

Save up for a down payment

Thinking of buying or know someone who is? The first step to buy a home is to round up a down payment.

How much down payment do I need?

To qualify for an FHA-insured mortgage, the smallest down payment acceptable is 3.5%. Other government mortgage insurance agencies will cover mortgages on a 3% down payment.

These low down payment conditions require you to pay a mortgage insurance premium of around 1% annually over the life of the mortgage loan.

But a down payment equal to 20% of your home's purchase price avoids all these extra fees payable upfront and as additional premium interest. In other words, a \$600,000 home needs a \$120,000 down payment to make a financially conscientious home purchase.

Are there any tricks for saving up for a down payment?

Yes! The best thing to ensure success is a solid plan.

1. **Set up a savings account:** Create an FDIC insured savings account or CD arrangement with a direct deposit, separate from your emergency fund account.
2. **Convert new revenue streams:** Commit extra income from a part-time job or pay raise at work solely to your house fund. Be aggressive about locating and retaining cash.
3. **Reduce extra expenses:** Calculate how much money you spend on unnecessary luxury items (i.e. trips to coffee spots or nights out) and cut back. Redirect that money into savings. Consider downsizing your car to eliminate debt and free up payments for more savings. Even better, do both!

Need help navigating sources for a down payment and mortgage lending? Contact me for assistance to get the best results.

