Building Your Down Payment

Many people who are looking to purchase a new house qualify for several different kinds of mortgages, but they can't afford a large down payment. Do you want to buy a new home, but don't know how you should get together a down payment?

Cut expenses and save. Scrutinize the budget to discover extra money to save for your down payment. There are bank programs through which some of your paycheck is automatically placed into a savings account each pay period. Some effective approaches to save additional funds include moving into housing that is less expensive, and staying home for your vacation for a year or two.

Work more and sell things you don't need. Look for an additional job. This can be rough, but the temporary trial can provide your down payment money. In addition, you can put together a comprehensive inventory of things you may be able to sell. Unworn gold jewelry can bring a good price from local jewelry stores. A closetful of small things could add up to a fair amount at a garage or tag sale. You could also research what your investments will sell for.

Borrow funds from your retirement plan. Explore the details of your particular plan. Some people get down payment money by withdrawing from Individual Retirement Accounts or borrowing from their 401(k) programs. Make sure to find out about the tax consequences, your obligation for repayment, and early withdrawal penalties.

Ask for assistance from family members. First-time buyers are sometimes fortunate enough to get down payment assistance from thoughtful family members who are anxious to help them get into their own home. Your family members may be pleased to help you reach the goal of owning your first home.

Research housing finance agencies. These agencies provide special mortgage programs to moderate and low income buyers, buyers interested in remodeling a residence in a specific part of the city, and additional groups as specified by each agency. Working with this kind of agency, you probably will be given an interest rate that is below market, down payment assistance and other advantages. Housing finance agencies may help eligible homebuyers with a lower rate of interest, get you your down payment, and provide other assistance. The central goal of not-for-profit housing finance agencies is boosting the purchase of homes in targeted areas.

Find out about low-down and no-down mortgages.

- **Federal Housing Administration (FHA) mortgages**

  The Federal Housing Administration (FHA), which functions as part of the U.S. Department of Housing and Urban Development (HUD), plays a vital part in helping low to moderate-income families get mortgages. Part of the U.S. Department of Housing and Urban Development(HUD), FHA (Federal Housing Administration) aids individuals in getting home financing. FHA aids first-time buyers and others who may not be able to qualify for a traditional mortgage loan on their own, by providing mortgage insurance to the lenders. Down payment amounts for FHA mortgages are less than those of traditional mortgage loans, even though these mortgages have average interest rates. Closing costs may be financed within the mortgage, and your down payment could be as low as 3 percent of the purchase price.

- **VA loans**

  With a guarantee from the Department of Veterans Affairs, a VA loan qualifies veterens and service people. This special loan requires no down payment, has limited closing costs, and provides a competitive interest rate. While the VA does not actually issue the mortgages, it does certify eligibility to apply for a VA loan.

- **Piggy-back loans**

  A piggy-back loan is a second mortgage that you close with the first. In most cases the first mortgage covers 80% of the purchase price and the "piggyback" funds 10%. The borrower covers the remaining 10%, rather than putting the typical 20% down payment.

- **Carry-Back loans**

  We a seller carries back a second mortgage, the you borrow a portion of the seller's home equity.. In this scenario, you would finance the majority of the purchase price with a traditional mortgage lender and borrow the remaining amount from the seller. Generally, this kind of second mortgage will have higher interest.

The feeling of accomplishment will be the same, no matter which strategy you use to come up with the down payment. Your brand new home will be your reward!