
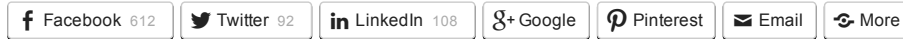


Home \\ Advice \\ 5 Creative Ways to Come Up With a Down Payment

# 5 Creative Ways to Come Up With a Down Payment

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To successfully purchase a home today, you will need a down payment of at least 3.5% of the purchase price. Gone are the days of no down payment alternatives, down payment assistance and seller-offered programs to come up with the money needed to buy a home. Instead, let's look at the five ways you can come up with a down payment to seal the deal.

## 1. Gift Money

Gift money is simply that — a gift from family or documented close relationship. The giftor needs to provide a gift letter and paper trail of the monies they are gifting for the benefit of the buyer. In other words, they'll have to provide a bank account showing they had the ability to gift the money. In short, gift monies cannot be funds sitting at home in a safe.



## 2. 401(k)/Retirement Loan

Typically, borrowed funds for a down payment are a no-go, but the exception is a 401(k) or equivalent retirement account (or current home equity line). If you can borrow money from your 401(k) for your down payment, this is accepted for obtaining a purchase mortgage loan.

Note: Depending on the terms of your loan, this could be counted as a liability and *factored into your debt to income ratio.*

## 3. Sale of a Good

Believe it or not, you can sell your recreational vehicle and use the net proceeds from the transaction as your down payment. Let's say you decide to sell your motorcycle for \$10,000. You'll need to provide the full bill of sale — as well as the bank statement depositing those funds, matching the bill of sale — to your mortgage lender. Same goes for any other recreational vehicle, or other item that "makes sense." The key is as long as it's plausible and passes the litmus test and you can paper trail the monies from start to finish, you should have no problem using those monies for the house purchase.

## 4. Trust Funds, Settlement Awards, Etc.

If you come into a chunk of change via an inheritance, settlement, lottery winning, trust fund disbursement, family buyout, even a gambling victory, all of these monies can be used for the down payment as long as the sourcing of the monies is fully documented from A to Z with no stone left unturned. Matching of the amounts of monies used to the original deposits will be required when it comes time to secure the loan.

## 5. Line of Credit

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Where a down payment lacks, enter strength in income. You can take out a line of credit or a personal loan, deposit the full funds into your bank account and after two months, the funds will be eligible for use in the transaction.

While a down payment is needed to purchase in the current real estate market, a prudent homebuyer should also have plans for having available funds for closing costs. The same out-of-the-box strategies listed above can also be used to procure funds for closing costs.

Closing costs run 3% of the purchase price, on average. So the total funds to close would be sum 3% of purchase price +3.5% down.

Do your homework. If you don't have a down payment for a house, or your down payment is coming from more than one source, make sure you talk to a lender upfront so they can help you navigate the best way to properly support and document your monies used.

Doing this on the front end will save you from wasting time creating and gathering unnecessary paperwork.

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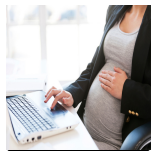
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*Scott Sheldon is a senior loan officer and consumer advocate based in Santa Rosa, Calif. His work has appeared in Yahoo! Homes, CNN Money, MarketWatch and The Wall Street Journal. Connect with him at Sonoma County Mortgages.*

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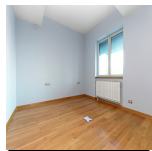
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**Kimberly A. Boyer says:**  
 September 24, 2013 at 12:04 pm  
 These are good tips!



Reply

**Kimberly A. Boyer says:**  
 October 7, 2013 at 10:54 am  
 These are good tips!



Reply

**Donna L Brown says:**

February 6, 2014 at 2:33 pm



Good tips but I like the old way...control and save! I used to have customers stop to see me on payday and I would take the money to Society for Savings....they used to get so excited when they reached their goals. Savings is started as a child...does anyone remember those cute little book banks we had as children...and how we saved. Even my grandchildren are excited to save..and realize the importance and how they magically "forget" to bring their money!

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**Judy Miller says:**

October 10, 2014 at 10:48 am



When I was little I actually remember getting 7% interest on my savings account. Can you imagine. I actually made some money. When I was in high school I actually paid on a Christmas club account and at Christmas time I was so proud to get a check in the mail plus interest and I bought all the family Christmas presents with that check. Easy peezy. So the next year I did a higher amount. I always knew how to save.

Reply

**Donna L Brown says:**

February 7, 2014 at 9:50 am



Good tips but I like the old way...control and save! I used to have customers stop to see me on payday and I would take the money to Society for Savings....they used to get so excited when they reached their goals. Savings is started as a child...does anyone remember those cute little book banks we had as children...and how we saved. Even my grandchildren are excited to save..and realize the importance and how they magically "forget" to bring their money!

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**Donna L Brown says:**

February 7, 2014 at 4:02 pm



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**Donna L Brown says:**

February 9, 2014 at 8:20 pm



Good tips but I like the old way...control and save! I used to have customers stop to see me on payday and I would take the money to Society for Savings....they used to get so excited when they reached their goals. Savings is started as a child...does anyone remember those cute little book banks we had as children...and how we saved. Even my grandchildren are excited to save..and realize the importance and how they magically "forget" to bring their money!

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**Mark landino says:**

October 7, 2014 at 2:00 pm



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