

# Real Estate Intelligence

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Justin Bevins

## Down Payment Tips

Many people dream of owning a home but don't think it's possible because they lack the resources for a down payment and closing costs. Here are tips for securing that down payment.

1) Borrow from your retirement account: Many people have been investing in a 401(k) plan or traditional IRA for years and first-time homebuyers may borrow up to \$10,000 for their down payment without incurring a penalty. For those self-employed or if your employer allows it, you also can borrow up to \$50,000 from your current 401(k) and pay yourself back over five years at a low interest rate.

2) Ask family: Sure, you may be too proud to ask for money, but if relatives can help you and your family move into that dream home, isn't it worth it? If you do get help from a family member, the lender will ask you to sign a gift-letter form, attesting to the relationship. The lender may also require your relatives to explain where they got the money and prove that they are financially able to make such a gift.

3) Look for down payment assistance grants: Down payment assistance and community redevelopment programs offer affordable housing opportunities to first-time homebuyers, low-income and moderate-income individuals and families who wish to own a home.

4) Come to a lease/purchase agreement: Homeowners who can't sell their homes in this market may consider a lease/purchase agreement, where you rent the home you want to buy and a percentage of your rent is applied toward the down payment. If you go this route, make sure you get a contract outlining all the details so both parties are protected.

5) Add it to the wedding registry: Several mortgage companies allow those getting married to set up a down payment registry. This is a great way to celebrate the joining of two people in matrimony.

6) Cut back and save: If none of the other ways will work for you, there's always the old fashioned "saving for a rainy day." Try putting aside 10% of each paycheck and make your meals instead of going out for them. If you're married, save the money you would spend on birthday, anniversary and Christmas presents and put it toward your house. You also may need to forget that vacation this year.

These sacrifices may seem significant but they will be worth it once you're in your own home.

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