

## 10 Ways To Secure The Down Payment for a Home

In today's home mortgage market, a down payment may be a necessity. It's a good idea to strive for a down payment of at least 5% of the purchase price of your home. However, a down payment of 20% of the purchase price is ideal, because you may be able to avoid private mortgage insurance, or PMI, and also because a down payment of that size may reduce the chances of ending up owing more than your home is worth.

If you find yourself ready to move forward with a home purchase but need to raise your down payment, here are some ideas that you might consider:

### **1. Purchase a less expensive home that fits your budget.**

Do a careful budget analysis and set your expectations to match your pocketbook, then go for a home that you can comfortably afford. When determining the size of your home budget, you'll also need to consider additional costs such as moving expenses, new furniture, repairs, maintenance, insurance and possible home improvements.

### **2. Research down payment assistance programs.**

There are companies who specialize in down payment programs that can help you finance your down payment. They generally require excellent credit and potentially high fees and interest rates. There are also programs that vary by state, locality and community, which offer grants and loans to people who need down payment help. Check with your county to see if it offers special programs to induce home ownership in certain neighborhoods. The federal government provides financial assistance for first-time & new homebuyers.

### **3. Ask about seller's assistance.**

Occasionally owner's will be willing to work with a buyer and offer a second mortgage in order to sell the property. However, keep your eyes open for red flags. Should a seller be too accommodating with financing this may be because the property has issues of disrepair or major problems. Always get a thorough inspection by a professional before agreeing to anything.

### **4. Pay yourself first.**

Make savings a "bill" that's just as important as the others. Another way to pay yourself first is to take advantage of an automatic deduction from your paycheck, if your employer offers this option, or automatically deduct a certain amount from your checking account. If you don't see it, you don't miss it.

### **5. Try not to raid your retirement plan.**

Think twice before tapping into your retirement funds - whether it be from a 401K or an IRA. If you do end up borrowing against your retirement accounts, you'll need to pay attention to the repayment schedule or possibly face income tax and penalties on the amount withdrawn.

### **6. Ask your family or friends for a loan.**

Relatives or friends with deep pockets may just be willing to finance your down payment. By dealing with people you know, you could work out much better terms on a loan. When you apply for a mortgage, these loans will be taken into consideration.

### **7. Save Your Tax Refund**

If it's hard for you to save, you can change your withholding exemptions from 1 to zero. This will force your employer to pay more to the I.R.S. and reduce your paycheck by that amount. For some free-spending and undisciplined individuals, this method might be enough to help you come up with your down payment.

### **8. Request monetary gifts.**

By receiving monetary gifts during big life events such as a wedding or graduation, you may just pool enough for a down payment down the line. Gifts are tax free up to \$12,000 per giver and per recipient.

### **9. Look to social lending sites.**

You may be able to secure one or more loans through lending websites. Such loans may be available for better rates (depending on your credit score and history) and may be easier to get, compared with loans from traditional sources like banks and other lending institutions.

### **10. Offer to trade home equity for cash.**

Another novel idea to propel you towards home ownership involves getting others to invest and share the equity of the home you live in. To avoid any financial disagreements, make sure that your arrangement is formalized.

*These are general recommendations not applicable to all financial situations. Every financial situation is unique. Further, the suggestions and recommendations contained within the content provided are not an assurance of any future result. Be sure to discuss your specific financial circumstances with a legal or financial expert*



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