

Down Payments Explained

Helping Buyers Understand One of the Biggest Myths in Homeownership

Presented for Realtors

Slide 2: What is a Down Payment?

- A down payment is the buyer's upfront investment in the property
- It is expressed as a percentage of the purchase price
- The down payment reduces the amount borrowed
- Larger down payments typically result in lower loan balances
- Different loan programs have different down payment requirements

Pro Tip: Many buyers still believe they need 20% down. Educating them on today's loan options can create more opportunities for homeownership.

Slide 3: Common Down Payment Requirements

- Conventional loans may require as little as 3% down
- FHA loans typically require 3.5% down
- VA loans may offer 0% down for eligible veterans
- USDA loans may offer 0% down in qualifying areas
- Investment properties often require larger down payments

Pro Tip: Never assume a buyer doesn't qualify because they lack a large down payment. Connect them with a lender first.

Slide 4: The Benefits of a Larger Down Payment

- Reduces the loan amount
- Lowers monthly mortgage payments
- May result in better loan terms
- Builds instant equity in the property
- Can improve overall loan approval strength

Pro Tip: Show buyers how different down payment amounts affect their monthly payment to help them make informed decisions.

Slide 5: The Benefits of a Smaller Down Payment

- Allows buyers to purchase sooner
- Preserves cash reserves for emergencies
- Leaves funds available for moving expenses

- May allow buyers to maintain investment accounts
- Can be a good option in appreciating markets

Pro Tip: Sometimes waiting years to save 20% costs more than buying sooner with a smaller down payment.

Slide 6: Sources of Down Payment Funds

- Personal savings accounts
- Gift funds from family members
- Down payment assistance programs
- Retirement account withdrawals (where permitted)
- Proceeds from the sale of another property

Pro Tip: Many buyers are unaware that gift funds and assistance programs may be available to help them purchase a home.

Slide 7: Down Payment Myths Realtors Should Address

- Myth: Every loan requires 20% down
- Myth: First-time buyers cannot qualify
- Myth: Down payment is the only cash needed
- Myth: Buyers with student loans cannot buy a home
- Myth: Renting is always cheaper than owning

Pro Tip: The more myths you eliminate, the more confident buyers become in taking the next step.

Slide 8: Helping Buyers Plan for Success

- Encourage buyers to get pre-approved early
- Discuss savings goals and timelines
- Connect clients with trusted lenders
- Explore assistance programs when available
- Set realistic expectations about costs

Pro Tip: The Realtor who helps a buyer create a financial plan often earns a client for life and future referrals.

Closing Thought

“Understanding down payment options empowers buyers to make better decisions and often helps them realize that homeownership is closer than they think.” – Tony Geraci