

The Lowdown ON DOWN PAYMENTS

If you're like most people, the down payment on your house will likely be one of the biggest cash investments that you'll make.

There are a number of ways to gather the amount that's right for you.

✓ SAVINGS

Buyers often save regularly for years by reducing expenses, taking a second job or getting a smaller apartment if they are renting.

✓ GIFT

If you accept a cash gift, you'll need a clearly written letter explaining that the person making the gift has no financial interest in nor obligation toward the property. A bank will not accept it if your "gift" is really a loan.

✓ PROCEEDS FROM SALE OF EXISTING HOME

Any proceeds from the sale of your previous home can be applied to the down payment on your new home.

✓ SPECIAL PROGRAMS

State and local governments offer down payment assistance to low and moderate income home buyers. Many nonprofit organizations also offer down payment assistance.

**CONTACT YOUR LENDER OR YOUR STATE HOUSING AUTHORITY
FOR INFORMATION ON THESE PROGRAMS.**

For all of your mortgage needs, call your trusted local lender today!



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DID YOU KNOW?

A 20% Down Payment is
Not Required to Buy a Home.

2022 Down Payment Statistics:



66% of all home buyers put less than 20% down on their home purchase.



17% of all home buyers put 1-5% down.



10% of all home buyers put zero down.



The typical down payment for first-time buyers was **6%**.

Loan options with low down payment requirements for qualified buyers:

- Conventional Loans Starting at 3% Down
- FHA Loans Starting at 3.5% Down
- USDA & VA Loans as Little as Zero Down

Still need help?

You could be eligible for down payment and closing costs assistance programs in your area!

Sources: NAR 2022 Home Buyers and Sellers Generational Trends and 2022 Profile of Home Buyers and Sellers

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TIPS TO HELP YOU SAVE FOR A DOWN PAYMENT



KNOW HOW MUCH YOU NEED

Find out what loan programs you can qualify for, and how much home you can afford by speaking with a loan officer. Some loan programs, such as FHA, VA and USDA, require little-to-no down payment for buyers who qualify. We offer up to 97% conventional financing.

However, there are some benefits to a large down payment. Buyers with down payments of 20 percent or more tend to get better rates than those that don't because they are less risky for the lender. They'll also avoid paying private mortgage insurance, a monthly payment that protects the lender against loss in case the borrower defaults. Speak to your Loan Officer to determine the best options for you personally.

SQUIRREL AWAY

Think carefully about how you can cut costs each month, whether it's on groceries, dining out, entertainment expenses, etc. Create a monthly budget that sets aside a certain amount each month towards your down payment. A good way to do this is to set up direct deposit to automatically deposit part of your paycheck into a separate savings account. You'll save money without thinking about it.

ASK FAMILY

It's perfectly legal for individuals to help contribute toward your down payment. However, there are a few guidelines when it comes to receiving these gift funds. Any individual can gift another individual up to \$14,000 per year, tax free. Your lender will need to ensure that these gifts are truly gifts and not loans. You will need to have paperwork backing up these gifts, or the mortgage company will not accept them.

CUT YOUR RENT PAYMENTS

Consider adding a roommate to split costs. If your current apartment is eating up most of your paycheck, think twice about renewing your lease. Move to a less trendy neighborhood or a no-frills apartment complex. It might seem like a huge sacrifice, but you could save hundreds of dollars each month by doing this.

SET ASIDE EXTRA INCOME

It can be tempting to spend our tax returns or birthday money on shopping sprees, vacations, or big-ticket items. Consider putting all unexpected income, such as tax returns, gift money and bonuses into your down payment fund.

SHOP AROUND

When was the last time that you shopped around for car insurance, cable, internet or your cell phone plan? You could save hundreds by downsizing or renegotiating some of these contracts.

SET REALISTIC GOALS AND KEEP TRACK OF YOUR PROGRESS

It can be daunting to start saving. In order to not be overwhelmed or discouraged, set incremental goals to measure your progress. When you meet your goals, reward yourself with a small prize such as a meal out with friends.

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Using Gift Funds

for Down Payment and Closing Costs



In most cases, gift funds can be used as a full or partial down payment, or to pay closing costs. Talk to your loan officer to learn more.

Loan Type	Eligible Donor	Guidelines	Documentation Needed
USDA	Any person who does not have interest in the sale of the property (<i>seller, builder, real estate agent, etc.</i>)	Gift funds may be used toward down payment or closing costs. May not be used as reserves. Cash on hand is not an acceptable source of donor funds.	Gift letter, evidence of funds from party providing the gift, evidence the funds were deposited in the applicant's account
VA	Any person who does not have interest in the sale of the property (<i>seller, builder, real estate agent, etc.</i>)	Cash on hand is not an acceptable source of donor funds.	Gift letter, evidence of the borrower's deposit or a copy of the donor's funds by check/electronic transfer or the CD showing receipt of donor's funds
FHA	Relative, Employer or labor union, Close friend with a clearly defined and documented interest in the borrower, Charitable organization, Governmental agency or public entity that has a program providing homeownership assistance to low- and moderate-income families, or first-time buyers	Primary residence 1-4 unit only, funds may not be used to fulfill mandatory reverse requirements, no borrower funds are required for down payment. Cash on hand is not an acceptable source of donor funds.	If the gift funds have been verified in the Borrower's account, obtain the donor's bank statement showing the withdrawal and evidence of the deposit into the Borrower's account. If the gift funds are not verified in the Borrower's account, obtain the certified check or money order or cashier's check or wire transfer or other official check evidencing payment to the Borrower or settlement agent, and the donor's bank statement evidencing sufficient funds for the amount of the gift.
Conventional	Relative, Domestic partner, Individual engaged to marry the borrower, Former relative Godparent, Relative of domestic partner	Primary residence and second home purchase only. Minimum borrower investment of 5% is required for 2-4 unit primary residence or second home if Loan to Value is > 80%. Cash on hand is not an acceptable source of donor funds.	Gift letter, evidence of transfer of funds, proof of graduation from an educational institution (if graduation gift)

12/2022

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