First-Time Home
Buyer's ***Blueprint***

Everything you need to understand before you make an offer, from pre-approval through closing day, written by the agent on your side.

Pre-Approval Making Offers Inspections Michigan Property Taxes Closing Day

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Real Estate One · Plymouth, Michigan
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Free
Always

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First-Time Home Buyer's Blueprint

Introduction

A Note Before *You Begin*

Most first-time buyer guides are written to reassure you. This one is written to prepare you.

There is a difference between knowing that buying a home is exciting and knowing what is actually going to happen between the day you start looking and the day you get your keys. The first is motivation. The second is preparation. This Blueprint is about the second thing.

I wrote this because I have sat across the table from buyers who asked great questions on closing day, questions they should have been able to ask six weeks earlier if someone had given them the information upfront. That is on the industry, not on the buyers. This Blueprint is my attempt to close that gap.

What follows is not a step-by-step checklist of every form you will sign. It is an honest explanation of what matters, what surprises buyers most, and how to walk into each phase of the process with your eyes open. Read it in order if you are just starting. Jump to the chapter that applies if you are already mid-process.

How to Use This Blueprint

Chapters 1 and 2 are best read before you contact a lender. Chapters 3 through 5 apply when you are actively searching and making offers. Chapter 6 is essential reading for anyone buying in Michigan, regardless of where you are in the process. Chapter 7 is for the two weeks before closing. The story at the end is worth reading on its own.

Chapter 1

Are You Ready to Buy?
The Honest Financial Picture

Most buyers who call me are more ready than they think they are. But being ready means something more specific than having a down payment saved.

The Three Numbers That Matter

Lenders evaluate three things when you apply for a mortgage: your credit score, your debt-to-income ratio, and your available assets. Understanding all three before you apply gives you time to improve your position before anyone runs your credit.

Credit Score

For a conventional loan, most lenders want to see a score of 620 or higher. For the best interest rates, meaning lower monthly payments for the life of the loan, you want to be above 740. FHA loans can go as low as 580 with a 3.5% down payment. The difference between a 680 score and a 740 score on a $300,000 loan can be $80 to $120 per month in interest, roughly $1,000 to $1,400 per year.

Debt-to-Income Ratio (DTI)

Your DTI is your total monthly debt payments (car loans, student loans, credit cards, plus the proposed mortgage payment) divided by your gross monthly income. Conventional loans generally want this below 43 percent. FHA can allow up to 50 percent in some cases. The lower your DTI, the more buying power you have. If your DTI is above 45 percent, address existing debt before applying.

What You Actually Need in the Bank

The down payment is not the only money you need. Closing costs on a $300,000 home in Michigan typically run $6,000 to $10,000. Moving costs are real. And most lenders want to see two to three months of mortgage payments in reserve after closing. Budget accordingly.

Down Payment	% of $300K Purchase	Amount	Requires PMI?
3% (Conventional)	3%	$9,000	Yes, until 20% equity
3.5% (FHA)	3.5%	$10,500	Yes, for life of loan if <10%
10%	10%	$30,000	Yes, until 20% equity
20%	20%	$60,000	No

PMI (private mortgage insurance) adds approximately $100 to $200/month to your payment on a $300K loan. It is not permanent on conventional loans, it drops off once you reach 20% equity.

Pro Tip

Michigan has the MSHDA Down Payment Assistance program, which provides up to $10,000 toward down payment and closing costs for eligible first-time buyers. Income limits and purchase price caps apply, but many Southeast Michigan buyers qualify. Ask your lender on the first call, not all lenders offer MSHDA loans.

Checklist: Financial Readiness

- I know my current credit score (and have checked all three bureaus)
- My credit score is 620 or above (ideally 680+)
- My debt-to-income ratio is below 43%
- I have saved my target down payment amount
- I have an additional $8,000 to $12,000 for closing costs and reserves
- I have not made any large purchases on credit in the last 90 days
- I have 2 years of employment history (or 2 years of self-employment with filed taxes)

Chapter 2

Getting Pre-Approved:
What Lenders Actually Check

Pre-approval is not just paperwork. It is the foundation your offer is built on. In a competitive Southeast Michigan market, it is often the difference between a seller taking you seriously and not.

Pre-Qualification vs. Pre-Approval, The Real Difference

Pre-qualification is an informal estimate based on self-reported information. No credit check. No document verification. It takes ten minutes and means very little in a real offer situation.

Pre-approval means a lender has pulled your credit, reviewed your financial documents, and confirmed that you qualify for a specific loan amount. It carries weight with sellers. A full underwriting pre-approval, sometimes called a TBD approval, goes further and has your file fully underwritten before you even find a home. This is the strongest position you can be in.

What Lenders Will Ask You to Provide

Documents to Gather Before You Apply

- Last 2 years of W-2s (or 1099s / tax returns if self-employed)
- Last 30 days of pay stubs
- Last 2 months of bank statements (all pages, all accounts)
- Investment account statements if using for down payment or reserves
- Signed IRS Form 4506-C (lender will provide) authorizing tax transcript
- Photo ID (driver's license or passport)
- Social Security number (for credit pull)
- If divorced: copy of divorce decree and separation agreement
- If receiving gift funds: gift letter from the donor

How to Choose a Lender

Not all lenders are equal in speed, product access, or responsiveness, and in a multiple-offer situation, a lender who cannot close on time is a deal-killer. I recommend getting quotes from at least two lenders within a 14-day window. Credit pulls for mortgage purposes within 14 days count as a single inquiry on your credit report, so you can comparison-shop without penalty.

What to Compare Between Lenders

Do not compare only the interest rate. Compare the APR (which includes fees), the loan origination fees, whether they offer MSHDA and other assistance programs, their average time to close, and, critically, whether you can reach a real person when something comes up at 5pm on a Friday. The lowest rate from the slowest lender may cost you the house.

From Experience Derica Wade, Associate Broker

"I have seen buyers lose homes they were perfect for because their lender could not confirm their pre-approval letter to the listing agent within 24 hours of offer submission. Responsiveness is a feature. Before you commit to a lender, call them with a question at 6pm on a Thursday and see who picks up."

Chapter 3

Finding Your Community
in Southeast Michigan

Southeast Michigan is not one market. It is dozens of distinct communities, each with different property taxes, school districts, lifestyle character, and commute patterns. Choosing the wrong community can cost you more than the wrong house.

What Actually Determines Where You Should Live

Most first-time buyers start with "what can we afford?" and then search every community in that price range. A better approach is to identify the two or three communities that fit your lifestyle, commute, and tax budget, then search within those. This narrows the decision and makes each home you tour meaningful.

The variables that matter most: daily commute (where do you actually work?), property tax rate (cities and townships vary dramatically in Michigan), school district, access to walkable amenities versus land and space, and long-term resale actives.

Community Character	Good Fit For	Tax Consideration
Plymouth / Northville	Walkable downtown, top-rated schools, established neighborhoods	Higher millage, factor into budget
Canton Township	Value-to-space ratio, growing amenities, I-275 commute corridor	Township rates, lower than Plymouth city
Livonia	Established infrastructure, proximity to Detroit employment, ranch homes	Mid-range city millage
Brighton / South Lyon	More land, Livingston County schools, westward commute	Livingston County, verify rates individually
Westland / Garden City	Lower entry price, proximity to Detroit/Dearborn employment	Verify city vs. township; rates vary

Michigan Tip

In Michigan, the same-sized home can have a property tax bill that differs by $2,000 to $5,000 per year depending on whether it sits in a city or a township, even if the homes are across the street from each other. Always confirm the millage rate and current taxable value for any home you are seriously considering. See Chapter 6 for the full explanation.

The Find Your Fit Quiz

If you are unsure which Southeast Michigan communities to focus on, the Hearts to Homes Find Your Fit Quiz asks seven questions about your lifestyle, priorities, and commute, and returns up to three community matches. It takes four minutes and gives you a useful starting point. Visit **heartstohomesmi.com/find-your-fit-southeast-michigan**.

Chapter 4

Making *Your Offer*

An offer is not just a price. It is a collection of terms that together communicate your seriousness and protect your interests. First-time buyers often focus entirely on the number and miss the rest of the picture.

What Is Actually in an Offer

A purchase offer is a legally binding contract once accepted. It specifies the purchase price, the earnest money deposit, the contingencies (conditions that must be met for the sale to proceed), the proposed closing date, and any personal property requests (appliances, fixtures, etc.).

Earnest Money

In Southeast Michigan, earnest money deposits typically run $1,000 to $3,000 on homes under $300,000, and up to 1 to 2% of purchase price on higher-priced homes. This is held in escrow and applied toward your closing costs at the end. If the sale falls through due to a contingency, you get it back. If you back out without cause, you may forfeit it.

The Three Contingencies You Need to Understand

Financing contingency: Protects you if your loan is not approved. If your lender cannot fund the loan, you can exit with your earnest money. In a seller's market, sellers may ask you to waive or shorten this period. Be cautious, waiving it means you could lose your deposit if financing falls through.

Inspection contingency: Gives you the right to have the home inspected within a defined window (usually 7 to 10 days) and to negotiate repairs, a price reduction, or exit the contract if findings are unacceptable. This is non-negotiable from a risk standpoint. Do not waive it on a first home.

Appraisal contingency: If the home appraises below your purchase price, this gives you the right to renegotiate or exit. In a heated market, buyers sometimes offer to cover an appraisal gap, meaning they agree to pay the difference out of pocket if the home appraises low. Know your limit before you offer to do this.

From Experience Derica Wade, Associate Broker

"First-time buyers often lose homes on price when they could have won on terms. A seller who needs to stay in the home for 30 days after closing will take $5,000 less from the buyer who offers a leaseback than from the buyer who demands possession at closing. Ask your agent what the seller needs, then offer it, if you can."

1. **Get pre-approved before you make an offer.** Pre-qualification is not enough in a competitive market.
2. **Ask your agent what the seller's situation is.** Timeline, move-out needs, and reason for selling all affect what makes an offer attractive.
3. **Write your highest, cleanest offer if the home matters to you.** Decide in advance what you will pay, not in the parking lot after a showing.
4. **Keep the inspection contingency.** On a first home especially, never waive the right to know what you are buying.
5. **Respond to counter-offers quickly.** Sellers accept better offers while buyers deliberate.

Chapter 5

The *Inspection Period*

The inspection is not a reason to cancel a purchase. It is information. The goal is to go in knowing what you are buying so you can make a clear decision, not to find a reason to back out.

What a Standard Inspection Covers

A general home inspection covers the visible and accessible systems of the home: roof condition, attic, foundation, basement, electrical panel and visible wiring, plumbing, HVAC systems, windows, and doors. It is a visual inspection, the inspector cannot see inside walls or test every appliance. Expect a report of 50 to 150 findings, the vast majority of which are routine maintenance items, not deal-breakers.

Additional Inspections Worth Considering in Michigan

Sewer Scope

A camera inspection of the lateral sewer line from the house to the main. On homes built before 1980 with clay or cast iron lines, this is worth the $150 to $250 cost. A collapsed or root-invaded line can cost $5,000 to $15,000 to repair.

Radon Testing

Michigan has elevated radon levels compared to the national average due to geology. Radon is a colorless, odorless radioactive gas that enters through basement foundations and is the second leading cause of lung cancer. Testing costs $100 to $150. Mitigation systems, if needed, typically run $800 to $1,200. This is a standard ask and sellers rarely object.

Michigan Tip

Southeast Michigan has a large stock of mid-century homes (built 1950 to 1975) with aluminum wiring, galvanized steel plumbing, and older HVAC systems. These are not automatically disqualifying, but they are real. If your inspector notes aluminum wiring on a home from 1968, ask what it costs to address and factor it into your decision, not your panic.

What Matters vs. What Doesn't

Safety items matter: exposed wiring, active water intrusion, structural issues, carbon monoxide risk, failed HVAC. Deferred maintenance and cosmetic issues are normal in any home that has been lived in. A 20-year-old roof that has two years left is not the same as a 20-year-old roof that is actively leaking.

The question to ask after every inspection finding: *Is this a safety issue, a significant expense, or normal maintenance?* Your inspector can help you categorize. Your agent can help you decide what to negotiate.

Checklist: Inspection Day

- Attend the inspection in person, do not just read the report
- Arrive at the end, not the beginning, so the inspector can focus
- Walk the property with the inspector after the visual inspection
- Ask: "What would you fix first if this were your home?"
- Confirm that radon testing is being done and when results will arrive
- Note whether sewer scope was recommended and schedule if needed
- Ask about the age of the roof, water heater, and HVAC systems
- Review the report before the inspection contingency deadline

Chapter 6

Michigan Property Taxes:
What First-Time Buyers Miss

Michigan's property tax system is unlike most states. Understanding it before you buy is not optional, it directly affects how much your home actually costs to own every year.

Three Values on Your Tax Bill, Only One Matters at Purchase

Assessed Value (AV) is set by the local assessor at 50% of the estimated market value of the property. It is used as a starting point for calculations.

State Equalized Value (SEV) is the assessor's estimate of 50% of true cash value, equalized across the county. In practice, it is usually the same as AV.

Taxable Value (TV) is the number that actually determines your annual tax bill. This is what you need to understand.

The Uncapping Event

Michigan's Proposal A (1994) caps annual increases in a property's taxable value at the rate of inflation or 5%, whichever is lower. This means a seller who has owned a home for 15 years may be paying taxes on a taxable value far below the property's actual market value.

When ownership changes, when *you* buy the home, the taxable value **uncaps** and resets to the full SEV in the year following your purchase. This is the event that surprises almost every first-time buyer in Michigan.

The Uncapping Rule, Simply

The seller's tax bill tells you nothing about what your tax bill will be after you buy. You are buying the SEV, not the TV. Your taxes will be calculated on a higher taxable value starting the following year.

Example: Before and After Uncapping

Scenario	Taxable Value	Millage Rate	Annual Tax Bill
Seller (owned 15 years)	$110,000	45 mills	$4,950
Buyer Year 1 (at purchase)	$110,000	45 mills	$4,950
Buyer Year 2 (after uncapping)	$180,000 (SEV)	45 mills	$8,100
Difference	+$70,000	,	+$3,150/year

Illustration only. Actual taxable values and millage rates vary by community and year. Always verify with the local assessor's office or a tax professional before purchasing.

The Principal Residence Exemption (PRE)

If you occupy the home as your primary residence, you qualify for the Principal Residence Exemption. The PRE reduces your taxable millage by 18 mills, a meaningful reduction. You must file Form 2368 with the local assessor by May 1 in the year you want the exemption to apply. Missing the deadline costs you a full year of the benefit.

Michigan Tip

Before making an offer on any home in Michigan, ask your agent to pull the current taxable value from the public records and estimate your post-uncapping tax bill. Multiply the SEV by the local millage rate to get your year-two estimate. This number should be in your budget before you fall in love with the house.

1. **Look up the current TV and SEV for any home you are seriously considering.** Both are public records available through the local city or township assessor's website.
2. **Multiply the SEV by the local millage rate** to estimate your year-two tax bill after uncapping.
3. **File Form 2368 with the local assessor by May 1** after closing to claim your Principal Residence Exemption.
4. **Read the Michigan Property Taxes & Home Buyers Guide** at heartstohomesmi.com for the complete explanation, including taxable value uncapping, SEV equalization, and PRE filing instructions.

Chapter 7

Closing Day

Closing day is the finish line, but it is also a morning of paperwork, wire transfers, and a conference room full of people you may never have met. Here is what to expect so that none of it surprises you.

The Final Walk-Through

The final walk-through typically happens in the 24 hours before closing. Its purpose is to verify that the home is in the condition you agreed to, not to find new issues. Check that agreed repairs were made, that the seller removed all personal property, and that nothing was damaged during the move-out.

Final Walk-Through Checklist

- All appliances included in the sale are present and functional
- All agreed inspection repairs have been completed (get receipts)
- No damage occurred during seller's move-out (walls, floors, doorframes)
- All light fixtures, outlets, and switches are functional
- Water heater, HVAC, and plumbing fixtures are operational
- Basement is dry and free of seller's belongings
- Garage door openers, keys, and mailbox keys are present
- Home is swept clean and free of trash and debris

Cash to Close vs. Down Payment

Your **down payment** is a portion of the purchase price that you pay directly. Your **closing costs** include lender fees, title insurance, recording fees, prepaid interest, homeowners insurance, and the property tax escrow deposit. **Cash to close** is the total, down payment plus closing costs, that you need to bring to the closing table.

You will receive a Closing Disclosure at least three business days before closing that itemizes every number. Review it carefully and compare it to your Loan Estimate from when you applied.

The Number That Surprises Buyers Most

Property tax escrow. At closing, your lender typically requires two to six months of property tax payments deposited into an escrow account, even if the seller has already paid their taxes for the year. This can add $2,000 to $5,000 to your cash-to-close figure. It is not an additional cost; it is your money, held in your escrow account. But buyers see it on the settlement statement and call their agent in a panic. Now you know.

Closing Day Timeline

Plan for two to three hours. You will sign a substantial stack of documents, loan documents, title documents, government disclosures, and the deed. Bring a government-issued photo ID. Wire your cash-to-close funds before closing (same-day wire cutoffs vary by bank; do this the day before if possible). At the end, you will receive the keys. The home is yours.

The $4,200 Nobody Explained

"She called me two days before closing to ask about a number on her settlement statement she didn't recognize. It was $4,200. It was her property tax escrow deposit, the amount her lender required her to pre-fund into the escrow account at closing."

"Nobody had explained what it was, why it was required, or that it had nothing to do with what the seller had already paid. She thought she was being charged for something that had already been covered. She wasn't. But she was two days out from closing, and the confusion caused her real stress at the worst possible time."

"We talked through it. She understood it. She closed on time and she loves her home. But I have thought about that call a hundred times since, because the answer took four minutes, and the information should have been in her hands four weeks earlier."

"This Blueprint exists because of calls like that one. Not because buyers are unprepared, they are not. But because the information exists and is not always shared, and that gap is entirely fixable."

Derica Wade, Associate Broker · Hearts to Homes Team · Real Estate One · Plymouth, Michigan

What to Do *Now*

You have the information. The question is what to do with it.

If you are not ready to buy yet, the most valuable thing you can do is spend the next three to six months improving your credit score, building your savings, and researching the communities that interest you. The Community Guides at heartstohomesmi.com are a good place to start, each one covers lifestyle, taxes, schools, and what buyers typically discover after they arrive.

If you are ready to start looking, the right first call is to a lender, not a listing. Get your pre-approval in hand before you fall in love with a house you cannot yet make an offer on. After pre-approval, contact an agent who knows the Southeast Michigan market and can help you translate your budget and priorities into a focused search.

If you have questions that this Blueprint did not answer, bring them to a conversation. There is no obligation, no script, and no pressure. A 30-minute call ends with your questions answered and a clear next step, whatever that step turns out to be.

Ready When You Are

Book a Free
Consultation

Ask anything from this Blueprint. Bring your pre-approval questions, your community shortlist, your inspection concerns. A 30-minute call with Derica costs nothing and ends with a clear, honest next step, not a sales pitch.

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Continue Your Blueprint Journey

Pairs Well With This Blueprint Home Inspection Blueprint Goes deeper on every major system, sewer scopes, radon, and how to negotiate after the inspection report comes in. heartstohomesmi.com/blueprint-library

Know Your Numbers Michigan Closing Cost Blueprint Itemizes every line on your Closing Disclosure, prepaids, escrow, lender fees, and how to calculate your true cash to close. heartstohomesmi.com/blueprint-library

Community Research Southeast Michigan Community Guides 18 communities covered in depth, lifestyle, taxes, schools, commute, and what buyers discover after they arrive. heartstohomesmi.com/community-guides-southeast-michigan

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