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4 Quick Ways To Buy A Home With Little Down

Are you wasting thousands of dollars on rent and dreaming of becoming a homeowner? You can already make a monthly house payment (you're already paying rent), but the problem is coming up with money for a down payment. It's not as difficult as you might think. Here are ways to get a down payment with little out of your own pocket.

1. **Look Into Local or Federal Government Programs.** You may qualify for special government programs, such as those for first-time homebuyers and members of the military. You also may have access to aid from Fannie Mae and Freddie Mac (government-sponsored mortgage programs). Additional resources are non-profit and community groups and state agencies. There are too many programs to list here and they expire or change frequently. Your best option is to ask a REALTOR® to point out a few programs that apply to your area and situation.
2. **Have the Seller Finance You.** Some sellers may be willing to help you buy their homes. In a "seller take-back," the seller holds a second mortgage for you and becomes your lender. You would make your monthly mortgage payments to the seller.
3. **Use A Tax Refund.** There are options for you to borrow money for certain investments to a specific level and use those investments to generate a significant tax refund. Obviously, the timing has to be right to so you can use it as a down payment on a home.

4. **Ask A Relative or Friend.** Tax law allows gifts of up to \$14,000 a year to be given without tax consequences to the giver or recipient. This gift-exclusion amount is adjusted annually to reflect inflation (see IRS publication 950 for the current amount). You can even get a gift from each of your parents or two friends without them having to pay a gift-tax, which bring it up to \$28,000.

This is a great way to get a down payment for a home. In fact, one out of four first-time homebuyers use a gift to make the down payment. Even if this isn't your first home purchase you can still use a gift so you don't drain your savings. Usually lenders require you to have some money still left in your bank account after closing so they know you'll make the mortgage payment each month.

Also, using a gift for a down payment allows you to buy the home you want even if it's not FHA-approved. Some buyers are able to get Federal Housing Administration (FHA) mortgages that have down payments as low as 3.5% of the purchase price, but others will have to put more down. With a gift, you can put the typical 10% to 20% down that most lenders require. For example, if you had to put down 10% on a \$150,000 home, that's \$15,000. Or, 20% would be \$30,000. A gift from relatives and friends can get you there but some of the rules differ depending on the lender you choose. Your best bet is to contact a well-connected REALTOR® before you start looking at homes.

4 Important Tips To Avoid Costly Mistakes When Buying A Home:

- **Talk with a professional REALTOR® about your down-payment options.** Your REALTOR® also will help you get connected to a lender before you start looking at homes. You'll have more power to negotiate if you get pre-approved, not just pre-qualified for a mortgage.

- **Be aware of mortgage fraud.** A common one is when a lender suggests inflating the price of a house in order to kick back cash to you for closing costs. Report any scams to your state attorney general's office.
- **Don't forget to factor in all the other costs** you'll have to pay in addition to the down payment. Examples include points to lower your interest rate, closing costs, homeowner's insurance, and moving costs. Not factoring in these costs will give you an unrealistic picture on what you can afford.
- **Use A BUYER'S REPRESENTATIVE!** The seller's agent does not represent your financial interests. Create a "buyer's representation" with a REALTOR® so you have someone on your side working to negotiate the best price. This won't cost you a nickel because it's paid out of the seller's commission.