



# DOWN PAYMENT

## Four Ways to Accumulate a

One of the biggest problems facing potential homebuyers today is coming up with enough money for the downpayment and closing costs. The amount of money you have available can greatly limit or increase your purchasing power. Rather than saving all of the money yourself, there are options that may help. Here are some ways to accumulate the necessary funds:

### Have a Family Member Give You the Money as a Gift

The IRS allows up to \$14,000\* a year to be gifted to another person without paying a gift tax. If each parent gives a borrower \$14,000 as a gift, that can provide a borrower with \$28,000 for down payment and closing costs; if there is a spouse or coborrower, they can receive gifts as well, which would double available gift funds. Except for government loan programs, most mortgages require either a 20% down payment or at least 5% from your own funds. But with a **Bay Direct FNMA** loan, if you are purchasing a primary residence you don't even need a minimum 5%. With any gift, documentation will be required to show it is not a loan, and to verify the amount received.

### Borrow Against Your 401(K) or Insurance Policy

Cashing out a 401(k) is another option, but usually it can only be done when retiring or leaving the company, and will be subject to withdrawal penalties and payment of taxes. If the balance is sufficient, it may be borrowed against - a life insurance policy loan would need to be included in debts, but a 401(k) loan does not, under **Bay Direct FNMA**, as long as the payments show as part of the payroll deductions.

### Sell or Borrow Against an Asset

Selling an asset such as a car can help increase the amount of money available. For any assets sold, make sure to keep copies of the paperwork demonstrating original ownership of the item and the bill of sale showing the date and purchase price. Borrowing against an asset is also acceptable as long as you can still qualify with the additional debt - if you aren't sure, double check with your loan officer before proceeding.

### Obtain a Low Point or Zero Point Loan

This will reduce the amount of your closing costs, since 'buying down' the interest rate is often one of the most expensive parts of the loan. For some loan programs, the lender is allowed to pay all or a part of your non-recurring closing costs by providing negative points (credits) in return for a slightly higher rate.

\*Based on 2015 annual gift exclusion amount of \$14,000. Higher amounts may be gifted under different IRS rules, please ask your tax advisor if you have any questions about taxable gifts and exclusions. Source - <http://www.irs.gov/pub/irs-drop/rp-14-61.pdf>

BEHL-150730-3.0



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