

HOME

How to Buy A House Without Draining Your Savings

NewsUSA

(NU) - Erin, who works at Duke University in Durham, North Carolina, had been toying with the idea of buying her first home. She was 32 years old, and was very aware that the Durham housing market was heating up.

"I figured if I was going to buy a house, I'd better do it sooner rather than later because prices just kept going up," explains Erin.

However, with only \$7,000 in savings at the time, she felt she didn't have enough money for a down payment. But the timing became a dilemma for her. Should she wait to save more money for a house that would probably cost more in a year? Or, use all her savings to buy a house now - at the risk of leaving herself with no funds for a rainy day or future expenses?

The answer came when Erin visited the new home of a friend who had used a down payment assistance program to purchase her house. Her friend explained how down payment assistance programs give first-time homebuyers money to pay for a portion or all of their down payment, with some programs even helping with closing costs.

Free money for eligible borrowers

While there are more than 2,500 down payment assistance programs available throughout the country, Erin decided to apply for the same state-offered program her friend had used.

The program, called North Carolina 1st Home Advantage Down Payment, makes homeownership more affordable for state residents. It offers down payment assistance of up to 5 percent for FHA, VA and USDA loans, and up to 3 percent for a conventional loan. And because Erin had a decent credit score and met the program's income limit, she qualified.

Erin received down payment help in the form of a zero-percent, deferred second mortgage. As long as she doesn't sell or refinance the house for 15 years, her down pay-



As a first-time homebuyer, Erin was able to purchase her historical home in North Carolina with the help of a down payment assistance program.

ment assistance will be forgiven, meaning she won't have to pay it back.

Let the house hunting begin!

Once Erin knew she was eligible for help with her down payment, she earnestly began her home search. She found a historical 3-bedroom, 1-bath home that was built in 1925. The price of the home was \$152,000. She used conventional financing with private mortgage insurance because she was putting less than 20 percent down. With her 3-percent down payment assistance (\$4,560), Erin successfully purchased her home in 2016.

"And, I didn't have to use all my savings!" says Erin. Plus, she's built up equity over the last two years due to home values going up.

Aside from the financial perks of owning her own home, Erin enjoys other benefits. "I've got so much more space for the money than when I was renting," says Erin. "And I like being a permanent part of the neighborhood and getting to know my neighbors."

For more homebuyer resources, visit readynest.com.

To find down payment assistance programs in your area, visit downpaymentresource.com/