

5 Insider Secrets for Coming Up With Cash for Down Payment



Most home buyers' biggest hurdle is coming up with the cash for a sensible down payment. Gone are the days of zero-down loans, so if that was your plan, you're going to need a new one! Coming up with a down payment for a home is a challenge because it's not chump change we're talking about, here. The down payment on a \$200,000 house, for example, will run you anywhere from \$7,000 (on an FHA loan) to \$40,000!

That might seem like an insurmountable amount of coin to come up with, but it's actually more doable than you might think. Some buyers will simply save up their own cash, even if it takes many, many moons. The good news is that if you still need some help to boost your down-payment savings, there are resources you can harness to power your home-buying pursuit:

1. **The FHA Bridal Registry.** Yes - you read that right! The [FHA Bridal Registry Program](#) enables wanna-be home buyers to apply their families' wedding gifts toward their down payments. And although it's named a "bridal registry" program, you don't have to be a prenuptial couple to use it. You could also use this program to collect gifts for graduation, the arrival of a baby or some other major life event in which people want to give you gifts.

The FHA Bridal Registry works like a traditional registry, but is more flexible. The registrants visit their choice of FHA mortgage lenders and set up what essentially is a custodial savings account for the sole purpose of funding their down payment. The couple's (or individual's) family and friends can either deposit funds directly into the account or give the cash or check to the couple or individual, who then deposits it into the account. The account's flexibility also goes beyond that of traditional down payment gift rules that are applicable to FHA loans, which are detailed below in insider secret #2. With the FHA Bridal Registry Program, the only gift documentation required is "lender and borrower certification of the funds."

2. **Family gifts.** Most lenders will allow home buyers to apply gift money from family members toward their down payment - within guidelines, that is. First, the lender will require a letter from the giver verifying that it in fact is a gift and not a loan. (They generally frown upon it being a loan because it would add to the buyer's debt and change their debt-to-income ratio.) And second, the person giving you the money must be a relative. The reasoning here is that a friend will most likely expect you to repay the money, whereas a relative won't.

FHA loans will allow the gift to make up any portion or all of the buyer's down payment, many conventional (non-FHA) loan programs will restrict the proportion of a buyer's down payment that can come from gift money. The lender may also have specific ways they want to see the money go into and out of your accounts. Before you accept a gift toward your down payment, be sure to check with your mortgage broker or loan rep to be sure that you're dotting all the right i's and crossing all the right t's.

3. **Your Employer.** Some companies offer assistance programs to employees. Most are government, university, large company and financial industry employers. One example is safety workers: in some areas, safety workers like firefighters and police can have access to down payment grants from their employers if they buy properties in the city where they are on-call as first responders. Also, many large colleges and universities, very large companies and banks and lending institutions offer down payment help and have below-market-rate mortgages set up for faculty members and staffers. Check with your Human Resources department to see if any such program is available to you.
4. **City/County/State Programs.** Some states, counties and cities still offer programs that lend or give home buyers some assistance for down payments. These programs vary widely in scope - for instance, many target buyers with low and moderate incomes, while some seek to help the buyers of foreclosed or fixer-upper type homes. Some don't have to be repaid - meaning they are given as grants and are forgiven entirely if the buyer lives in the property for 30 years, but must be repaid if the buyer sells or rents the home out before the 30 years elapses. The programs pretty much all have some sort of homeowner education component that requires applicants to take personal finance and homeownership preparedness classes before they can receive funds. To learn more, visit your city, county and state websites to learn about programs that might be able to help you.
5. **Your Retirement Funds.** Many financial advisors would advise against this, but if you have a 401K or Roth IRA account and some years to go before retirement, you might be able to tap into it or even borrow against your own funds for your down payment. Currently, you can take up to \$10,000 out of your Traditional IRA with no penalty to put toward the purchase of your first home, but you will be taxed. You can take as much as you want out of your Roth IRA contributions with no penalty or taxes, though, and as much as \$10,000 from your earnings penalty-free for your down payment. The rules get a little tricky, here, so definitely check in with your tax and financial advisors.

And while you can't similarly draw from your 401K, many retirement and pension plans *will* allow you to borrow the money against your funds, then repay it to yourself - at interest. So the choice there comes down to paying your lender back with interest or paying yourself with interest. That choice should be you! But first, get some advice from your CPA or financial planner. This option might not make financial sense for your particular situation.