

## Don't Let Down Payment Requirements Stand in the Way of Home Ownership

A misperception that blocks many from homeownership is the incorrect belief that lenders require a twenty percent down payment. For many, that seems like an unreachable goal. **Jaxzann Riggs**, owner of **The Mortgage Network** assured me that while 20% down payment will reduce the interest rate offered to a borrower, there are many options with substantially lower down payments and, in fact, there are **zero down payment** loans available to many. The loans may be combined with a seller concession which will pay all closing costs.

Historically, traditional Down Payment Assistance programs (DPA's) require household income to be 80% or less of the Area Median Income (AMI), and others have income limits of 50% AMI or less.

To put that in perspective, in the Denver metro area, 80% AMI is \$100,400 annual household income. 50% AMI is \$62,750. Recently Jaxzann's mortgage company has been able to offer a zero down payment loan program to qualifying borrowers, with *no income or location limitations*.

### Types of Down Payment Assistance Programs

**Second mortgages:** Some programs will provide a second mortgage totaling the minimum down payment amount of up to 3%. They are financed along with your first mort-

gage. Some require a second mortgage payment each month. They can often have higher interest rates than the primary mortgage, and the added payment is included when calculating what you can qualify for.

There are second mortgage options that don't require monthly payments. No payment is required until you either sell the house, refinance your first mortgage, or no longer occupy the property as your primary residence. It's critical to be aware that if rates come down and you want to refinance your home you must pay off the second mortgage at the same time. Depending on how much your home has appreciated since purchase, you may be able to add the loan amount into your refinanced primary mortgage.

**Traditional Grants:** Many grants have come on the market in the past couple of years and are an underutilized resource. First-time home buyers who make under 80% AMI can get a grant ranging from \$500 to \$4,000 to apply towards closing costs and even down payment. The grant process is simple and just part of the underwriting process.

There are grants available for properties in low to moderate income areas, with no bor-

rower income or ownership limitations.

**Forgivable Loans:** These products usually don't require a monthly payment. Once a certain time frame has passed, the loan is forgiven. The time frames typically range from three to ten years. It is important to note that many forgivable loans require that you live in the home, that you do not refinance and that you do not sell the home. While grants and forgivable loans sound amazing, in our current high interest rate environment, it is critical to understand future limitations.

It might not be obvious, but a borrower's total cash investment directly impacts the interest rate offered to the borrower. Jaxzann points out that while it is great that there are **so many** low or no down payment options available, she also cautions that underwriting guidelines and benefits vary from program to program. This can be confusing to buyers. In our current marketplace, having a loan that has been **fully approved** by the program underwriter is crucial for a seller to accept a low or no down payment offer to purchase. If you, a friend, or a family member has been postponing homeownership due to a lack of down payment, it might be worth exploring options.

Jaxzann would be happy to explain those options. You can reach her at **303-990-2992**.

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Home Financing



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The  
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