



# How to buy a home for zero down payment

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It's been a widely held belief that in order to purchase a home you must have a down payment of 5%, 10% even 20% down, and in years past that was very true, but times have changed.

You see, years ago banks did require as much as 20% down payment in order to obtain financing for the balance of the money needed to purchase a home. As home prices grew, it became increasingly difficult for buyers to come up with the down payments required, therefore a new product was developed, called Private Mortgage Insurance.

Private Mortgage Insurance was an insurance policy developed to provide a guarantee for the amount of down payment a buyer didn't have, when purchasing a home. Now instead of having to have a 20% down payment, a buyer could put as little as 3-5% of their own money down and purchase an insurance policy, with the bank as the benefactor, to guarantee the 17 or 15% they didn't have.

When a buyer has purchased a home using Private Mortgage Insurance, they would either have an up front premium for that policy, a monthly premium that was added to the mortgage payment to pay for the policy or a combination of the two, and once the buyer's new home appreciated enough to have the 20% equity or greater in the home they were able to drop the Private Mortgage Insurance.

Now if something happened to cause the buyer to default on that loan and the bank had to foreclose, they would take the property back and sell it to recover what they could of their money and receive an insurance check for the amount not recovered.

Through changes to the underwriting guidelines and greater use of the Private Mortgage Insurance system, lenders have been able to address the situation where many buyers find themselves; making enough money to make the monthly payments on a mortgage, but lacking the savings to make the previously required down payments.

Nowadays, most lenders have at least a handful of zero down loan programs that you can consider, taking into account which one best fits your personal situation. In fact, many of these loan programs will allow the seller to contribute towards your loan closing costs, therefore truly providing you a zero down purchase situation.

How would I find out if I qualify for a zero down loan program, you may ask. Well, I would recommend that you give us a call and we'll put you in touch with reputable lenders that we've had good experiences with, and by working together with them, we'll formulate a game plan. Give us a call to get started.



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