How to Buy a House with Little (or No) Money Down

Of course you want to buy a home with a low or no down payment. Who doesn't?

Here's exactly how you do it:

Many people never buy the home of their dreams simply because they don't think they have enough money for the down payment. They've been told through the years that they need 10 percent or 20 percent of the purchase price in order to buy a home. Well, this simply isn't true.

So why have so many real estate companies told them this?

Quite honestly, it's because selling homes to people with 10 percent or 20 percent down is easier than selling homes to people who have little or no money for a down payment. Most real estate salespeople would rather go after the "easy sale" than try to help people who have special needs.

As a HousingCoach, my mission is clear: To Help People. That's why we've created this special report and provided to you with no obligation. You will find that all loans and grants have specific restrictions. Not every loan is right for every borrower. These programs are designed to help people that need the help and are in a position to become responsible homeowners. Some community programs are designed to help promote homeownership in various areas where increased homeownership provides strength for the community offering the assistance or incentives.

Option 1: FHA and VA Loans

I am going to start with the Veterans Administration (VA) because they have one of the few true no down payment loan programs available. They are only available to our military veterans and their spouses. As mentioned above there are restrictions. Eligibility requirements can be viewed at: http://www.benefits.va.gov/homeloans/purchaseco_eligibility.asp.

The Federal Housing Administration (FHA) has a great "Low Money Down" option. The FHA loan is by far one of the best alternatives for people who want to buy a home and don't have much money to put down. With an FHA loan, you could put down as little as 3 percent. Plus, FHA loans are easier to qualify for.

Now, 3 percent may seem like a lot to come up with, but many people find that when they put their minds to it, 3 percent is actually possible. While you can't "borrow" the 3 percent, you can get a "gift" from a family member or borrow from your 401k, for example.

FHA loans do have requirements and restrictions. Not all townhomes and condos qualify, and there is a maximum loan amount you can get. But if you've been dreaming of a new home and think you might be able to "scrounge up" 3 percent, this is a great way to go. You can find more information at: http://www.fha.com/fha_loan_requirements.

Option 2: IHDA Loans/Grants

The Illinois Housing Development Authorities have first-time home buyers' programs that offer down payment assistance grants and loans which can be combined with lower down payment loans such as FHA, VA, or Conventional low down loans that allows a buyer to get into a property with very little or no down payment. There are qualification restrictions such as maximum household income, as well as the price of the home you are buying.

The only disadvantage with this loan is that if you sell the house before the end of the loan term, you may have to "pay back" a portion of the subsidy used to get the lower interest rate. However, if you're a first-time home buyer, this may be an option to consider.

Option 3: Special Loan Programs

Special loan programs can come and go quickly. Some are offered through specific lenders or community organizations. For instance, there are special loan programs available through the DuPage Homeownership Center (DHOC) that puts homeownership in reach of some that would not be able to purchase a home any other way. The DuPage Homestead Program offers special financing that boosts the purchasing power of qualified first-time buyers and enables them to afford a home.

As with any loan program there are restrictions. One of the restrictions is that the property that you purchase must be in DuPage County. The DHOC also has counseling available to help those with credit or debt issues deal with their various obstacles and ensure they get on the road to homeownership.

Sometimes individual towns or counties will have loan or grant programs available to promote home ownership within their borders. These programs usually come and go pretty quickly. There is usually some sort of referendum passed which allocates a certain dollar amount to fund the program. Those programs are only available as the funds are available. When the funds are exhausted the programs usually disappear although sometimes additional dollars are allocated to programs that have good results.

The best way to find these programs are with an experienced mortgage loan professional who is committed to staying informed on these types of opportunities. We can put you in touch with a great loan officer who can help you find the right program for you.

Option 4: Owner Financing

Owner financing means exactly that: The owner (or seller) finances a portion of your home purchase. For example, you might borrow 80 percent of the value of a home from a lending institution, and “borrow” the other 20 percent from the owner. In this situation, the owner “carries back” a second mortgage.

Owner financing can be advantageous, especially to investors who buy up properties and then rent them out. For the average home buyer, however, owner financing is difficult to find and requires some tricky negotiating. Even after successfully negotiating a transaction, it requires some detailed work by qualified attorneys in order to protect the interests of all parties involved.

While you shouldn’t rule out owner financing, keep in mind that by looking for someone who is willing to help finance your purchase, you severely limit your choices. There are a lot of houses for sale today, but not a lot where owner financing is an option.

Option 5: Lease-To-Own

With a lease-to-own, you essentially lease a home, but make larger payments in order to begin accumulating a down payment. For example, if a house would normally lease for $800, you might lease it for $1,000/month, with $200/month going into a special account. At the end of a specified period, you buy the home using the money in that special account as your down payment. However, if you decide somewhere along the line not to purchase the home, all of the money in the special account then goes to the seller.

Think of this option as renting with a forced savings account. If you can find someone willing to do this, it’s not a bad option. However, most people who are selling their homes need their money out of it in order to buy their next home, so finding someone who is willing to lease to you may prove more difficult.

Where To Begin

Now that you have five good options for buying a home for little or no money down, where is the best place to begin?

The first step is getting pre-qualified. And the best way to get pre-qualified is to let us refer you to a Mortgage Consultant who is dedicated to helping people like you get into the home of your dreams.

We’ll do more than help you get financed!

Financing is only the first step in the home buying process. We are dedicated to helping you through the entire process, delivering a world-class experience all along the way. We can help you find the right home, negotiate the right terms, and then make sure that you actually get to the closing table. It's all part of our Preferred Buyer's Program, which you can join for FREE!

If you'd like to know more about your financing options and our Preferred Buyer's Program, please give us a call.

This report courtesy of

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