

Your First Home in Southern California

A practical guide to buying your first home in Orange County

Buying in Orange County can feel out of reach. The good news is that there's more than one way in, and most of the stress comes from not knowing what happens next. This guide walks you through every step in plain English.

- **Little or no savings?** Focus on the low-down-payment loans and California assistance programs.
- **Savings and good credit?** Learn how to turn those strengths into a stronger offer and lower costs.
- **Renting and planning to buy in a year or two?** Use the tips and checklists to get ready now, so you can move quickly later.

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1. How much home can I afford?

Start with a monthly payment you're comfortable with, not the highest number a lender will approve. Your true monthly cost includes:

- **Principal and interest on the loan**
- **Property taxes:** in California, a base of about 1% of the purchase price per year, often a bit more with local assessments
- **Homeowners insurance**
- **HOA dues and Mello-Roos:** Mello-Roos is a special tax common in newer master-planned communities across Orange County
- **Mortgage insurance** if you put less than 20% down

Lenders also look at your debt-to-income ratio (DTI): the share of your gross monthly income that goes to debt, including the new house payment. Limits vary by loan type, so ask your lender where you stand.

TIP: Check the HOA dues and Mello-Roos on every listing. Two homes at the same price can differ by hundreds of dollars a month.

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2. Down payment options

You don't need 20% down. Typical minimums look like this:

- **0%** with a VA loan, for eligible veterans and service members
- **3%** with some conventional loans for first-time buyers
- **3.5%** with an FHA loan
- **20%** with a conventional loan if you want to skip mortgage insurance

Putting less down gets you in sooner but raises your monthly payment. Putting more down lowers your payment and makes your offer more attractive to sellers.

Gift money from family is allowed on most loan types. Your lender will ask for a signed gift letter and a record of the transfer.

PLANNING AHEAD? Keep your savings in one account and avoid large cash deposits you can't document. Lenders usually review your last two months of bank statements.

3. FHA vs. Conventional vs. VA

Most first-time buyers use one of these three loan types (show as a 3-column comparison):

FHA	Conventional	VA
Often a fit for: lower credit scores or higher debt	**Often a fit for:** good credit and steady income	**Often a fit for:** eligible veterans, service members and some surviving spouses
Minimum down: 3.5%	**Minimum down:** 3% for some first-time buyer programs	**Minimum down:** 0%
Mortgage insurance: upfront and monthly premiums, often for the life of the loan with a small down payment	**Mortgage insurance:** monthly PMI below 20% down, which can be removed once you build enough equity	**Mortgage insurance:** none monthly; a one-time funding fee unless you're exempt

Good to know in Orange County: Because prices are high here, loan limits are higher than in most of the country. Loans above the limit are called jumbo loans and usually require more down and stronger credit. Limits change every year, so confirm current figures with your lender.

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4. Down-payment assistance

If savings are your biggest hurdle, California has real help. Most of it runs through CalHFA (the California Housing Finance Agency), which works with approved private lenders.

- **CalHFA MyHome Assistance Program:** a deferred loan toward your down payment or closing costs, repaid when you sell, refinance or pay off your mortgage.
- **California Dream For All:** a shared appreciation loan for first-generation buyers. When you sell or refinance, you repay the loan plus a share of the home's increase in value. It opens in limited funding rounds that fill fast, so talk to a participating lender before the next one opens.
- **Local programs:** some cities offer their own help from time to time. Ask your lender or me what's currently available.

Most programs require you to (checklist):

- [ ] Be a first-time buyer (usually no home ownership in the past three years)
- [ ] Stay under county income limits
- [ ] Complete a homebuyer education course
- [ ] Live in the home as your primary residence

Assistance is usually a loan, not a grant, so always ask how and when it's repaid. Current details are at calhfa.ca.gov.

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5. What credit score do I need?

Less than perfect. Requirements vary by lender, but these are common starting points:

- **Around 580:** the usual floor for FHA with 3.5% down
- **Around 620:** a common floor for conventional loans, and many lenders' minimum for VA
- **Around 660 or higher:** often required for state assistance programs
- **740 and up:** generally earns the best conventional pricing

Quick ways to improve your score:

- Pay every bill on time
- Keep credit card balances low compared to your limits
- Hold off on opening new accounts
- Check your reports for free at annualcreditreport.com and dispute errors

PLANNING AHEAD? Six to twelve months of on-time payments and lower balances can raise your score and lower your rate.

6. Closing costs

Closing costs are the fees to finalize your loan and purchase, paid on top of your down payment. They typically run 2% to 5% of the purchase price and include lender fees, the appraisal, title insurance, escrow fees, and prepaid property taxes and homeowners insurance.

In Orange County, who pays which title and escrow fees depends partly on local custom and partly on what you negotiate.

Ways to lower what you bring:

- Ask the seller for a credit toward your costs
- Ask your lender about a lender credit in exchange for a slightly higher rate
- Use an assistance program that covers closing costs

Within three business days of applying, your lender must send a Loan Estimate. Compare these line by line if you talk to more than one lender.

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7. Pre-approval

A pre-approval is a letter from a lender saying how much you can borrow, after they've checked your income, savings and credit. It carries more weight than a pre-qualification, which is a quick estimate based on what you tell the lender. In Orange County, sellers expect a pre-approval letter with every offer.

What to gather (checklist):

- [ ] Two years of W-2s and tax returns
- [ ] Your most recent 30 days of pay stubs
- [ ] Two months of bank statements
- [ ] Photo ID
- [ ] A gift letter, if family is helping

Self-employed buyers should expect to provide more, such as business returns and a profit-and-loss statement.

TIP: Compare two or three lenders within a couple of weeks. Credit scoring models generally count multiple mortgage inquiries in a short window as one. If you have strong finances, ask whether the lender offers a fully underwritten pre-approval, which can make your offer more competitive.

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8. Finding the right home

Before you tour homes with an agent, you'll sign a short written buyer agreement. It spells out what your agent will do for you and how they're paid, and the terms are negotiable.

Then narrow your search:

- **Split must-haves from nice-to-haves.** Bedrooms and commute usually matter more than finishes you can update later.
- **Look at condos and townhomes.** They're a common first step into ownership in Orange County.
- **Check HOA documents.** Review the dues, rules and reserve funds before you commit.
- **Get an insurance quote early.** Homeowners coverage can be harder to find and more expensive in some California areas, especially near wildfire zones.
- **Stay open on location.** A neighboring city can offer more space for the same budget.

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9. Making an offer

In California, offers are usually written on the standard California Association of REALTORS® purchase agreement. Your offer covers the price, your loan terms, your deposit, your contingencies and your closing date.

- **Earnest money deposit:** a good-faith deposit, commonly 1% to 3% of the price, held by escrow and credited toward your purchase at closing.
- **Contingencies:** conditions that let you cancel and generally get your deposit back, such as an unsatisfactory inspection, a low appraisal or a loan denial. Each has a deadline written into the contract.

Ways to strengthen your offer:

- Include a solid pre-approval letter
- Offer a larger deposit if you can
- Be flexible on the closing date
- Respond quickly to counteroffers

Think carefully before waiving a contingency. Your deposit can be at risk if you back out after removing one.

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10. Inspection & appraisal

The inspection is for you. A professional home inspector spends a few hours checking the home's systems and condition, then gives you a written report. In Orange County, buyers often add:

- A termite inspection (very common in California)
- A sewer line camera inspection for older homes

- A roof or chimney inspection if the report flags concerns

Read the seller's disclosures too. California sellers must give you several, including a Natural Hazard Disclosure. Based on what you learn, you can ask for repairs, a credit or a lower price, or cancel within your contingency period.

The appraisal is for the lender. An appraiser confirms the home is worth enough to support your loan. If the value comes in low, you can renegotiate, cover the difference in cash, or cancel if your appraisal contingency is still in place.

11. Escrow

Escrow is a neutral third party that holds the money and documents until every condition of the sale is met. In Southern California, it's usually handled by an independent escrow company. A typical escrow lasts about 30 days, though it can be shorter or longer.

Your escrow checklist:

- [ ] Wire your deposit by the contract deadline (often within three business days of acceptance)
- [ ] Schedule inspections right away
- [ ] Send your lender any requested documents quickly
- [ ] Lock in homeowners insurance
- [ ] Sign contingency removals on time
- [ ] Do a final walk-through before closing

WARNING CALLOUT:

Protect yourself from wire fraud. Before sending money, call your escrow officer at a phone number you've confirmed independently. Never trust wiring instructions that arrive by email or text, even if they look official.

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12. Closing day

In California, closing happens in a few steps rather than one big meeting at a table:

1. **Review your Closing Disclosure.** Your lender sends this final breakdown of your loan and costs at least three business days before closing. Compare it to your Loan Estimate and ask about any changes.
2. **Sign your loan documents** with a notary or at the escrow office, usually a few days before your closing date. Bring a valid photo ID.
3. **Send your remaining funds to escrow,** following the verified wiring instructions.
4. **Your lender funds the loan,** and the deed is recorded with the Orange County Clerk-Recorder.
5. **Get your keys.** The home is officially yours once the deed records. Plan your move with a little cushion in case recording runs late in the day.

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13. First-time buyer mistakes to avoid

- **Shopping before you're pre-approved.** You might fall for a home you can't buy, or lose it to a buyer who's ready.
- **Making big financial moves during escrow.** Don't change jobs, finance a car or furniture, or open new credit cards until after closing.
- **Moving money without a paper trail.** Undocumented deposits can delay your loan.

- **Spending every dollar on the down payment.** Keep a cushion for repairs and surprises.
- **Skipping the inspection or skimming disclosures.** These are your best chance to learn what you're buying.
- **Budgeting only for the mortgage.** Include HOA dues, Mello-Roos, taxes and insurance.
- **Assuming you won't qualify for help.** Ask about assistance programs before ruling them out.
- **Trusting emailed wiring instructions.** Always verify by phone first.

Ready to take the next step?

Let's talk about your goals, budget and timeline. No pressure, no obligation.

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