprises. You do not need to know everything yourself, but you do need people who explain things clearly and work well together.

	What they help with
Lender	Pre-approval, loan options, payment estimates, cash to close, underwriting, and closing coordination.
Realtor	Home search, market strategy, showings, offer terms, negotiations, inspections, and timelines.
Insurance professional	Homeowners insurance quote, replacement cost, deductibles, roof/claim questions, and lender-required proof of insurance.
Inspector	Property condition, safety concerns, maintenance items, and negotiation information.
Title/closing company	Title search, settlement statement, funds, signing, recording, and transfer of ownership.

Team tip

The cheapest option is not always the best option. Clear communication, speed, accuracy, and experience matter a lot during a purchase.

8. Wish List vs. Must-Haves

A clear wish list helps your realtor focus the search and helps you avoid making emotional decisions. Separate what you need from what would simply be nice to have.

	Nice-to-have
Monthly payment fits your budget	Updated countertops
Location works for work, school, or family	Finished basement
Enough bedrooms or flexible space	Large yard
Home condition matches your risk tolerance	New appliances
Commute and lifestyle make sense	Specific paint colors or finishes

Questions to answer before touring

- What monthly payment range feels comfortable?

- Which areas are realistic for your budget?

- What property condition are you willing to take on?

- What would cause you to walk away?

- What tradeoffs are you willing to make?

9. Making an Offer in a Competitive Market

The strongest offer is not always the highest price. Price matters, but so do terms, timing, financing strength, contingencies, and seller confidence.

	What to understand
Price	The amount you are offering compared with recent sales, condition, competition, and appraisal risk.
Earnest money	A good-faith deposit that may be applied toward your purchase at closing, subject to the purchase agreement terms.
Inspection contingency	Gives you a chance to inspect and negotiate, cancel, or proceed depending on the contract.
Financing contingency	Protects you if financing cannot be completed under the terms of the agreement.
Seller credits	Can help with closing costs but may affect negotiation strength and must follow loan limits.
Closing date	The timing needs to work for the buyer, seller, lender, and title company.

Competitive does not mean reckless

A good offer strategy protects you from avoidable risk while still making the seller comfortable accepting your offer.

10. What Happens from Offer to Closing

Once your offer is accepted, the process becomes more deadline-driven. This is where communication matters.

	What is happening
Purchase agreement	The accepted offer becomes the roadmap for price, timing, contingencies, and responsibilities.
Inspection period	You inspect the property and decide whether to move forward, renegotiate, or cancel under the contract terms.
Application and disclosures	Your lender updates the file based on the exact property, price, taxes, insurance, and loan structure.
Appraisal and title	The property value and title history are reviewed.
Underwriting	The lender reviews borrower documents, property details, and remaining conditions.
Insurance and final numbers	Homeowners insurance is finalized and final cash to close is confirmed.
Closing	You sign documents, funds are transferred, and ownership changes hands.

Avoid this mistake

Do not make major financial changes before closing unless your lender says it is safe. New credit, job changes, large deposits, or moving money around can create delays.

11. Common First-Time Buyer Mistakes

Most first-time buyer problems are not caused by one big mistake. They usually come from small assumptions that were never clarified.

- Shopping before understanding payment and cash needed
- Only comparing purchase price instead of full monthly cost
- Assuming down payment is the only cash needed
- Making big credit or job changes during the process
- Not asking about assistance programs early enough
- Skipping homebuyer education when it could help
- Choosing a home without considering taxes, insurance, HOA, and maintenance
- Waiting too long to quote homeowners insurance
- Ignoring inspection concerns because of pressure or excitement

Best habit

Ask "what could change?" every time you review payment, cash to close, loan terms, or offer strategy.

12. Your Next Step

You do not need to have everything figured out before asking for help. The next step is simply to get organized enough that the right professional can point you in the right direction.

Before you request help, gather what you know

- Where you hope to buy
- Approximate household income
- Estimated credit range
- Savings available for purchase
- Current monthly debt payments
- Ideal move timeline
- Questions or concerns you already know you have

Start here

Complete the MNHBC intake form so your situation can be reviewed and you can be connected with appropriate next steps for education, lending, realtor guidance, and homebuying resources.

Visit: MNHBC.com

This guide is educational and does not provide legal, tax, lending, real estate, or insurance advice. Loan approval, program eligibility, rates, costs, and terms depend on individual circumstances and can change.

Sources and Helpful References

This guide was written as original MNHBC educational content. The structure was informed by common homebuyer education topics and a publicly available buyer guide reference provided by the MNHBC team. Program details should always be verified directly before a buyer relies on them.

	What it was used for
Minnesota Housing - Buy a Home & Refinance	Current Minnesota Housing homebuyer program concepts, including income/purchase price limits, education requirements, and down payment/closing cost loan availability.
HUD - Buying a Home	General homebuying steps and buyer education framing.
Fannie Mae - Homebuyer FAQ / Glossary	General first-time buyer definition and borrower education concepts.
Tradition Mortgage Homebuyer Guide	General structure inspiration only; MNHBC content is original and rewritten.

Suggested direct references for buyers: Minnesota Housing, HUD-approved housing counseling agencies, Fannie Mae HomeView, and local city or county homebuyer assistance resources.