

FAQ: Loan Programs with Low Down-Payments

Q. What options are available for applicants with little or no cash available for a down-payment?

A. The past few years have seen the options for applicants with little or no available cash for a down-payment increase exponentially. Loan programs with small down-payment requirements were historically confined to the realm of FHA and VA loan sources. During the preceding decade conventional lending sources have greatly expanded the number and type of available programs that require nominal out-of-pocket expense for prospective homebuyers. Our company has a variety of conventional loan programs that limit a buyer's out-of-pocket expense to less than \$500. For applicants with median credit scores of 680 or higher, our Low-Down 97 and Low-Down 100 are the best low-down-payment options. For applicants with lower income or who are purchasing in targeted urban neighborhoods, the credit score requirement is more liberal. 100% financing is even available for applicants with credit scores as low as 580 where income is fully documented.

Q. What about the closing costs ... can they be financed?

A. Closing costs and pre-paid items such as pre-paid insurance and escrow/impound account deposits can be paid or eliminated in a couple of ways. First, our company has "no closing cost" loan programs that include credits which enable our company to pay costs and pre-pays so that you don't have to pay them. In most situations it makes more sense for a homebuyer to negotiate a contract which requires the seller to pay closing costs and pre-pays. Our loan programs permit the seller to pay an amount equal to between 3% and 6% of the purchase price toward a buyer's costs and pre-pays. This seller contribution is typically sufficient to cover all of the cost and pre-pays which would otherwise be paid by a buyer in the transaction.

Q. When putting less than 20% down, isn't the borrower required to pay for mortgage insurance?

A. As a general rule, borrowers who put less than 20% down in a transaction are required to pay for some type of mortgage insurance which insures the lender for foreclosure related losses in the event of a default and subsequent foreclosure. However, it has become a widely utilized practice to use a "piggy-back" loan arrangement utilizing a 75% or 80% LTV first lien (thereby alleviating the necessity of mortgage insurance) and a second lien of up to 20% to finance the remainder of the purchase price. In almost every situation where a borrower is able to qualify for these "piggyback" loan arrangements the overall cost of financing is significantly less than a single loan at 100% LTV with private mortgage insurance.

Q. Is 100% financing available for investment loans?

A. Our company provides loan programs permitting 100% financing for investors seeking to purchase residential rental properties. These loan programs have interest rates and cost structures significantly higher than conforming loan programs for investment properties. AmeriFund has developed its proprietary Texas 2-Step loan program that permits investors who can acquire properties at less than market value to obtain financing to cover 100% of their property acquisition and remodeling costs at highly favorable conforming interest rates and without the necessity of obtaining private mortgage insurance. This unique loan program permits investors to significantly improve cash-flow and profitability on residential investment properties.