

MICHIGAN MORTGAGE LOAN

The Michigan Home Buyer's Guide

Everything a first-time Michigan buyer needs, from credit to closing day.

Buying a home in Michigan is more achievable than most people think, especially once you understand how credit, down payment help, and property taxes actually work here. This guide walks you through each step in plain language, with the real numbers and state-specific programs that shape a Michigan purchase. Use it to plan, budget, and negotiate with confidence.

Start with your credit and budget

Before you tour a single home, know two numbers: your credit score and your realistic monthly budget. Those two things decide which loans you qualify for and what you can comfortably afford. Everything else follows from them.

Credit score tiers that matter

Different loan programs set different minimum scores, and a higher score generally earns a lower interest rate. Even a 20-point improvement can move you into a better tier before you apply.

- 580 or higher: Opens the door to an FHA loan with just 3.5% down.
- 620 or higher: The typical floor for most conventional loans.
- 640 or higher: The minimum credit score for Michigan's MSHDA down payment assistance programs.
- 700+: Usually earns the strongest pricing and the widest choice of loans.

Keep your debt-to-income in range

Lenders compare your total monthly debt payments to your gross monthly income, a figure called debt-to-income, or DTI. Most programs look for a DTI at or under roughly 43%, though some allow more with strong compensating factors.

Quick math: If you earn \$5,000 a month before taxes, aim to keep all debt payments, including the new mortgage, near \$2,150 or less to stay around a 43% DTI.

Build a realistic price range

Michigan's median home price sits around \$285,000, but your target should reflect your own budget, not the statewide average. Factor in the mortgage payment, property taxes, homeowners insurance, and a cushion for repairs before you set your ceiling.

Get pre-approved - not just pre-qualified

These two words get used interchangeably, but they are very different. Understanding the gap can be the difference between winning a home and losing it.

- Pre-qualified: A quick estimate based on numbers you tell the lender, with little or no verification.
- Pre-approved: A lender reviews your actual documents and credit before issuing a letter.
- Fully underwritten pre-approval: An underwriter has already vetted your file, so your offer is nearly as strong as cash.

In competitive markets like Grand Rapids and metro Detroit, sellers often receive several offers at once. A fully underwritten pre-approval signals that your financing is solid and unlikely to fall through, which can push your offer to the top.

Rate shopping tip: Apply with two or more lenders within the same short window. Credit bureaus count multiple mortgage inquiries in a 14 to 45 day period as a single inquiry, so comparison shopping protects your score.

What to have ready

- Recent pay stubs and W-2s, plus tax returns if you are self-employed
- Two months of bank and asset statements
- A list of monthly debts and their balances
- Photo ID and Social Security number for the credit pull

Michigan down payment assistance

The down payment is the biggest hurdle for most first-time buyers, and Michigan has real programs to help. The key is meeting the eligibility rules before you shop, so the assistance lines up with your purchase.

MSHDA MI Home Loan and MI 10K DPA

The Michigan State Housing Development Authority pairs its MI Home Loan mortgage with the MI 10K Down Payment Assistance program. It provides up to \$10,000 statewide as a 0% interest loan, so no monthly payments accrue on that portion.

- Credit score: A minimum of 640 is generally required.
- Income limits: Household income must fall under program caps, which vary by county and household size.
- Repayment: The DPA loan is repaid when you sell, refinance, or pay off the first mortgage.

Local programs to layer on

Beyond MSHDA, several cities run their own funds that can stack with a state program in some cases. Availability changes as budgets are funded, so confirm current status before you count on any single source.

- Detroit: City-backed assistance has offered up to \$25,000 toward down payment and closing costs.
- Grand Rapids and Lansing: Local housing funds periodically offer their own down payment help.
- Employer and nonprofit programs: Some employers and local nonprofits add matching funds for qualifying buyers.

Michigan tip: MSHDA assistance follows the 640-score and income-cap rules. Confirm your eligibility early, because these programs can run out of funds during high-demand periods.

Choosing your loan type

There is no single best mortgage, only the one that fits your situation. Here are the main options Michigan buyers use and who each tends to suit.

The common loan programs

- FHA: 3.5% down with a 580 score, forgiving of past credit bumps, ideal for first-time buyers.
- VA: 0% down for eligible veterans and active-duty service members, with no monthly mortgage insurance.
- USDA: 0% down for homes in eligible rural areas, which cover much of Michigan outside the metros.
- Conventional: As little as 3% down through HomeReady or Home Possible, best with solid credit.
- Jumbo: For higher-priced homes above conforming limits, common in Ann Arbor, Oakland County, and on lakefront property.

Matching a loan to your situation

If your credit is still recovering, FHA offers the most flexibility. Veterans should almost always price a VA loan first, and buyers in rural counties should check whether USDA applies before assuming they need a down payment.

Buyers with stronger credit and a bit more savings often come out ahead with conventional financing, since mortgage insurance can be dropped once you reach 20% equity. Match the program to your credit, cash, and location rather than to a rule of thumb.

Michigan property taxes and closing costs

Property taxes are a real part of your monthly payment in Michigan, and they can shift the moment you buy. Understanding them upfront prevents an unwelcome surprise after closing.

How property taxes vary

The statewide effective property tax rate averages about 1.38% of home value. It runs under 1% in some northern communities and climbs above 2% in parts of Wayne County, so always check the rate for the specific home.

Taxable-value uncapping: Michigan caps annual increases in a home's taxable value while one owner holds it. When the property sells, that cap resets and taxable value jumps to roughly the market level, which often raises the tax bill above what the seller paid.

Because of uncapping, never budget from the seller's current tax bill. Estimate your taxes from the reset value, which is closer to your purchase price, so your monthly escrow reflects reality.

Transfer tax and closing costs

- State transfer tax: Roughly \$8.60 per \$1,000 of sale price, customarily paid by the seller in Michigan.
- Buyer closing costs: Plan for about 2.5% of the purchase price for lender fees, title, and related charges.
- Escrow reserves: Expect to prepay several months of property taxes and insurance into your escrow account at closing.

Making an offer, inspection and appraisal

A strong offer balances price with terms that protect you. Contingencies are the clauses that let you back out and recover your deposit if something goes wrong.

1. Submit your offer with an earnest money deposit, typically 1% to 3% of the price, to show you are serious.
2. Keep an inspection contingency so you can renegotiate or walk away if the inspection reveals major problems.
3. Keep a financing contingency tied to your loan approval, and an appraisal contingency tied to value.
4. Schedule your home inspection promptly, then review the report before your contingency deadline.
5. Let the lender order the appraisal, which confirms the home is worth what you agreed to pay.

When the appraisal comes in low

In competitive Michigan markets, homes sometimes sell above appraised value. If that happens, you may need to cover the difference in cash, renegotiate the price, or lean on an appraisal gap clause you agreed to earlier.

Earnest money: Your deposit is held in escrow and applied to your down payment or closing costs at the end. With valid contingencies in place, it is generally refundable if the deal falls through.

Closing day

Closing is where the home officially becomes yours. A little preparation keeps the day smooth and stress-free.

1. Do a final walkthrough shortly before closing to confirm the home is in the agreed condition and any repairs are done.
2. Review your Closing Disclosure, which the lender must provide at least three business days before closing, and compare it to your earlier estimate.
3. Arrange your funds to close as a wire transfer or cashier's check, since personal checks are usually not accepted.
4. Bring a government-issued photo ID and your proof of homeowners insurance.
5. Sign the documents, receive your keys, and record the deed to complete the purchase.

Protect your money: Wire fraud targets homebuyers. Always confirm wiring instructions by calling the title company at a number you look up yourself, never one sent only by email.

Your Michigan home-buyer checklist

- Pull your credit report from all three bureaus and dispute any errors
- Calculate your debt-to-income ratio and aim to keep it under about 43%
- Set a realistic price range based on your budget, not the state median
- Get pre-approved with at least two lenders on the same day to compare rates
- Ask for a fully underwritten pre-approval to strengthen your offer
- Confirm your MSHDA eligibility, including the 640 score and income limits
- Check local down payment programs in Detroit, Grand Rapids, or Lansing
- Compare FHA, VA, USDA, and conventional loans to find your best fit
- Look up the specific property tax rate for each home you consider
- Budget your taxes from the reset (uncapped) value, not the seller's current bill
- Keep inspection, financing, and appraisal contingencies in your offer
- Arrange your funds to close by wire or cashier's check and verify instructions by phone