

Home Mortgage Options for Smaller Down Payments

Most people hope one day to own a home of their own. But for some aspiring home buyers, pulling together the "necessary to qualify" 20 percent home mortgage down payment can be more than a little difficult. Fortunately, there are some options out there for those home buyers who struggle to gather together the full 20 percent. Just as with any aspect of a home mortgage, however, there are upsides and downsides to each of these options. And whether or not lenders will be willing to work with you on the terms of the home mortgage and down payment depends heavily upon the condition of the market at the time you apply.

PMI (Private Mortgage Insurance)

In general, lenders prefer for potential buyers to put a 20 percent or higher down payment on a home in order to get the best terms for their mortgage. If you are unable to pull together that large of a down payment, you may be required to purchase Private Mortgage Insurance (PMI). In the case that you cannot pay your mortgage, this insurance will keep the lender from losing money.

Private Mortgage Insurance generally costs 0.5 percent of the purchase price of the property you are buying. If obligated to purchase PMI, the final costs of your home mortgage will be higher than they would otherwise. Happily, after you have built up a sufficient amount of equity in your home (20 to 22 percent), you can request to cancel the Private Mortgage Insurance.

Similar to this arrangement is an FHA loan, which is a loan insured by the government. If you get an FHA loan, it is possible to qualify for a home mortgage even if you have only three percent or more for a down payment. Because FHA loans are insured by the government there are specific criteria for qualification that can vary by county. To find out whether or not you might qualify for an FHA loan, speak to a loan officer or a mortgage broker.

80, 10, 10 Home Mortgages

For those who want to avoid the expense of PMI, there is another option. They can go for an 80/10/10 home mortgage. With this option, you will use a second home mortgage to finance part of the down payment. 80/10/10 works more or less like this: your first, larger mortgage will cover 80 percent of the cost of your home. You will take out a second mortgage to pay a down payment of 10 percent. Then you will provide the remaining 10 percent of the down payment out of pocket. Citation [Refinance mortgage](#) | [Home loan rates](#) |

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