

## How to Find a Down Payment to Buy a Home

12 Ways to Find a Down Payment

By [Elizabeth Weintraub](#), About.com Guide

Home ownership in America has increased from 25% in the early 1900s to 67% at the end of that century. During all those years, many home buyers struggled to come up with a down payment. In some cases, the banks required as much as 50% down before they would lend on a mortgage.



Finding a down payment is not as hard as some home buyers make it out to be.

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Today, the desired down payment is typically 20%; however, few people have that much cash available to them. [FHA loans](#)<sup>1</sup>, for example, require only 3.5% down. But the fact remains that the more a buyer puts down, the lower the mortgage. Low mortgage balances carry low mortgage payments.

Here are 12 ways to find that down payment.

### 1) Save Your Tax Refund

If it's hard for you to save, you can change your withholding exemptions from 1 to zero. This will force your employer to pay more to the I.R.S. and reduce your paycheck by that amount. For some free-spending and undisciplined individuals, this method assures a fat income tax refund. Even a regular tax income refund, however, might be enough to help you [buy a home](#)<sup>2</sup>.

### 2) Borrow From Parents

It's not unusual to [ask your parents for money](#)<sup>3</sup> to help you buy a home. Favorable tax laws will let each parent gift a certain amount without tax consequences (check with your CPA).

If your parents won't give you the money, perhaps you could ask for an unsecured loan and pay it back at a better rate than your parents could get at the bank or in a money-market account? The rate you pay would likely be less than the prevailing rate from your own lending institution, which makes it win-win for everybody.

### 3) Sock Away X Amount Periodically

The secret to making a savings account grow is to make identical deposits at the same time every month. For example, if you are paid every two weeks and save \$200 from every paycheck, at the end of 12 months, you will have saved more than \$5,200, excluding interest.

### 4) Sell Stuff on eBay or Hold a Garage Sale

Everybody has too much stuff. I've never met a person who didn't. Some people spend thousands every year on storage units where this stuff is stashed. Look in your attic, your basement, under your bed and in your closets for stuff you no longer use. If you haven't used it in a year, sell it at a garage sale, put it on [Craig's List](#)<sup>4</sup> or set up an eBay account and get rid of it.

I thought I was going to have pay somebody to come haul away my 10-year-old treadmill that was collecting dust in my family room. Put that baby on Craig's List and sold it (for a lot of money!) in less than week. You can, too.

### 5) Ask Seller to Give it to You

Hey, you never know. If you pay the seller's asking price, you'd be astonished at what some sellers will do for you. Some of them will even give you the down payment as a credit or pay your closing costs or both. Check with your lender before asking for the credit because lenders have strict requirements as to how much you can receive. [The Nehemiah program](#)<sup>5</sup>, for example, allows up to 6% as a credit from the seller.

### 6) Settle Lawsuits Fast

From personal injury suits to civil litigation, typically delays just make the lawyers more money, apart from the fact that the time-value of money decreases as the clock ticks. We live in a litigious society where even a simple auto accident involving slight bumper damage ends up being filed in court. Settle the case quickly and use that reward to help you buy a house.

### 7) Check Out Government Programs

If you've served your country in the armed forces, you may qualify for a loan backed by the Veterans Administration, known as a [VA loan](#)<sup>6</sup>. The government also runs a slew of [down payment assistance programs](#)<sup>7</sup> for first-time home buyers. Also, check with your county to see if it offers special programs to induce home ownership in certain neighborhoods.

### 8) Take a Second Job

Some renters will sacrifice evenings to work part-time at a second job. If it's a short-term situation, it might not be that hard to do. It could also be seasonal work such as from Thanksgiving to Christmas or specialty work around tax time in the spring.

#### 9) Ask for a Raise

Sit down one evening and write up a list of every thing you have done over the past year that made your company money or somehow increased its bottom line. List every accomplishment. Then take that list to your boss and ask for a raise. Ask for more than you think you will receive. You never know, you might get it.

#### 10) Get a Better Paying Job

As long as your field of employment remains the same, taking a different job should not affect your mortgage application. Maybe it's time to look for employment elsewhere that will pay more. Check with your local employment office, network with peers and send résumés to companies where you want to work, regardless of whether it advertises a position.

#### 11) Tap Your Retirement Funds

Certain retirement accounts will let you borrow from them to buy a home. Check with your CPA for current regulations. Some types of requirement accounts will let you take out the principal balance without a penalty.

#### 12) Consider 100% Financing

If you have excellent credit, you may qualify for a 100% loan, providing your community offers these special first-time home buyer programs. This could be a single mortgage insured through [mortgage insurance](#)<sup>8</sup>, or you may qualify for a silent second mortgage, due when you sell. Talk to your mortgage broker to see which programs may be available for you.

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