

MORTGAGE LIBRARY • LOAN GUIDE 05

Down Payment Assistance

How assistance programs can help cover your down payment or closing costs — and how they fit with your loan.

For many buyers, the hardest part of buying a home isn't the monthly payment — it's saving enough for the down payment and closing costs. Down payment assistance (DPA) programs exist to help close that gap, and many buyers who could qualify never hear about them.

This guide explains the different types of assistance, who they're designed for, how they work alongside your main mortgage, and the fine print worth reading before you say yes.

At a Glance

WHO IT'S FOR

Buyers who can afford a monthly payment but need help with upfront costs. Many programs focus on first-time buyers.

WHAT IT COVERS

Part of your down payment, your closing costs, or both, depending on the program.

COMMON REQUIREMENTS

Income or purchase-price limits, a homebuyer education course, and living in the home as your primary residence.

WATCH OUT FOR

Repayment terms. Some help is a grant, but much of it is a second loan with conditions.

How Assistance Programs Work

Down payment assistance is offered by state housing finance agencies, cities, counties, nonprofits, and some lenders. In most cases, it's paired with a first mortgage — such as an FHA, VA, or conventional loan — and the assistance covers some of the money you'd otherwise need to bring to closing.

Each program has its own rules about who qualifies, how much help is available, and whether or when it has to be repaid. Funding and availability change often, so the best approach is to check what's available for your specific area and situation when you're ready to buy.

Common Types of Assistance

Grants

Money that doesn't have to be repaid, as long as you meet the program's conditions.

Forgivable second loans

A second loan that is forgiven over time if you stay in the home for a required period.

Deferred-payment loans

A second loan with no monthly payment, repaid when you sell, refinance, or pay off your first mortgage.

Low-interest second loans

A second loan with its own monthly payment, usually at favorable terms.

Your Questions, Answered

Could I qualify, even if I've owned before?

Possibly. Many programs define a “first-time buyer” as someone who hasn't owned a home recently — not necessarily ever. Some programs aren't limited to first-time buyers at all, and some have special options for veterans or certain professions.

Is it a grant, or a loan I pay back?

It depends on the program. Read the terms carefully: when repayment is due, whether it's forgiven over time, and what happens if you sell or refinance early. I'll explain the terms in plain English before you commit.

How does it work with my main mortgage?

The assistance is layered on top of your first mortgage. Your first mortgage still has to meet its own guidelines, and both loans are part of your closing. Not every lender participates in every program, so it's important to work with one who does.

Where do these programs come from?

Examples in the states I serve include state housing finance agencies such as CalHFA in California, the Texas Department of Housing and Community Affairs and the Texas State Affordable Housing Corporation, the Michigan State Housing Development Authority, and the Florida Housing Finance Corporation — plus many city and county programs.

Does assistance slow down the process?

It can add some steps, like an education course and program approval. Starting early and having your documents ready keeps things moving.

Does it make my offer weaker?

Not necessarily. A solid pre-approval that already accounts for the assistance program shows sellers your financing has been reviewed.

What to Expect, Step by Step

- 1 Check eligibility.** We review your income, the area you're buying in, and your goals to find programs that may fit.
- 2 Get pre-approved.** Your pre-approval accounts for both the first mortgage and the assistance.
- 3 Take the education course.** Many programs require a homebuyer education class. It's genuinely useful.
- 4 Find your home and apply.** Once your offer is accepted, we submit the loan and assistance program paperwork together.
- 5 Close.** The assistance is applied at closing, reducing the money you need to bring.

Mike's Straight Talk

Read the repayment terms. "Free money" headlines can hide conditions. Know exactly what's owed, when, and why.

Funds can run out. Many programs have limited funding. If you're interested, start the conversation early.

Compare the total cost. Sometimes a program's first mortgage terms differ from standard options. Make sure the whole package is a good deal.

Plan to stay a while. Many programs reward staying in the home. If you might move soon, factor that in.

Documents You'll Likely Need

- ☐ Photo ID
- ☐ Recent pay stubs and W-2s, plus tax returns if requested
- ☐ Recent bank statements
- ☐ Income information for everyone in the household, if the program requires it
- ☐ Homebuyer education certificate, once completed
- ☐ The signed purchase contract, once your offer is accepted

Your list may differ. See the full *What Documents Will I Need?* checklist in the Mortgage Library.

Have a question? Ask me directly.

Asking a question isn't applying for a loan. You'll get a straight answer from a real person.

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