

Yes, Virginia, You Can Buy a Home With Less Than 20% Down Payment

One of the most prevalent misconceptions among home buyers is that you need a 20% down payment to get a mortgage. In fact, the majority of loans being written today are FHA-insured loans requiring only 3.5% down payment. The VA still offers 100% financing to qualified veterans, and one can buy a home with only \$1,000 down through the Colorado Housing and Finance Authority.

Another misconception is that mortgages are less available. That, however, is only true if the borrower has a credit score under 620. That's the big change from the "bad old days" of toxic loans — banks now make you prove that you can pay back the loan. Underwriters require so much documentation to prove you're qualified that I'm glad I'm a Realtor, not a mortgage broker!

The FHA loan limit in our area is

currently \$406,250. You can buy a home for more than that amount, but that's all the FHA will allow you to borrow. Although FHA loans are most typically used by the middle or lower middle income buyer, there is no income limitation to qualify for an FHA loan. FHA loans also carry no pre-payment penalties, and, best of all, they are assumable by qualified buyers.

The assumability of FHA loans is especially valuable now that a buyer can obtain an FHA loan for about 3.75%, which is below the rate on a *non-assumable* conventional loan. When you sell your home 5, 10, or 20 years from now when rates are much higher, wouldn't it be great to advertise that you have an "assumable 3.75% loan"?

FHA also offers 3-, 5-, 7- and 10-year Adjustable Rate Mortgages. ARMs are currently being offered

at rates *under* 3%, which is incredible! As someone who tends to move every five years or so, I'd jump at a 5-year ARM. Even with a maximum adjustment in years 6 and 7, it would take at least that long for a buyer to pay more than he would over the same period on a 30-year fixed-rate loan.

If everyone knew that they could buy a home with as little as \$1,000 down payment — or, at worst, 3.5% — we would see a lot more buyers than we do in the market taking advantage of these incredibly low interest rates. And, indeed, there are already enough buyers in the market now to deem it "hot." My end-of-year index — just published on www.JimSmithBlog.com, shows that 26.8% of Front Range MLS listings are under contract. In Jeffco (minus foothills areas), 32.3% of the inventory is under contract. In Denver it is 34.2% and in Aurora it's 48.9%. Now, *that* is what I call a *hot* market!

Want to Rent a Million Dollar Home?

Rita and I are moving — or at least we are putting an offer on another home, and we need to rent or sell our current home. Although we'd be happy to sell our home at 5476 Joyce Court in Cottonwood Lane (near



55th Drive & Indiana Street), we are willing to rent it instead for the below market rate of \$3,000 per month, including all utilities. (We can offer that because it's a solar powered home!) There is no HOA.

Ours is a ranch-style home with hickory hardwood floors, 3 suites and a 4-car garage. The two guest suites, like the master suite, have

their own walk-in closets and full bathrooms. The master suite is much grander, with a large circular walk-in shower and a 10'x17' walk-in closet. A fabulous water feature dominates our front yard (above).

You can take a virtual tour of it at the web page which I created for it, www.GoldenExecutiveRental.com. Then call me for a showing!

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