

Applying For A Home Mortgage

Its not always easy to save up enough to make the traditional 20 percent down payment on a home. The good news is that there are quite a few low down payment mortgages available nowadays. But when deciding how much to put down, you should consider the following: Is 20 percent the standard down payment?

In order to qualify for a conventional mortgage, lenders usually require a minimum down payment of 20 percent. If you put down less than 20 percent, most lenders will require you buy Private Mortgage Insurance (PMI). This insurance typically costs about one half of 1 percent of the purchase price of the home and protects the lender in the event that you should default on the loan. You will therefore end up avoiding having to pay the PMI costs...and thereby save more money...if you can manage to raise the 20 percent down payment.

What if you simply cannot raise the 20 required down payment? If you are unable to make the 20 percent down payment, purchasing PMI may be your next best option. And once you reach 22 percent equity in your home (or sometimes 20 percent equity with a good payment history), you can get your lender to cancel the insurance.

An alternative is to apply for an 80/10/10 loan. This type of loan will save you from having to purchase PMI by paying half of the 20 percent down payment with another mortgage plan. The way it works is that 80 percent of the purchase price of a home is financed through a first mortgage, 10 percent through a second mortgage, with the final 10 percent coming from the down payment. You may also pay off the 20 percent down payment with an FHA loan that you secure from the government. This last alternative will still require you to pay for insurance, but in most cases a down payment of as little as 3 percent will suffice.

What about putting down no money at all? It is possible to finance 100 percent of the purchase price of a home with a mortgage that requires no down payment at all. The downside is that these types of financing plans will entail much higher interest rates than typical mortgage arrangements. This means your monthly mortgage payment will be higher. Furthermore, you will still be required to purchase PMI since you were not able to pay the required 20 percent down payment.

Lets review the options. When deciding how much to put down on a home, its important to know what your options are so you can decide what works best for you.

Q: Would you prefer getting instant equity in your home and lowering your monthly mortgage payment? If so, paying the 20 percent down payment is your best alternative.

Q: Are you unable to come up with a 20 percent down payment but want to avoid paying PMI? An 80/10/10 loan may then be your best option.

Q: Can you only come up with a 3 percent or 5 percent down payment and dont want to wait to buy a home because you are concerned about rising house prices? A: Maybe a government insured FHA loan would be a good answer.

Q: Do you have no savings at all but are so eager to enter the real estate market immediately that you are willing to pay the extra costs involved in a no money down mortgage? A: Provided you are able to handle the required payments and are confident your financial situation will enable you to [refinance](#) for a mortgage with better terms in the future, it could be the way to go. The important thing is to evaluate your own situation carefully before you decide how much to put down on a home. Related articles [" title="Mortgage payment calculator">Mortgage rate - Loans - Equity loans - _P](#) [" title="Home loans">Mortgage rate - Loans -](#)

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