

HOW TO

Finance a Home, Creatively

Investigate local, state, and national down payment assistance programs.

These programs give qualified applicants loans or grants to cover all or part of your required down payment. National programs include the Nehemiah program, Getdownpayment.com, and the American Dream Down Payment Fund from the Department of Housing and Urban Development.

Explore seller financing.

In some cases, sellers may be willing to finance all or part of the purchase price of the home and let you repay them gradually, just as you would do with a mortgage. A similar option is the assumable mortgage, where a home buyer takes over the seller's existing loan (with bank approval). This can be especially helpful when interest rates are on the rise.

Ask your family for help.

Perhaps a family member will loan you money for the down payment or act as a cosigner for the mortgage. Lenders often like to have a cosigner if you have minimal credit history.

Consider a shared-appreciation or shared-equity arrangement.

Under this agreement, your family, friends, or even a third party may buy a portion of the home and share in any appreciation when the home is sold. The owner-occupant usually pays the mortgage, property taxes, and maintenance costs, but all the investors' names are usually on the mortgage.

Lease with the option to buy.

Renting the home for a year or more will give you the chance to save more toward your down payment. And in many cases, owners will apply some of the rental amount toward the purchase price.

Consider a short-term second mortgage.

If you can qualify for a short-term second mortgage, this would give you money to make a larger down payment. This may be possible if you're in good financial standing, with a strong income and little debt. Such arrangements may also help you avoid jumbo loan restrictions and/or minimize the amount of private mortgage insurance you have to pay.