



HouseBuyerGuides.com

STEP-BY-STEP GUIDE 2 OF 7

First-Time Home Buyer Guide

Who counts as a first-time home buyer, which loans and programs you can use, and the order to do things in, from homebuyer education to closing.

3 years

without owning a home counts as first-time

0%–3.5%

minimum down on VA, USDA, conventional, FHA

580

FHA credit score for 3.5% down

Tyler Thompson, licensed real estate agent

Updated October 22, 2026

housebuyerguides.com/guides/first-time-home-buyer

SUMMARY

Key takeaways

- 01 You likely count as a first-time buyer if you haven't owned your home in the past three years.
-
- 02 VA and USDA loans allow 0% down, conventional loans 3% and FHA loans 3.5% for eligible buyers.
-
- 03 Grants, forgivable loans and deferred loans from state and local programs can cover much of your upfront cost.
-
- 04 Take the homebuyer education course early and pick a lender that offers your programs.

CONTENTS

- 01 Find out if you count as a first-time buyer
-
- 02 Take a homebuyer education course
-
- 03 Know the loans built for first-time buyers
-
- 04 Find down payment and closing cost assistance
-
- 05 Get your finances loan-ready
-
- 06 Choose a lender that offers your programs
-
- 07 Shop, offer and close
-
- Mistakes first-time buyers make most often
-
- Frequently asked questions and sources
-

First-time buyers can get help that repeat buyers usually can't: low down payment loans, homebuyer education, and down payment assistance from state, city and county programs. This guide covers who qualifies as a first-time buyer, which options are built for you, and the steps in order. For the full purchase process from offer to closing, see [how to buy a house](#).

STEP 01 OF 07

Find out if you count as a first-time buyer

The definition is broader than most people expect. HUD, and most assistance programs that follow it, treat you as a first-time homebuyer if you **have not owned your principal residence in the past three years**. Under HUD's definition:

- If one spouse qualifies, both are treated as first-time buyers.
- A single parent who only owned a home with a former spouse while married can qualify.
- A displaced homemaker who only owned with a spouse can qualify.
- Owning a home that was not on a permanent foundation, such as some mobile homes, may not count against you.

Owning a rental or vacation home in the last three years can disqualify you for some programs and not others. Some programs drop the first-time requirement for veterans or for homes in targeted areas. Always check the specific program's rule.

STEP 02 OF 07

Take a homebuyer education course

Many down payment assistance programs require a homebuyer education certificate, and some low down payment loans do too. Courses are offered by HUD-approved housing counseling agencies, in person or online, and some are free. You can [find a HUD-approved counselor through the CFPB](#).

Take the course early. The certificate often has to be in your file before the lender can approve the assistance, and the material is useful before you start shopping, not just before closing. Check which courses your program accepts before you sign up, because some programs accept only certain providers.

Tip: Some programs accept a certificate for only a limited time. If your search runs long, check that yours will still be valid at closing.

STEP 03 OF 07

Know the loans built for first-time buyers

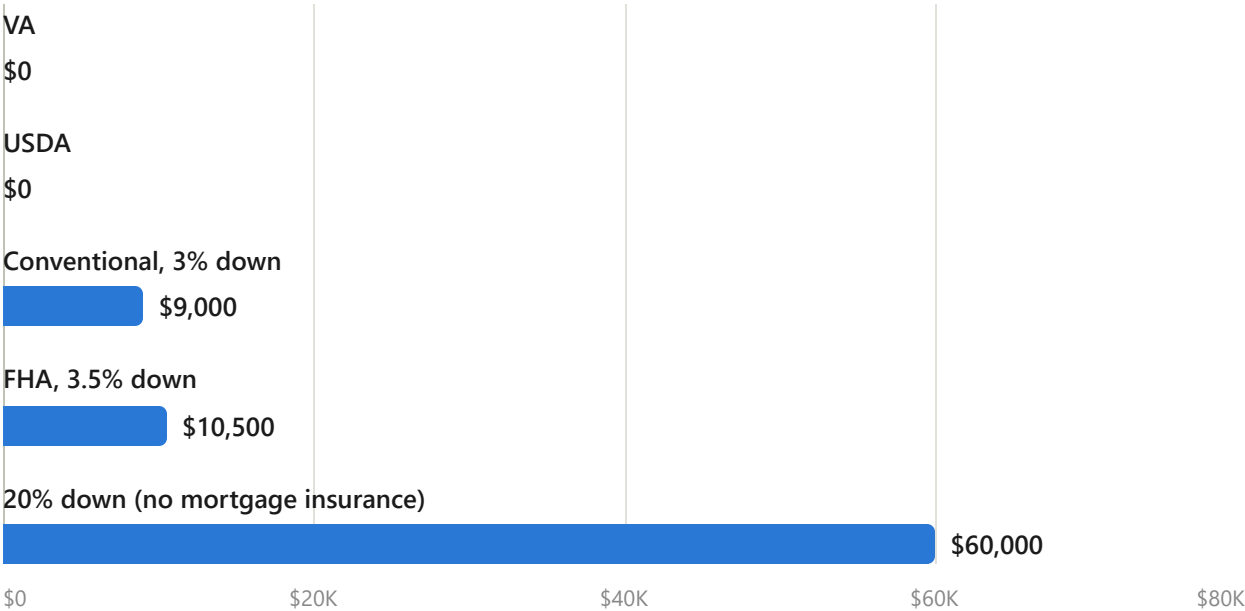
You don't need 20% down. The main low down payment options are:

- **FHA loans.** 3.5% down with a credit score of 580 or higher, or 10% down from 500 to 579. Flexible on credit history. Carries an upfront and an annual mortgage insurance premium. [How FHA loans work.](#)
- **Conventional 97 loans, HomeReady and Home Possible.** 3% down. HomeReady (Fannie Mae) and Home Possible (Freddie Mac) are for buyers earning up to 80% of the area median income and include reduced mortgage insurance. Private mortgage insurance can be removed later.
- **VA loans.** 0% down for eligible veterans, service members and some surviving spouses. No monthly mortgage insurance.
- **USDA loans.** 0% down in eligible rural and suburban areas for households earning up to 115% of the area median income.

FIGURE 1

Minimum down payment on a \$300,000 home

The least each loan type requires from an eligible buyer.



Source: HouseBuyerGuides.com calculations. VA requires no down payment with full entitlement. USDA requires none in eligible areas for eligible incomes. Conventional 3% applies to qualifying buyers and programs. FHA 3.5% requires a 580+ credit score.

Our [types of home loans guide](#) compares them side by side, including the 2026 loan limits.

STEP 04 OF 07

Find down payment and closing cost assistance

This is where first-time status pays off most. Assistance comes in several forms:

- **Grants** that you never repay
- **Forgivable loans** that are erased if you live in the home for a set number of years
- **Deferred loans** with no payment until you sell, refinance or pay off the mortgage
- **Mortgage credit certificates** in some states, which give you a federal tax credit for part of your mortgage interest

FIGURE 2

What \$10,000 of assistance does to your cash to close

An FHA purchase of a \$300,000 home: 3.5% down plus estimated closing costs.

■ Your cash ■ Assistance



Source: HouseBuyerGuides.com calculations. Example: \$300,000 home, 6.5% 30-year fixed rate for every loan type, closing costs estimated at 3% of the price. Real rates, fees and costs vary by lender, loan type and location. Assistance amounts, rules and what they can pay for vary by program.

Most states have a housing finance agency program, and many cities and counties add their own on top. Search your state or city on this site to see every program we track for your area, or answer a few questions on the [program finder](#). The [down payment assistance guide](#) explains how to apply.

STEP 05 OF 07

Get your finances loan-ready

Before you apply for a mortgage, spend a month or two on these:

1. **Pull your credit reports** at [AnnualCreditReport.com](https://www.annualcreditreport.com) and dispute errors.
2. **Pay revolving balances down.** Utilization is one of the fastest ways to move a score.
3. **Avoid new debt.** No new car loans or store cards until after closing.
4. **Document your savings.** Lenders look at two months of statements. Large deposits that aren't from your paycheck will need a paper trail, and gift money needs a signed gift letter.
5. **Keep your job steady.** Lenders usually want a two-year work history. A change within the same field is usually fine, but ask a lender before switching.

STEP 06 OF 07

Choose a lender that offers your programs

Not every lender offers every assistance program. Start with the participating lender list on your state housing agency's site or on the program's page here, then compare Loan Estimates from at least two or three of them. Ask each lender:

- Which assistance programs do you close regularly, and how long do they take?
- What credit score, income and price limits apply?
- Is the interest rate higher with the assistance than without it?
- What are your fees for the assistance loan itself?

When you are ready, [get pre-approved](#).

STEP 07 OF 07

Shop, offer and close

From here you follow the standard steps: tour homes within your program's price limits, make an offer with inspection, appraisal and financing contingencies, and close. Leave extra time before the closing date, because many assistance programs need to approve the file after the lender does. The [step-by-step buying guide](#) covers this part in detail.

Mistakes first-time buyers make most often

- **Shopping before checking programs.** Buyers find a home, then learn it is over the program's price limit or outside its area.
- **Choosing a lender first.** The lender you pick might not offer the program you qualify for.
- **Changing credit or jobs during the loan.** A new car payment a week before closing can kill the approval.
- **Skipping the inspection** to make an offer stronger. Do this only if you can afford a surprise repair.
- **Emptying savings.** Keep a cushion after closing. Some assistance programs limit how much savings you can keep, so ask what the limit is rather than guessing.

Frequently asked questions

Am I a first-time home buyer if I owned a home before?

Often yes. HUD and most assistance programs count you as a first-time buyer if you have not owned your principal residence in the past three years. Some programs also include single parents and displaced homemakers who only owned with a former spouse. Each program sets its own rule, so check its guidelines.

What credit score does a first-time buyer need?

FHA allows scores as low as 580 with 3.5% down, and 500 to 579 with 10% down, though many lenders set higher minimums. Conventional loans usually start around 620. Down payment assistance programs often require 620 to 660 or higher.

Do I have to take a homebuyer education class?

Many down payment assistance programs and some low down payment loans require one, usually from a HUD-approved counseling agency or an approved online course. Take it early, because the certificate is often needed before the lender can approve the assistance.

Can first-time buyers get grants for a down payment?

Yes, in many areas. State housing finance agencies, cities, counties and some nonprofits offer grants, forgivable loans and deferred loans. Search your city or state on HouseBuyerGuides.com to see the programs that serve your area.

Sources

Checked October 22, 2026.

1. **HUD: First-time homebuyer definition**
<https://archives.hud.gov/offices/hsg/sfh/ref/sfhp3-02.cfm>
2. **HUD: Let FHA loans help you**
<https://www.hud.gov/buying/loans>
3. **CFPB: Find a HUD-approved housing counselor**
<https://www.consumerfinance.gov/find-a-housing-counselor/>
4. **CFPB: Buying a House**
<https://www.consumerfinance.gov/owning-a-home/>
5. **Fannie Mae: HomeReady mortgage**
<https://singlefamily.fanniemae.com/originating-underwriting/mortgage-products/homeready-mortgage>
6. **Freddie Mac: Home Possible**
<https://sf.freddiemac.com/working-with-us/origination-underwriting/mortgage-products/home-possible>
7. **AnnualCreditReport.com (free credit reports)**
<https://www.annualcreditreport.com/>

About this report

Written by Tyler Thompson, licensed real estate agent, for HouseBuyerGuides.com. Figures were checked against the official sources listed above on October 22, 2026. Charts are illustrative examples built from the assumptions stated under each one.

This report is for education only and is not financial, legal or tax advice. Loan rules, fees and assistance programs change. Confirm the details with your lender and the program administrator before you make decisions.

NEXT STEP

Find the down payment assistance programs that serve your city

housebuyerguides.com/qualify · Read this guide online at housebuyerguides.com/guides/first-time-home-buyer