THE BASICS | BUYER

HOW TO

Finance a Home, Creatively

**Investigate down payment assistance programs.**   
Research shows homeownership is good for communities. That’s why lenders, municipalities and state governments offer programs to help qualified applicants cover all or part of the required down payment. These programs are often for first-time buyers earning up to a maximum income, but some programs are available to repeat buyers, too. Sometimes the assistance comes in the form of a grant and sometimes it’s a loan that’s forgivable if the buyers stay in the property and make their mortgage payments over a certain number of years. Talk to a lender or a REALTOR®, a member of the National Association of REALTORS®, to learn what programs are available in your area.

**Explore seller financing or an assumption.**   
In some cases, sellers may be willing to finance all or part of the purchase price of the home and let you repay it gradually, just as you would a mortgage. Be sure to consult a qualified real estate attorney to review the terms and ensure you’re protected. A similar option is the assumable mortgage, where a home buyer takes over the seller’s existing loan (with bank approval). FHA, VA and USDA loans are all assumable. These options can be attractive when the interest rate on the existing loan is lower than the going rate and the sellers don’t expect a big equity payoff from the sale.

**Ask your family for help.**   
Perhaps a family member will gift you money for the down payment. Gifts must be documented: Lenders will need to know the source of a large deposit into your account and require proof that the money is a gift, not a loan. If you have a minimal credit history, the lender may require a co-signer. Before entering such an agreement, though, family members should understand the risks of co-signing—including being responsible for the loan should you be unable to make the payments.

**Consider a shared-appreciation or shared-equity arrangement.**   
Under this type of agreement, a family member, a friend or even a third party may buy a portion of the home and share in any appreciation when the home is sold. The owner-occupant usually pays the mortgage, property taxes and maintenance costs, but all the investors' names are usually on the mortgage. Again, be sure a qualified attorney reviews the terms of the agreement.

**Lease with the option to buy.**   
Renting the home for a year or more may give you the chance to save toward your down payment. And in many cases, owners will apply some of the monthly rental amount toward the purchase price.

**Consider a short-term second mortgage.**   
If you qualify, a short-term second mortgage could give you money to make a larger down payment. This may be possible if you’re in good financial standing with a strong income and little debt. Such arrangements may also help you avoid jumbo loan restrictions or having to pay private mortgage insurance (required on conventional loans with a down payment of less than 20%), but they can be risky for lenders and borrowers.