

Cut Your Costs Down To Size

How Buyers Can Increase Buying Power And Reduce Down Payments

Buying a home in today's market takes confidence and experience. You can count on our experience to help you find and buy an affordable home with confidence. Here are some tips to help you clip your home buying costs.

HOME SEARCH

We start off with a basic figure: What is the monthly payment range you can afford? From that, we calculate an affordable loan amount and look only at homes within your price range. You may not find every last feature of your dream home, but that does not mean you must abandon your dreams to buy. One solution is to look at properties that promise appreciation, so when you want to exchange your home later for something closer to your dreams, it will pay off.

FINANCING

Another solution is to take advantage of current financing plans designed to reduce your monthly payments, your down payment, or both:

- **Adjustable Rate Mortgage.** The initial interest rate on an ARM is lower than a conventional loan, thereby requiring lower monthly payments. The rate rises or falls at intervals, but within limits. Ask about 3-year and 5-year options offering no rate adjustment until the third or fifth year, then annual adjustments after that. Desirable ARMs have low rate caps (ideal: 2% - 3% adjustable cap, 5% - 6% life-of-loan cap) and below-market rates for the first period. Expect to shop among several lenders for the best terms.

- **Fixed Rates.** If you're more comfortable with the security of a higher-priced fixed-rate loan, opting for a longer term (30 years rather than 15 years) may put monthly payments within reach. Although you would pay more in interest over the life of the loan, most homeowners plan to move before 30 years are up.

- **VA Guaranteed Loan.** If you are an eligible veteran, the Department of Veterans Affairs requires no down payment (up to a specific sales price) for a VA mortgage. Ask us for the current ceiling.

- **FHA 203(B) Insured Loan.** Insured by the Federal Housing Administration, your loan (obtained through an established lender) requires a lower down payment and interest rate than most other mortgages. The minimum down payment for an FHA-insured loan is usually 3% of the purchase price. In some areas of the country, down payment requirements may be even lower for qualified borrowers. (Call us to find out more!)

- **Private Mortgage Insurance.** You insure your mortgage privately, to allow you to take out a mortgage with less than a 20% down payment.

Your PMI covers your lender's risk (should you fail to make mortgage payments).

- **Buydowns.** At closing or settlement, a third party (builder, seller or investor) agrees to put additional cash "up front" with a lender, in exchange for a lower interest rate to the buyer. Approaches vary among permanent buydowns, multi-year and graduated plans. These rate subsidies can help you afford the home you want.

- **Graduated Payment Mortgage.** The initial interest rate of a GPM is lower than a conventional loan and it has scheduled increases in following years — as your income presumably is on the rise.

- **Seller Take-Backs.** Some sellers are willing to consider seller financing (in several formats) designed to reduce buyers' payments. One format is a short-term second mortgage, secured by the home and accepted by the seller to help trim the buyer's down payment requirements. Another is a long-term first mortgage but without the usual qualification standards.

- **Mortgage Assumption.** When you assume an existing loan, your "down payment" is the difference between the sales price and the loan balance. By finding an assumption with a high unpaid balance, you may reduce your down payment. If the loan has a lower-than-market interest rate, you'll also reduce your monthly payments.

- **Co-Signed Loan.** A loan co-signer can help you qualify for a larger loan on a longer term, making monthly payments smaller.

- **Shared Equity.** You buy your home with a parent, relative, friend or other qualified investor who makes the down payment. You share the purchase costs, the maintenance, the monthly payments — and equity profits on sale.



To Purchase Call (703) 698-7750