

Funding a 1st Home Purchase

Buying your first home is a huge decision and an even bigger investment. But there are ways to make it easier for you.

Grants can help you with your purchase, relieving some of the stress of getting your first mortgage, leaving you to decide whether you want the three-bedroom with the patio or the four-bedroom with the yard.

WHAT DO GRANTS PAY FOR?

Grants for first-time homebuyers can pay for your down payment and closing costs. Sometimes, these assistance programs have strings attached, so make sure you read the fine print before cashing that check. Here are some examples from the experts at Bankrate.

- **DPA second mortgages:** A down payment assistance second mortgage is available through many state housing finance agencies. In this program, you will apply for a 30-year mortgage to finance your home, then another, smaller mortgage to help with the down payment or closing costs. You'll pay both loans off



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REAL ESTATE 101

Private Mortgage Insurance

Private mortgage insurance, or PMI, is insurance payable to the lender for a pool of securities that may be required when taking out a mortgage loan. This insurance helps offset losses in the case someone cannot pay their loan and the lender cannot recover its costs after foreclosure and the sale of the mortgaged property.

at the same time.

- **Deferred-payment loans:** Some programs allow you to defer payments until you sell your home, refinance or pay off your mortgage. In the meantime, the interest won't accrue, keeping the amount you owe the same.

- **Forgivable loans:** These loans can wind up being free if you stay in the home long enough. Make sure you under-

stand all of the terms and conditions of loan forgiveness.

OTHER HOMEBUYER PROGRAMS

Fannie Mae and Freddie Mac also offer several loan programs that can help first-time homebuyers. They include:

- **Conventional 97 mortgage:** These mortgage loans require 3% down but require

a minimum credit score of 620. Like most loans, the borrower will also be required to pay for private mortgage insurance, which is an additional cost to your monthly payment.

- **HomeReady mortgage:** This program also requires only 3% down but offers more flexible underwriting.

- **FHA, VA and USDA loans:** These allow borrowers in spe-

cial classes to take out mortgages with little to no money down. An FHA loan can go to borrowers with a credit score as low as 580 and at least 3.5% down, or down to 500 and 10% down. VA loans go to qualified U.S. military members with lower interest rates and sometimes not even a down payment. USDA loans qualify some rural properties up to 100% financing.

- **Good Neighbor Next Door loans:** This program provides housing aid for law enforcement officers, firefighters, emergency medical technicians and teachers. Borrowers can get 50% off a home in a revitalization area, provided they live in the home for at least three years.

MORE PROGRAMS TO HELP

Some employers may also help workers with housing needs, usually in neighborhoods near the place of business. Watch out for rules regarding tenure requirements and income limits. Nonprofits may also offer mortgage help to first-time homebuyers. One organization, the Neighborhood Assistance Corp. of America, provides low-rate mortgages to low- and moderate-income borrowers without requiring a down payment or closing costs.



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HOMEWISER GLOSSARY

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Selling agent: A real estate agent who represents the seller in a transaction. SOURCE: MLS.com

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