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THE BUYER FINANCING ROADMAP

How to Understand Your Loan
Options, Down Payment, and
Monthly Payment



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WHY FINANCING COMES FIRST

Before you tour homes or write offers, it's important to know what you can comfortably afford and what loan path makes the most sense for you. A strong financing plan helps you shop with confidence instead of guessing.

Financing affects:

- Your price range
- Your down payment options
- Your monthly payment
- Your cash needed at closing
- Your offer strength
- Your ability to compete in the market

A pre-approval is not just a permission slip to shop. It is the foundation for your entire buying strategy. The clearer you are on your numbers early, the easier it is to make smart decisions later.

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UNDERSTANDING LOAN TYPES

Different loan programs are designed for different buyer situations. The best option is not always the one with the lowest down payment or the one that sounds the most familiar. It depends on your credit, income, debt, savings, and the property itself.

Common loan types include:

- Conventional loans: often best for buyers with stronger credit and stable income
- FHA loans: more flexible for credit and debt-to-income ratios
- VA loans: available to eligible veterans and service members, often with 0% down
- USDA loans: available in qualifying areas, often with 0% down and income limits
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Each loan has different rules around credit score, down payment, mortgage insurance, appraisal standards, and property eligibility. Comparing options with a lender helps you see the full picture.

DOWN PAYMENT: WHAT YOU ACTUALLY NEED

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Many buyers still believe they need 20% down to buy a home, but that is not always true. While 20% can help avoid private mortgage insurance on conventional loans, there are many lower-down-payment options available.

Common down payment ranges include:

- 3%–5% for certain conventional loan programs
- 3.5% for FHA loans
- 0% for eligible VA or USDA buyers
- Assistance programs that may help with down payment or closing costs

The right down payment is not always the biggest one. Buyers should also consider how much savings they want left after closing. Keeping reserves can be just as important as reducing the loan amount.



MONTHLY PAYMENT: MORE THAN PRINCIPAL AND INTEREST



Your monthly mortgage payment includes more than just paying back the loan. Two homes with the same purchase price can have different monthly costs depending on taxes, insurance, mortgage insurance, and HOA dues.

Your payment may include:

- Principal: reduces your loan balance
- Interest: the cost of borrowing
- Property taxes: based on local tax rates and assessed value
- Homeowners insurance: protects the property
- Mortgage insurance: may apply with lower down payments
- HOA dues: if applicable

This full payment is what matters most when deciding affordability. A buyer should focus less on the maximum approval amount and more on the payment that feels sustainable month after month.

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CREDIT SCORE & DEBT-TO-INCOME MATTER

Your credit score and debt-to-income ratio help lenders determine both whether you qualify and what terms you may receive. These two factors can influence interest rate, loan type, mortgage insurance, and overall approval strength.

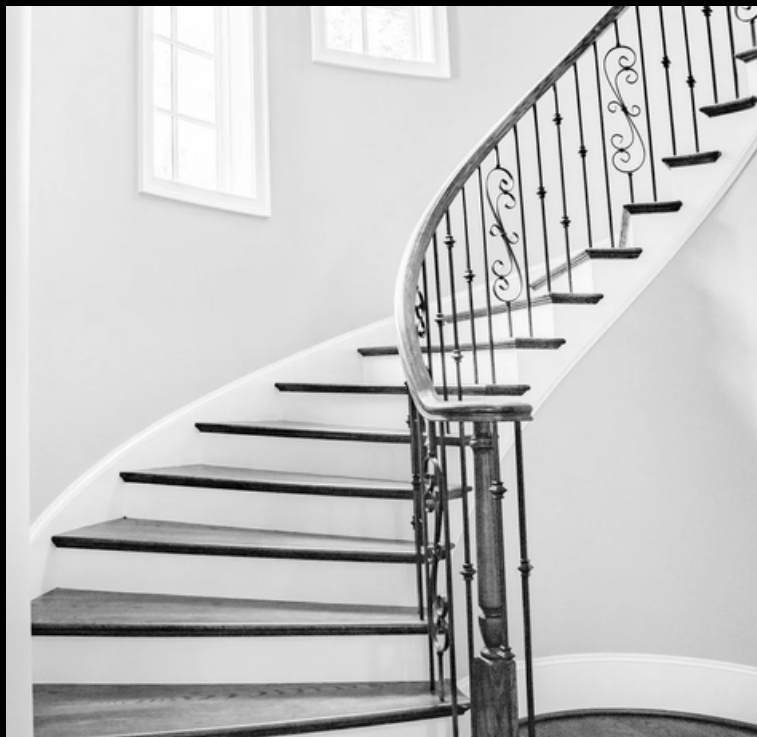
Lenders typically review:

- Credit score and payment history
- Current monthly debts
- Income stability
- Employment history
- Student loans, auto loans, credit cards, and personal loans
- Available savings and reserves

A higher credit score can often improve pricing, especially on conventional loans. FHA may offer more flexibility for buyers with lower scores or higher debt ratios. This is why it's important to compare options based on your actual profile, not general assumptions.

CASH TO CLOSE: THE NUMBER BUYERS NEED TO KNOW

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Cash to close is the total amount you need to bring to finalize the purchase. It includes more than your down payment, and it is one of the most important numbers to understand before writing offers.

Cash to close may include:

- Down payment
- Closing costs
- Lender and title fees
- Appraisal and inspection costs
- Prepaid taxes and insurance
- Escrow setup funds
- Any agreed appraisal gap or extra cash contribution

Ask your lender to provide estimates for different price points and loan options. Seeing multiple scenarios helps you understand how your loan choice affects both upfront cash and monthly payment.

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CHOOSING THE RIGHT FINANCING STRATEGY

The best financing strategy is the one that supports your goals, not just the one that gets you approved. Buyers should consider how each loan option fits their timeline, budget, and long-term plans.

Questions to ask:

- Which loan gives me the most comfortable monthly payment?
- How much cash will I have left after closing?
- Can I qualify more comfortably with FHA, conventional, VA, or USDA?
- How does mortgage insurance affect the payment?
- Is the property condition compatible with my loan type?
- Will this option help me write a stronger offer?

A good financing plan balances approval, affordability, and competitiveness. The goal is not just to buy a home. It is to buy a home in a way that feels financially sustainable.

FINAL THOUGHTS

Understanding financing gives you power as a buyer. When you know your loan options, down payment choices, monthly payment, and cash to close, you can shop with clarity instead of confusion.

Before you start seriously looking, make sure you understand:

- Which loan programs may fit your profile
- What down payment options are available
- Your true monthly comfort zone
- Your estimated cash to close
- How your credit and debt affect your options
- How financing impacts your offer strength

If you're planning to buy in Rochester, MI, The Delia Group can help you connect with trusted lending professionals, compare your options, and build a smart financing strategy before you start shopping.



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