

LOOKING FOR A LOWER DOWN PAYMENT? HERE ARE YOUR OPTIONS.

By Kevin Retcher,
First Meridian Mortgage



Low Down Payment Options By Kevin Retcher

When you first think about buying a home, you may find your head filled with thoughts of interior design, landscaping, and entertaining. The reality of home finance, however, is that there are a number of up-front costs associated with the purchase itself, which can leave you short of cash to do the things you've planned. Managing those costs ensures that you have the funds you need to both buy your new home and enjoy it.

If you're thinking about home ownership, one of your biggest concerns may be saving up for your down payment. Alongside closing costs, moving expenses, and other charges associated with a home purchase, the down payment is probably the most expensive part of buying your new home.

The traditional down payment associated with a conventional loan is upwards of 20%. In expensive markets, this could mean tens of thousands of dollars for even the most modest starter home or condo. In order to support the goal of home ownership, therefore, many lenders have created loan products designed to allow for lower down payment amounts; among the best deals are 3% down products.

A low down payment doesn't have to limit you. There are a variety of options designed to help you find the right 3% down financing plan for your home purchase. My favorites are the Home Ready and Home Possible options -- aimed squarely at the Millennial and Gen-Z Home Buyers Hustle. If your Seller gives a credit of 3% of the loan amount to help with closing costs and prepaid elements, you can get into a home with as little as that 3% down. Check out these options and let's talk about the right choice for your home purchase.

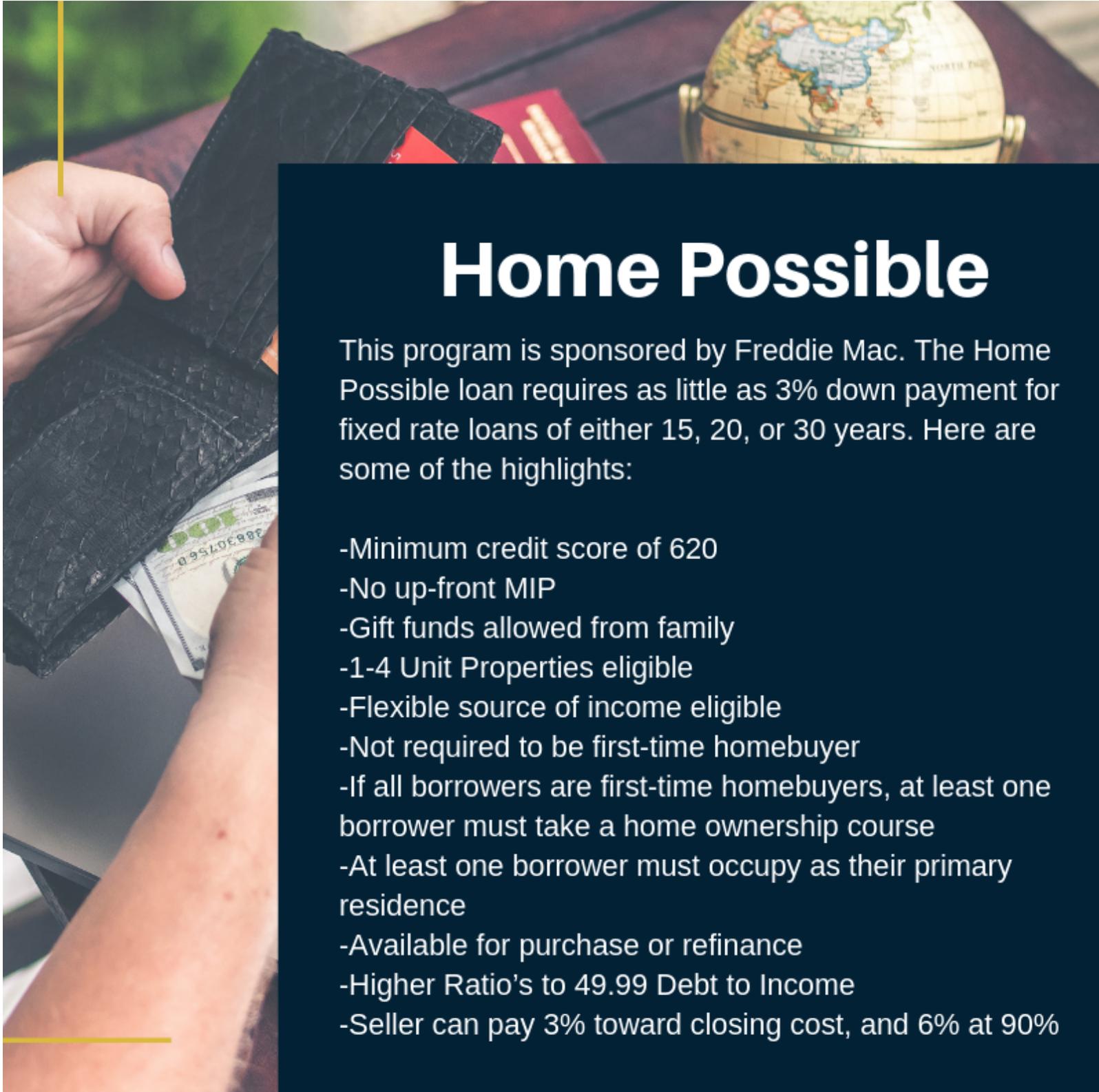




Home Ready

This program is sponsored by Fannie Mae. The Home Ready loan requires as little as 3% down payment for fixed rate loans of either 10, 15, 20, or 30 years. Here are some of the highlights:

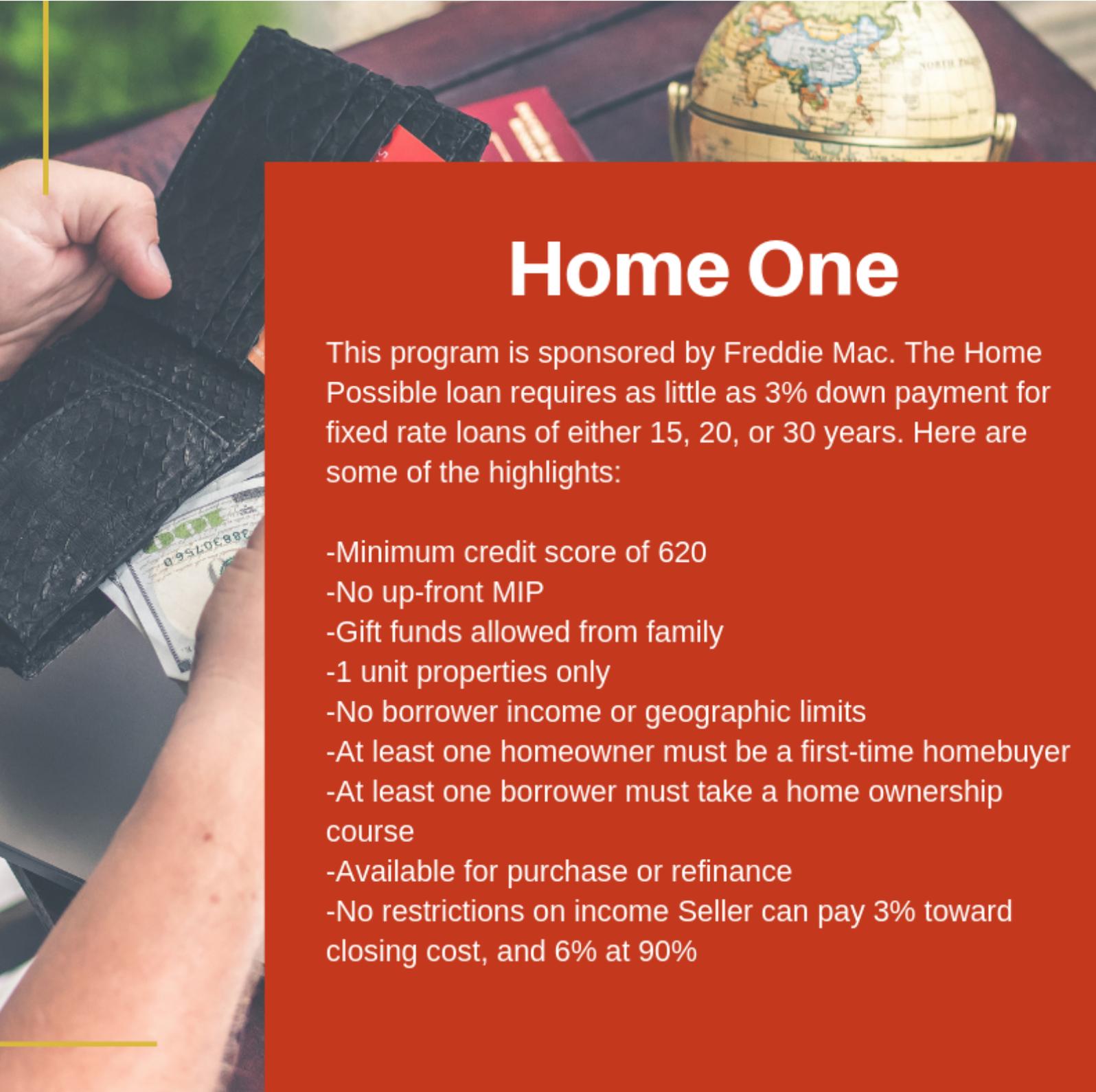
- Minimum credit score of 620
- No up-front MIP
- Gift funds allowed from family
- 1-4 Unit Properties eligible
- Flexible source of income eligible
- Not required to be first-time homebuyer
- At least one borrower must take a home ownership course
- Primary borrower must occupy as their primary residence
- Available for purchase or refinance
- Higher Ratio's to 49.99 Debt to Income
- Seller can pay 3% toward closing cost, and 6% at 90%



Home Possible

This program is sponsored by Freddie Mac. The Home Possible loan requires as little as 3% down payment for fixed rate loans of either 15, 20, or 30 years. Here are some of the highlights:

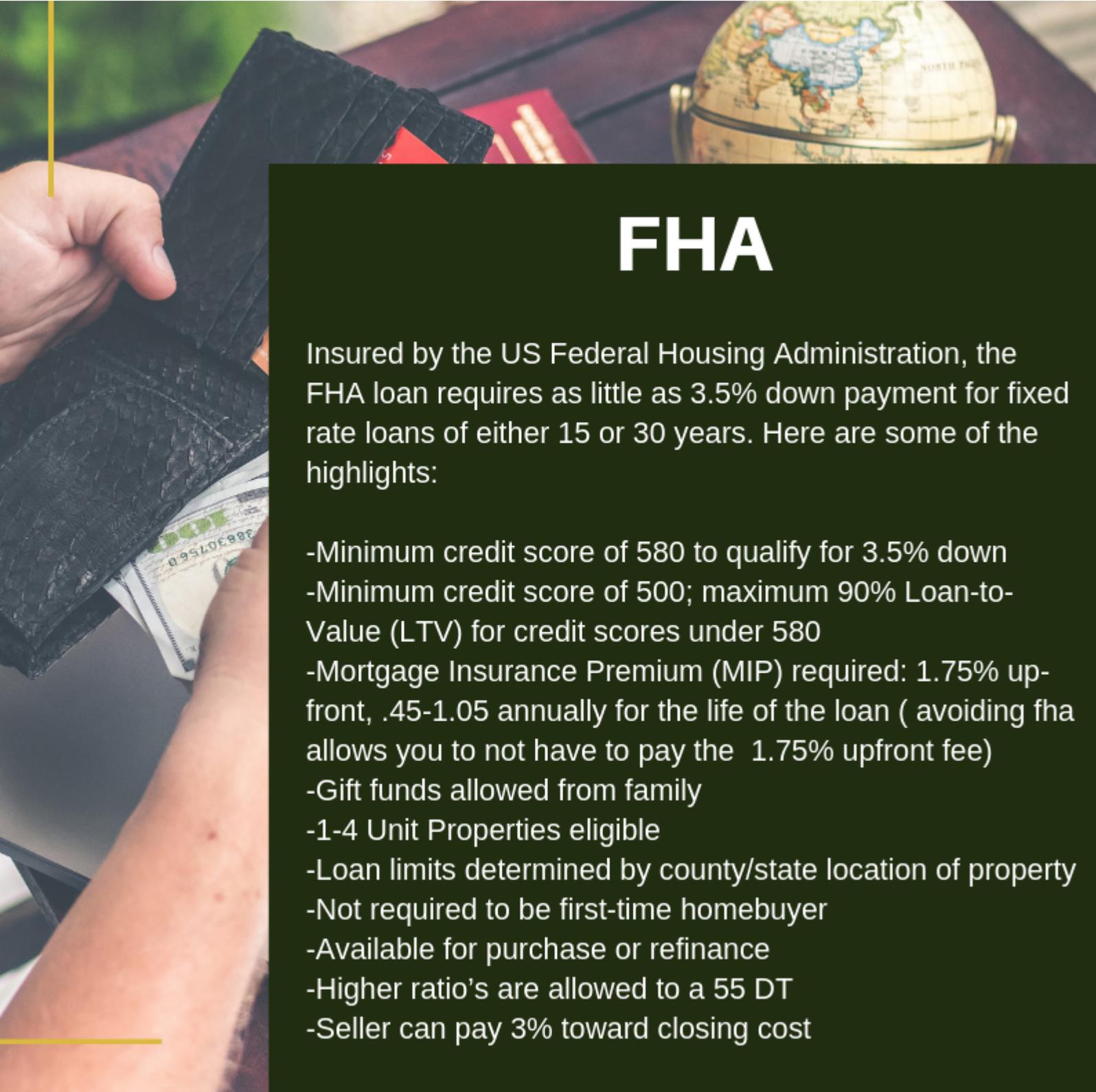
- Minimum credit score of 620
- No up-front MIP
- Gift funds allowed from family
- 1-4 Unit Properties eligible
- Flexible source of income eligible
- Not required to be first-time homebuyer
- If all borrowers are first-time homebuyers, at least one borrower must take a home ownership course
- At least one borrower must occupy as their primary residence
- Available for purchase or refinance
- Higher Ratio's to 49.99 Debt to Income
- Seller can pay 3% toward closing cost, and 6% at 90%



Home One

This program is sponsored by Freddie Mac. The Home Possible loan requires as little as 3% down payment for fixed rate loans of either 15, 20, or 30 years. Here are some of the highlights:

- Minimum credit score of 620
- No up-front MIP
- Gift funds allowed from family
- 1 unit properties only
- No borrower income or geographic limits
- At least one homeowner must be a first-time homebuyer
- At least one borrower must take a home ownership course
- Available for purchase or refinance
- No restrictions on income Seller can pay 3% toward closing cost, and 6% at 90%



FHA

Insured by the US Federal Housing Administration, the FHA loan requires as little as 3.5% down payment for fixed rate loans of either 15 or 30 years. Here are some of the highlights:

- Minimum credit score of 580 to qualify for 3.5% down
- Minimum credit score of 500; maximum 90% Loan-to-Value (LTV) for credit scores under 580
- Mortgage Insurance Premium (MIP) required: 1.75% upfront, .45-1.05 annually for the life of the loan (avoiding fha allows you to not have to pay the 1.75% upfront fee)
- Gift funds allowed from family
- 1-4 Unit Properties eligible
- Loan limits determined by county/state location of property
- Not required to be first-time homebuyer
- Available for purchase or refinance
- Higher ratio's are allowed to a 55 DT
- Seller can pay 3% toward closing cost

WHICH 3% DOWN LOAN PRODUCT IS RIGHT FOR YOU?

Interested in financing your home with a low-money down financing option? Choosing the right loan depends on a variety of factors.

Your credit score: If you haven't yet had time to build an extensive credit history or if you have made some financial mistakes in the past, an FHA loan might be a better option since it is available for borrowers with lower FICO scores. Keep in mind, however, that this will require a higher down payment in some cases, so it is in your interest to start early working on raising your credit score. That will give you the largest number of options.

Little to no credit does not mean you are out of luck! As long as you have credit scores and the automated underwriting engines give you an approval, you will be fine.

Your income: Different products favor different types of income. If your income is stable and based on a regular, consistent salary, you might find a Fannie Mae product like the Home Ready loan is a better option for you. If your income is more variable and based on commissions, bonuses, or contract work, you might better qualify with a Freddie Mac Home Possible loan. Either way, be sure to keep good records so that you can adequately document your income.

And don't forget: new salaried employment straight out of college does not need a two year employment history; college will count as time on the job.



TWO YEARS

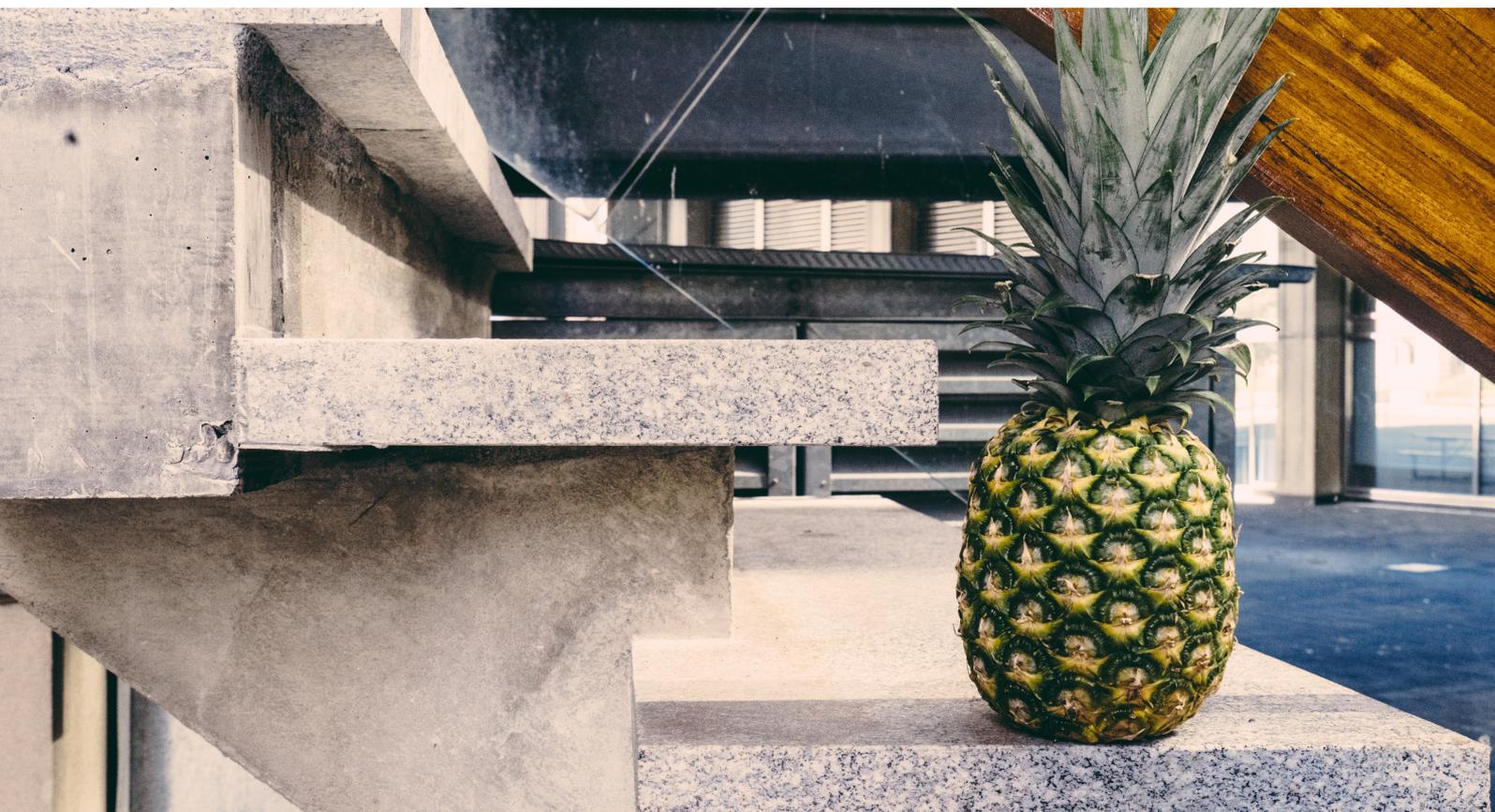
of employment history
can include your time
in college!

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Your market: Since some loans, like the FHA mortgage, are market-dependent, you may find that the requirements and availability varies according to the type of home, the location of the home, and the price of the home. Home Ready and Home Possible can also be restrictive on income vs. FHA, while being lenient on adjustments for credit scores with potentially a much lower mortgage insurance rate. Be sure that you are working closely with both your lender and your real estate agent to ensure that you choose the right option for the right property and market.

Down payment: All of these programs include the ability to have your down payment gifted from a family member. In addition, many, including Home Ready, feature lower cash reserve requirements. Generally, two months of mortgage payments or less in reserve will work for these loans.

Refinancing: Refinancing can be done on all of these programs, so in some cases a Home Ready or Home Possible mortgage can help a borrower get out of FHA or refinance when in a higher LTV position without paying upfront mortgage insurance.



Depend on Kevin Retcher and First Meridian Mortgage Corporation

As a loan officer, an insurance agent, and a REALTOR®[®], I can offer you the experience, expertise, and market knowledge you need to make the right choice about both your property and your financing options. Let's talk about your budget and take a look at the numbers to find the right low-money-down loan for you.



FIRST MERIDIAN MORTGAGE CORP.
KSA INSURANCE AGENCY INC.

KEVIN S. RETCHER

O. 703.799.5626

M. 703.201.6138

KEVIN@FIRSTMERIDIANMORTGAGE.COM

WWW.FIRSTMERIDIANMORTGAGE.COM

8305 RICHMOND HWY 12A,
ALEXANDRIA VA, 22309

F. 703.799.5636



FIRST MERIDIAN MORTGAGE NMLS ID# 180004, KEVIN RETCHER NMLS ID# 1116922
WWW.NMLSCONSUMERACCESS.ORG, KEVIN RETCHER - REALTOR - JOBIN REALTY, 5592 BACKLICK RD,
SPRINGFIELD, VA 22151 703-642-8500, LIC# 0225055584. KSA INSURANCE AGENCY NPN 8036794, VA LIC# 624093,
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