



Learn 11 First-Time Homebuyer Programs and Grants

Description

If you're new to the process, buying a house for the first time can be scary.



Fortunately, there are several first-time homebuyer programs and grants available to assist you in reaching your housing goal with greater convenience and less money out of your pocket.

We've produced a list of 11 first-time homebuyer programs to keep an eye out for.

Fannie Mae Standard Loan with a 97 percent LTV

Fannie Mae, one of the two main mortgage-buying and selling companies, provides a standard homebuying program known as the Standard 97 percent LTV loan through certified lenders. LTV

stands for loan-to-value ratio, and it refers to the percentage of a home's purchase price financed by a mortgage. This program allows for a maximum LTV ratio of 97 percent, which means you'd need a 3% down payment to cover the rest.

You may be eligible if you meet the following criteria:

You or a co-borrower are a first-time homebuyer (you haven't bought a property in the previous three years).

One borrower has completed a homeownership education course (if all borrowers are first-timers)

All applicants must have a credit score between 620 and 720, depending on their debt-to-income (DTI) ratio and down payment commitment.

Fannie Mae HomeReady mortgage

The HomeReady® mortgage is another Fannie Mae program that is available to both repeat and first-time homebuyers. The program is designed for lower-income buyers, and the minimum required down payment is 3%, which can be paid using donations, grants, or qualified second mortgages. But, again, there are income constraints, unlike the Standard 97 percent LTV scheme.

If you are a first-time or repeat homebuyer, you may be eligible.

You have a minimum credit score of 620.

You can make up to 80% of the median salary in your area (AMI)

Freddie Mac's HomeOne mortgage

The HomeOneSM first-time homebuyer program is available through certified conventional lenders through Freddie Mac, the other major agency that buys and distributes house loans. There are no income restrictions, but when all borrowers are first-time buyers, there is a homebuyer education requirement.

If you or a co-borrower are a first-time homebuyer, you may be eligible.

You must put down a minimum of 3%.

You have a minimum credit score of 620.

Home Possible Loan from Freddie Mac

Another first-time homebuyer option with a low down payment is Freddie Mac's Home Possible® loan. This mortgage is also available to repeat purchasers. Regardless of which type of customer you are, you must meet income requirements.

You may be eligible if you have a credit score of at least 660.

You are either a first-time or repeat homebuyer.

You make an income that is equal to or less than 80% of your AMI.

If you qualify for a Fannie Mae or Freddie Mac loan, you will be required to pay private mortgage insurance if you make less than a 20% down payment. After you've accumulated 20% equity in your house, you can cancel your PMI.

FHA financing

A Federal Housing Administration (FHA)-backed mortgage could be an excellent option for first-time homeowners (and repeat buyers) with less-than-perfect credit and limited financial reserves. Borrowing requirements for FHA loans are less strict than those for conventional loans, with a minimum credit score of 500 required to qualify. The disadvantage is that you must pay mortgage insurance fees for the life of the loan unless you put down at least 10%, in which case you can cancel MIP after 11 years.

You may be eligible if you meet the following criteria:

You have a credit score of 500-579 and a 10% down payment.

You have a credit score of 580 and a down payment of 3.5 percent.

You're purchasing a one- to four-family home as your primary dwelling.

HUD's Good Neighbor Next Door initiative

Though it is not necessarily limited to first-time homebuyers, the Department of Housing and Urban Development's (HUD) Good Neighbor Next Door program can help you save up to 50% off the list price of a property. Borrowers must acquire a home in an area selected for revitalization to supporting certain communities.

You may be qualified if you are an educator, emergency medical technician, fireman, or law enforcement officer.

You agree to stay in the house for at least three years.

You agree to take out a silent second mortgage in the amount of the home price reduction.

A VA loan

Active-duty military personnel, veterans, and eligible spouses may be eligible for a loan guaranteed by the United States Department of Veterans Affairs. The benefit here is that you will not be required to make a down payment to qualify for a VA loan. VA borrowers are also exempt from paying mortgage insurance premiums.

In addition, the VA provides funding for modified homes. These can assist you in purchasing an adapted home or making an existing home more accessible to accommodate a service-related handicap.

You may be eligible if you meet the following criteria:

You are a member of the military, a veteran, or an eligible spouse.

You have a VA Certificate of Eligibility.

You have a credit score of at least 620, which VA-approved lenders normally require.

USDA financing

The United States Department of Agriculture also covers loans with no down payment. The catch is that you must purchase a rural home and meet certain income standards. Consider what is essential to you in a home and a location. For example, a USDA loan is probably not for you if you want something walkable in a more urban setting.

You may be eligible if you have a credit score of 640 or more, while you may qualify with a lower score.

You fulfill the income eligibility standards in your area.

The house you're looking to buy is in a USDA-designated rural area.

Program for HomePath Ready Buyers

Fannie Mae's HomePath Ready Buyer™ program is designed for first-time homebuyers and provides borrowers with closing cost assistance of up to 3% of the home's purchase price.

If you are a first-time homebuyer, you may be eligible.

You have finished the HomePath Ready Buyer education course.

You purchase a Fannie Mae-owned, foreclosed home via HomePath.com.

Dollar Homes is a HUD program.

The HUD Dollar Homes program allows low- to moderate-income purchasers to buy a repossessed property for \$1 plus closing expenses. HUD operates the program in collaboration with local governments and non-profit organizations.

You might be eligible if you can find a local housing agency that participates in the program.

On the HUD Homestore website, you locate a suitable house.

You have the finance to cover the expenditures of house renovation.

Grants and programs for first-time homebuyers in your area

State and municipal governments offer a variety of first-time homebuyer incentives. For more information, contact your county's housing authority and your state's housing finance department. HUD's directory of state-by-state homebuying programs is another useful resource.

Pay close attention to the program's conditions, including income limits, strict DTI ratio, and credit score guidelines. Some programs may also compel you to repay the help if you only stay in the home for a short time. Another factor to consider is tax recapture. This means that if you sell your property prematurely and earn a profit, some of the proceeds may be liable to taxes to compensate for the home purchase help you received initially.

Category

1. Finance

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