

## The Truth About Down Payments



If you're planning to buy your first home, saving up for all the costs involved can feel daunting, especially when it comes to the down payment. That might be because you've heard you need to save 20% of the home's price to put down. Well, that isn't necessarily the case.

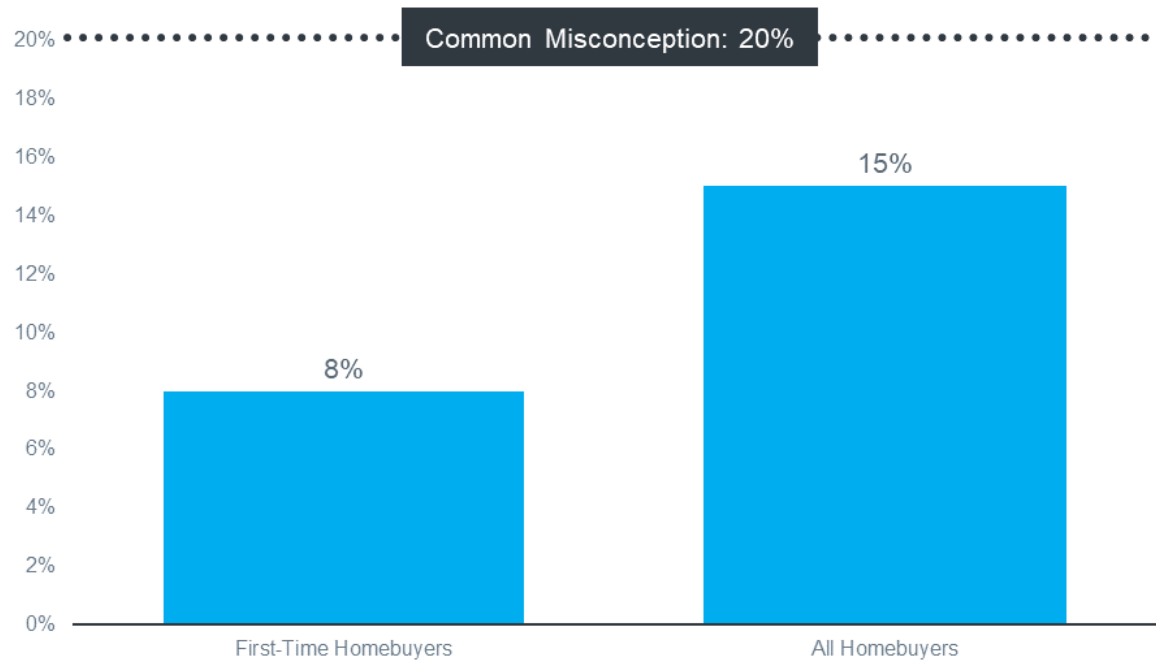
Unless specified by your loan type or lender, it's typically not required to put 20% down. That means you could be closer to your homebuying dream than you realize.

As *The Mortgage Reports* says:

*"Although putting down 20% to avoid mortgage insurance is wise if affordable, **it's a myth that this is always necessary. In fact, most people opt for a much lower down payment.**"*

According to the *National Association of Realtors* (NAR), the median down payment hasn't been over 20% since 2005. In fact, for all homebuyers today it's only 15%. And it's even lower for first-time homebuyers at just 8% (*see graph below*):

# Today's Median Down Payment Is Less Than 20%



Source: NAR

**The big takeaway? You may not need to save as much as you originally thought.**

## **Learn About Resources That Can Help You Toward Your Goal**

According to *Down Payment Resource*, there are also over 2,000 homebuyer assistance programs in the U.S., and many of them are intended to help with down payments.

Plus, there are loan options that can help too. For example, FHA loans offer down payments as low as 3.5%, while VA and USDA loans have no down payment requirements for qualified applicants.

With so many resources available to help with your down payment, the best way to find what you qualify for is by consulting with your loan

officer or broker. They know about local grants and loan programs that may help you out.

Don't let the misconception that you have to have 20% saved up hold you back. If you're ready to become a homeowner, lean on the professionals to find resources that can help you make your dreams a reality. If you put your plans on hold until you've saved up 20%, it may actually cost you in the long run. According to *U.S. Bank*:

*“... there are plenty of reasons why it might not be possible. **For some, waiting to save up 20% for a down payment may “cost” too much time.** While you're saving for your down payment and paying rent, the price of your future home may go up.”*

Home prices are expected to keep appreciating over the next 5 years – meaning your future home will likely go up in price the longer you wait. If you're able to use these resources to buy now, that future price growth will help you build equity, rather than cost you more.

### **Bottom Line**

Keep in mind that you don't always need a 20% down payment to buy a home. If you're looking to make a move this year, reach out to a trusted real estate professional to start the conversation about your homebuying goals.