

# No Downpayment? No Problem: Homebuying Without Cash

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NEW YORK ([MainStreet](#)) — Rachel Wolfinbarger knows that the myth that a 20% downpayment is needed to buy a **home** today is just a myth. That's because this California blogger last year bought a \$255,000 Rancho Cucamonga home for \$255,000 and put down just 3.5% to get a mortgage backed by the Federal Housing Administration (FHA).

Even sweeter, her house has had substantial appreciation in the hot Southern California housing market. Said Wolfinbarger: "I couldn't think of a better scenario--having over 20% worth of equity within about a year when we only put down about 3%."

She's not alone. Buyers in the tens of thousands are discovering that in 2013 there are plentiful ways to buy a home with little savings.

Other buyers, with cash in their pockets, are skimping on downpayments, because they would rather borrow plenty at today's historically low rates,

Cross country in East Harlem, banker Michael Germano just bought a four-family townhome at 117th and 1st for a price in the low seven figures, and he did it with around 10% down, not the traditional 20%. He explained his thinking: "Mortgage rates are so low, why not take advantage of it? I can generate more of a return for my money in other **investments**."

"There are many options for buyers who want to put little or nothing down," said Michael Moskowitz, president of Equity Now, a New York City-based direct mortgage lender. His firm advice for house hunters who want to go this route: "Only work with mortgage **brokers** who can show you multiple options. Some sell only one product, and that won't be best for all buyers."

Moskowitz, for instance, is himself not a fan of FHA low-down loans ("they are too expensive," he said). but he very much likes Veterans Administration (VA) no downpayment loans, which get even better for disabled vets.

Importantly, VA loans can be obtained with no private mortgage insurance (PMI), standard baggage on many low downpayment mortgages. PMI adds costs of up to 1% to 2% of the mortgage per year (that is \$3,000 to \$6,000 on a \$300,000 loan).

An equally sweet deal for some buyers are mortgages backed by the U.S. Department of Agriculture. These loans can cover 100% of the cost of a home, which has to be in a "rural area," per the USDA, but much of the country falls within that definition. USDA loans, said experts, require mortgage insurance, but at rates dramatically lower than those imposed by FHA.

Don't think that the only place to find low down loans is through the federal government. At Tropical **Financial**, a credit union in Miramar, Fla., mortgage sales manager Doug Leever said, "We have a first time buyer program that we'll lend 97% of the home's value, and the 3% down can be gift money."

The program, he said, usually costs most buyers less than a comparable FHA loan would.

Even more aggressive lending is offered by the nation's biggest credit union, Navy Federal in Vienna, Va., which offers a homebuyer's choice program that provides 100% financing. Dana DeSarno, Lending Spokesperson for Navy Federal, explained that "it's a great program for members who aren't eligible for a VA loan or who have already used theirs." The majority of borrowers, she said, are first time homebuyers. She added: "We do not charge PMI."

Many other credit unions, and some banks, offer similar lending programs designed to help customers with good **credit scores** and little or no savings nonetheless take advantage of today's comparatively low housing prices.

At least some states also offer assistance. In Colorado, for instance, there's CHFA. In New York, there is SONYMA. In California there is CalHFA. Most programs come with many restrictions - some are only for first-time buyers, some others support loans only in certain areas, many have maximum income caps - but all are there to help homebuyers who lack the 20% needed to buy under many conventional mortgage programs.

"Now is the time to take advantage of leverage," said New York associate **broker** Ray Schmitz with Rutenberg Realty. He added that he is seeing an increasing number of deals involving small downpayments and economics is on the side of those buyers. "This is a great time to borrow."