

Saving for a down payment

Buying a home is the single most expensive purchase most people will ever make and it often requires coming up with cash for the down payment. But saving for a down payment may not be as difficult as you think. There are many programs and resources homebuyers can tap for their down payment.

Low down payment options

The down payment is typically calculated as a percentage of the home price, and the amount of money you can afford to put down will affect other terms of your loan. When it comes to minimum down payments, the percentage you need depends on the type of mortgage.

For those who qualify, VA and USDA Rural Development loans do not require a down payment. Down payment requirements on FHA loans start at 3.5% and down payment requirements on Conventional loans typically range from 5% to 20%. Putting down less than 20% generally requires monthly mortgage insurance payments but for many homebuyers, that's easier than coming up with a lot of cash upfront.

Make use of available assistance programs

Depending on your income, location, profession, and other personal factors, you may be eligible for down payment assistance programs, particularly if you are a first-time homebuyer. These programs may be offered through non-profit community groups and federal or state agencies. Research local programs and ask your lender if they can offer any suggestions as well.

Receive a gift

Homebuyers can use money provided as a gift as part or sometimes even all of their down payment. Gifts received from family members as well as future spouses and significant others are acceptable for most types of loans. Non-relatives may be able to provide gifts but the rules tend to be more restrictive. The amount of gift money that can be used for a down payment varies by loan type.

FHA Bridal Registry

The FHA Bridal Registry is a custodial savings account where family and friends can make deposits and the money can be used toward a down payment on a home. This federal program was designed to help newlyweds afford their first homes, but accounts can be set up for any occasion where people typically offer significant gifts.

Borrow money from retirement plans

The IRS lets first-time homebuyers use up to \$10,000 of their IRA funds as a down payment. If you have a 401(k) savings plan, you may be able to borrow against it as well. Although, a loan from your 401(k) does need to be repaid.

Sell some personal property

When coming up with your cash down payment, you may be able to sell some of your personal property. Consider large items like boats or motorcycles, or try selling collectibles like stamps, coins, baseball cards, or comic books.

While the down payment for your new home may be a significant expense, there are many ways to come up with the cash needed to buy the home of your dreams.

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