

First Time Home Buyer Programs

2019 Guide to
Down Payment Assistance Programs



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"The referral of your friends and family is the greatest compliment you can give us. Thank you for your trust!"

As agents who are experts in this local area for the last 20 years, we bring a wealth of knowledge and expertise about buying and selling real estate here. It's not the same everywhere, so you need a team you can trust for up-to-date information. We are eager to serve you.

Here are some of the things We can do for you:

Find Your Next Home

You need a team who knows this area inside and out! We can work with you to find the right home at the right price for you, including all the neighborhood amenities that matter – not to mention the essential criteria you have for your ideal home

Sell a Home

When it's time to move, you need a team who will advertise your home, show to prospective buyers, negotiate the purchase contract, arrange financing, oversee the inspections, handle all necessary paperwork and supervise the closing. We can take care of everything you need, from start to close.

Consult on Home Selling Tactics

Oftentimes buyers don't visualize living in your home the way you do. We can make your home attractive to its ideal audience – which can help you get top dollar. Things like staging the home, making repairs or minor improvements, or even simply painting the walls can be the difference between a home resting on the market and one that's sold fast.

Who Qualifies as a First Time Home Buyer?

The definition of a “first time buyer” isn’t restricted to people buying their first homes. According to the Department of Housing and Urban Development, it also includes the following:

- A person who has not owned their principal residence for at least 3 years.
- A single parent who previously co-owned a home while married.
- A homemaker who previously owned with a spouse, but no longer receives financial support from that spouse.
- A person who has only owned a residence not affixed to a permanent foundation, such as a mobile or trailer home.

This allows many people who wouldn’t assume that they qualify for a first time mortgage to take advantage of the benefits offered to those purchasing their first home.

A first time home buyer can often be at a disadvantage to other buyers, due to having low funds, student debt, or other financial issues. Thankfully, being a first time buyer has some benefits too, such as being offered lower rates or smaller down payments on a home loan.





How to Choose the Best Lender for Your First Home Purchase

Finding the right lender depends on a number of factors, of which the interest rate is only one. Here are some of the main things to look at when weighing up the various lenders:

Loan size: A basic requirement any borrower should expect of their lender is that they can offer the right loan amount. If you need a \$250,000 loan, then there's no use in going with a lender that will only approve \$200,000. On the other hand, if you're approved for \$300,000, it's important to be aware that you don't have to spend that exact amount. You can still purchase a home for \$250,000, and only borrow the amount you need.

APR: The first thing many borrowers look at when comparing lenders is the interest rate. While this is important, the best thing to look at is the APR. The Annual Percentage Rate, or APR, includes the interest rate plus processing fees and points, and therefore gives a more accurate picture of what you'll be paying the lender each year. If you want to know your total cost, APR is the place to look.

Closing costs: Once your mortgage is approved, you will need to go through what's called a closing process. At this stage, lenders can add any number of fees, including origination, surveying, title, and third-party fees. When you apply for your mortgage, it's worth checking which lenders are willing to waive or discount these fees.

Loan terms: The term (or duration) of your loan can have a big impact on your APR and total loan amount, and therefore it's important to select a term that suits your needs. The shortest term is usually a 15-year mortgage, though it is possible to find 10- or even 8-year terms, which include higher monthly payments but a lower interest rate. The longest term is usually a 30-year mortgage, which includes lower payments but a higher rate.

Customer service: Lastly, don't forget the importance of customer service. As you go through the process of buying your first home, you'll undoubtedly have a lot of questions, and it's important to go with a lender that is willing to spend time on your application and offer the best deal to suit your specific needs. Many lenders now offer online applications, making it less costly and more convenient to apply for a loan, as well as personal loan agents and online chat applications.



The Advantages of Being a First Time Buyer

There are 2 major advantages to being a first time home buyer:

1. Qualifying for lower down payments through government-backed lending programs or offers from individual lenders

Many first time home buyers find that down payments are the biggest obstacle to purchasing a home. Using a median house price of about \$250,000, and a typical minimum down payment of 20%, we find that most lenders expect borrowers to pay at least \$50,000 as a down payment on their home – and many people just don't have that sort of money lying around. Thankfully, some lenders offer home loans to first time buyers for down payments of as low as 3%.

There are also the government-backed FHA loans – which guarantee down payments of 3.5% for borrowers with at least a 620 credit score, and down payments of 10% for borrowers with as low as a 580 credit score. To qualify for an FHA loan, the borrower must purchase private mortgage insurance (PMI), which protects the lender in the event the borrower defaults on a portion of the loan.

2. Being able to deduct mortgage-related payments from your tax bill

Fortunately for first time buyers, certain mortgage expenses are tax deductible.

For example: you can deduct interest, provided your mortgage is secured by your home and is worth less than \$1 million; and you can deduct real estate taxes. Unfortunately, PMI payments stopped being tax-deductible as of 2017, but this may change again in the future. If you're a first time buyer, it's worth consulting a tax specialist about how you can use your loan payments to reduce your tax bill.

The Short of It

Being a first time home buyer doesn't necessarily mean you'll need to make a huge down payment or that you'll be taken advantage of by lenders. As long as you have a decent credit score and understand your rights before beginning the process, you should be able to come away with a mortgage to suit your needs – and that won't drain your bank account on day one. When comparing lenders, don't forget to look at all angles, such as terms, APR, and closing costs. And always ask what they can do for you as a first time buyer.

The process of purchasing your first home can be daunting and expensive, and it will likely include many financial situations you've never encountered. Luckily, the federal government and Florida state government have stepped in and created programs specifically for first-time home buyers. Even if you don't have much to put toward a down payment, or you need a low interest rate, these loans and mortgage programs are great options that are worth looking into.

Federal First-Time Home Buyer Programs

FHA Loans

Pros

- Low down payment requirements
- Don't need a high credit score for approval

Cons

- Larger down payment needed for those with a credit score beneath 580

Eligibility

- As little as a 3.5% down payment
- Credit score must be 500 or above

Best For

- Those who don't have a great credit history
- Don't have money for a down payment

The Federal Housing Administration of the U.S. federal government backs FHA loans, though you'll actually apply for one through an outside lender. These mortgages are a fantastic option for anyone looking to purchase a first home. That's because you'll only need to put 3.5% of your new home's value at the time of purchase. Compare this to a conventional loan that requires a 20% down payment.

However, to receive this perk in its full glory you must have a FICO® credit score of 580 or higher. If not, you'll be required to make a 10% down payment, which still represents a partial upgrade over a conventional mortgage. But even with this credit score requirement, an FHA loans falls under the category of easier-to-get mortgages.

VA Loans

Pros

- **Can have up to 100% loan coverage of your home's value**
- Usually come with lower closing costs than conventional loans
- No private mortgage insurance

Cons

- The application process can be drawn out
- Must pay a VA funding fee

Eligibility

- Must be a current or former military member
- Or a member's spouse or another eligible beneficiary
- Must have a credit score of 620 or higher

Best For

- Veterans with little monthly income and savings for a comfortable down payment

The Department of Veterans Affairs insures VA loans, but third-party mortgage lenders actually issue them. These were created to help veterans who may have had enough monthly income to afford a mortgage but not enough savings to back up a down payment. In turn, VA loans do not call for any sort of down payment, meaning your new home's value can be completely covered by your mortgage. This is essentially impossible to replicate outside of a VA loan, making it all the more valuable of a proposition.

In most situations, you need a 620 FICO® credit score to secure an approval for a VA loan. On top of this, you need to pay a VA funding fee, which will range anywhere from 1.25% to 2.4% of your home's value depending on whether or not you choose to pay a down payment.

Aside from the funding fee, there's almost no other extraneous costs to deal with on a VA loan. As a matter of fact, you won't have to pay the typically obligatory private mortgage insurance because the government will back that half of your risk. You'll also likely find that your closing costs will be cheaper than conventional and other mortgages, which should help you shore up your finances in the short term.

USDA Loans

Pros

- Veterans with little monthly income and savings for a comfortable down payment

Cons

- If you qualify for a conventional mortgage, you can't get one

Eligibility

- Cannot make more than 115% of the adjusted U.S. median income
- Must purchase a home within an eligible rural area

Best For

- Low-to-mid income Americans looking to live in a rural or suburban area

A United States Department of Agriculture, or USDA, loan is legally known as a "Section 502 Single Family Housing Guaranteed Loan Program." These mortgages are specifically intended to attract borrowers to move to rural (or at the very least, semi-rural) areas of the country. Simply find a single-family home that's approved by the USDA to be eligible for a loan, and you'll be free to apply.

Perhaps the most attractive feature of this mortgage is the fact that it completely eliminates the need for a down payment. But if your credit score falls a bit lower on the FICO® spectrum, you may have to pay a down payment of around 10%.

To make things even better, a USDA loan doesn't require applicants to have a strong credit score and history. However, because of this, you will not be eligible for a USDA loan if your income level is higher than 115% of the current U.S. median income or if you have qualified for a conventional loan.

Good Neighbor Next Door Program

Pros

- Get a flat 50% discount on the value of your new home
- After three years, you can sell the home and keep all equity

Cons

- Not available to most people and in most areas
- You're required to live in the home for at least three years following purchase

Eligibility

- Must be a police officer, firefighter, emergency medical technician or a pre-K to 12th grade teacher

Best For

- Teachers or emergency personnel with little in savings

The Good Neighbor Next Door Program is one of the more distinctive federal mortgage offerings on the market. It's in place solely for emergency personnel and pre-K through 12th-grade teachers. Although not technically a loan, it allows these individuals to receive a 50% discount of the purchase price of a new home. To actually pay for the home, you could get a conventional, VA or FHA mortgage or pay cash.

There are some preconditions you must follow in order to remain eligible for this program, though. In order to save half off your home, it must be located within a "revitalization area" as titled by the Department of Housing and Urban Development (HUD). Furthermore, you must agree to make it your primary living residence for at least the next three years. The good news is that if you meet this term, you can sell the home if you choose and hold onto any equity and profit.

Fannie Mae/Freddie Mac

Pros

- Very low down payment stipulations
- Little to no credit needed for approval
- Many loan styles available

Cons

- Could come with higher interest rates

Eligibility

- In some cases, no income requirements in under-served areas

Best For

- Anyone who is looking for a low down payment loan option, but doesn't qualify for any of the above options

Freddie Mac and Fannie Mae are mortgage lenders that were created by the federal government, and each have a number of first-time home buyer options. While they're technically two different entities, they offer very similar benefits, each of which are more than suitable for anyone buying his or her first home.

The HomeReady® loan from Fannie Mae need only be accompanied by a 3% down payment. This makes it a great choice for anyone who's strapped for cash, has a FICO® credit score as low as 620 and makes an income at or near the U.S. median. With a HomeReady® loan, you must have private mortgage insurance at the time of purchase, but once you've accrued 20% equity in your new home, you can cancel it.

On the other hand, Freddie Mac offers Home Possible® mortgages with down payments as low as 3%. The Home Possible loan comes in 15- to 30-year fixed-rate and 5/5, 5/1, 7/1 and 10/1 adjustable-rate terms, along with the aforementioned cancellable private mortgage insurance. You also will not need any credit history for this loan.

Native American Direct Loan (NADL)

Pros

- Minimal credit score requirements
- No down payment and no private mortgage insurance
- Cheap closing costs

Cons

- Limited group of eligible borrowers

Eligibility

- Home must be located on allotted lands, Alaska Native corporations,
- Pacific Island territories or federally-recognized trusts

Best For

- Native American veterans that lack money for a down payment

Native American veterans and their spouses can apply for a Native American Direct Loan (NADL) for their new home. This VA-backed mortgage comes with many perks, but it most notably has a 0% down payment and set interest rate. Eliminating the need for a down payment opens up homeownership to many more buyers. This rate currently sits at 4.5%, though that is subject to change based on movement within the market and Prime Rate.

As far as credit conditions go, NADLs call for very little, so don't get discouraged if you have a weak credit history. You also will not have to purchase private mortgage insurance, which is a perk that extends from normal VA loans. In an effort to cut down on the extra expense that closing costs can create, the VA has significantly lowered these fees associated with NADLs.

In addition to the programs available through the federal government, there are a few programs for first-time homebuyers offered through the state of Florida.

Florida HFA Preferred Conventional Loan Program

Pros

- Cheap mortgage insurance premiums
- Automatically qualifies borrower for an Assist Loan

Cons

- No direct down payment benefits

Eligibility

- Solely for first mortgages

Best For

- First-time home buyers looking to save on insurance

The Florida Housing Finance Corporation – HFA Preferred Conventional Loan is a 30-year fixed-rate mortgage that is great for anyone in need of cheaper private mortgage insurance for their new home. In theory, this will leave you more financial room to take care of other fees, such as closing costs.

Although there is no direct down payment aid, you may qualify for the Florida Assist Loan. However, to get the Preferred Conventional Loan, it must be utilized as a first mortgage on a home.

Florida HFA Preferred 3% PLUS Conventional Loan Program

Pros

- Immediate qualification for HFA Preferred Grant helps shrink burden of down payment
- Lowered insurance costs

Cons

- Only comes as a 30-year loan

Eligibility

- Must be your first mortgage

Best For

- Anyone looking for down payment assistance

Florida HFA's Preferred 3% PLUS Conventional Loan is slightly different than its counterpart. This mortgage option comes with both reduced mortgage insurance premiums, as well as direct down payment assistance. This will come in the form of an HFA Preferred Grant, which you will not have to pay back. It is a 30-year fixed-rate loan.

Similar to the above loan, the HFA Preferred 3% PLUS Conventional Loan has to be your home's first mortgage.

HFA Preferred Grant

Pros

- Doesn't have to be repaid
- Can help you pay your down payment/closing costs

Cons

- Will not apply to all borrowers

Eligibility

- Must be applying for an HFA Preferred PLUS loan

Best For

- Those who want a bit of extra financial help

While not a loan, the HFA Preferred Grant offer an opportunity for Florida residents to get essentially free financial assistance. Grants do not have to be repaid, and it can be as large as 3% of your home's value. You can put this grant toward either your down payment or closing costs.

Although this comes with the Preferred 3% PLUS Conventional Loan, other applicants will find it a bit more difficult to qualify for than most other mortgages.

Florida Assist Loan Program

Pros

- As much as \$7,500 in down payment assistance
- Payments are deferred until first loan is paid off or it's not your primary residence

Cons

- Will extend your repayment process longer than your original loan

Eligibility

- Must have an initial mortgage to apply this to

Best For

- Anyone who cannot afford a normal down payment

For further down payment aid, Florida offers the Assist Loan. This can total as much as \$7,500, but is required to be repaid, unlike the grant above. There is no interest on this mortgage, however. You are not required to begin making payments until either you refinance, you pay off your first mortgage or the home loses priority as your primary residence.

Though many mortgage applicants will likely be ecstatic with any form of assistance, this loan will make your repayment process longer than it would be with just your first loan. Also, unless you have a first mortgage, you'll remain ineligible for the Assist Loan.

Florida Military Heroes Program

Pros

- Low interest rate
- Borrowers qualify for the Assist Loan program

Cons

- Limited applicant qualifications

Eligibility

- Must be active-duty military or a veteran
- Can only be a first mortgage

Best For

- U.S. military members

The Florida Military Heroes program allows those currently in the military and veterans special mortgage deals. First and foremost, they're paired with significantly lower interest rates than typical home loans. On top of this, though, you'll also qualify for the Assist Loan, which will provide down payment assistance in the form of an up to \$7,500 second mortgage.

Because of the military-centric nature of these loans, they don't apply to the vast majority of the Florida population. A Military Heroes loan can also only be for a first mortgage.



Florida Housing Mortgage Credit Certificate Program

Pros

- Can reduce your federal taxes up to \$2,000/year from mortgage interest paid

Cons

- Limited qualifications

Eligibility

- Most first-time home buyers will qualify

Best For

- Those who are happy with their loan, but want to save on taxes

A Florida Housing Mortgage Credit Certificate is not a direct mortgage program, but it will help first-time home buyers and certain veterans save on their annual federal income taxes based on how much they pay in mortgage interest. This is limited to up to \$2,000 a year, as you can claim anywhere from 10% to 50% of your interest payments for the year.

Qualifying for one of the above first-time home buyer programs is just the beginning of the mortgage process. When it comes to finding a mortgage, it's always best to do as much research and shopping around as possible. Be sure to check all lenders, interest rates and down payment stipulations.

A home is likely the biggest purchase you'll make, as well as a big investment. That's why it may be smart to consult a financial professional about how buying a home impacts your finances. Use SmartAsset's financial advisor matching tool to find financial advisors in your area that can meet your needs.

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