

Mortgage Advice

Know where to look for
down-payment grants

by: Chuck Simmons



When I speak to prospective homeowners, especially first-time buyers, I am told that the biggest obstacle in purchasing a home is coming up with the money for a down payment. A few years ago that was not an issue because of the wide array of 100% loan products. These days there are only a handful of products that do not require a down payment and they generally are fairly restrictive (such as a VA loan available to Veterans or a Rural Housing loan available to people buying in a town of less than 25,000 people). Most of the loan programs on the market now have tightened their restrictions over the past year and require a minimum down payment of 3.5% (FHA) or 5% (Conventional). At the same time, there are more tax credits and down payment assistance grants available now than any other time in recent memory. This pool of money is readily available and can help a qualified applicant get into a home sooner than they might otherwise be able.

“There are four credits or grants available today that I always bring to a borrower’s attention.”

These certainly are not the only ones that exist, but they are just the ones I encounter the most. It is always a good idea to speak to your lender or local housing agency to see if they have any specific grants that you may qualify for. That said, these four are great options if you can qualify.

First-Time Homebuyer Tax Credit

I spoke of this in my article last month. Signed as a part of the American Recovery and Reinvestment Act of 2009, this credit equals 10% the home purchase price with a maximum credit of \$8,000. This is available to any qualified buyer who has not owned a primary residence in the past 36 months. This credit application is filed with your tax returns after you close on your home. You must close on your home between

January 1, 2009 and November 30, 2009 but you can claim the credit as a part of your 2008 returns if you so choose. If you have already filed your 2008 returns, you can submit an amendment for the tax credit or you can wait until you file your 2009 taxes. The credit is forgiven once you have lived in the house for 3 years. Because you can't claim the credit until after you have closed, you must find another source of funds to come to closing with. For more information on specific qualifications for this credit, consult a CPA and visit www.federalhousingtaxcredit.com

IFA REOHome Program

This is a new program through the Iowa Finance Authority (IFA) that will give up to \$10,000 in down payment/closing cost assistance to qualified Iowans who are purchasing a home that was foreclosed upon and is now owned by a bank. This grant is available courtesy of a \$500,000 grant from the Federal Home Loan Bank of Des Moines. Borrowers must use the IFA FirstHome program and they must work with an IFA participating lender. Income restrictions do apply and home buyer education is required. The property must be used as a primary residence. If everyone that qualifies gets the full \$10,000, there will only be 50 grants awarded in 2009. These are available on a first come, first serve basis and they are going quickly. For more information or to see if you may qualify you can go to www.IowaFinanceAuthority.gov or call 800-432-7230. You may also contact any participating lender. A list of participating lenders can be found on IFA's website.

IFA FirstHome Plus Grant

The FirstHome Plus Grant is another great option from the Iowa Finance Authority. This is a \$2,500 grant available to any qualified applicant who is either a first time homebuyer or who is a repeat buyer purchasing in a targeted area. Because of last year's flooding, 86 counties in Iowa are considered targeted areas including Polk, Dallas, and Warren counties as well as the counties immediately surrounding. That means that you do not need to be a first time homebuyer in order to get this grant. You do have to use the IFA program and



your total household income must be \$49,600 or less. For more information about this grant you can go to www.IowaFinanceAuthority.gov or you can contact a participating lender.

Military Guard Grant

This grant is also administered by the Iowa Finance Authority. This program offers up to \$5,000 in down payment/closing cost assistance for qualified military personnel. Qualified applicants must have served at least 90 days cumulative in any branch of the armed forces (including the National Guard) since 9/11/2001. Qualified borrowers using this grant must use the IFA FirstHome program if they qualify. If they do not qualify for the IFA FirstHome program, they may request a waiver from IFA to still use the grant with a different loan program. Waivers have been granted in the past on a case-by-case basis. For more information about this grant you can go to www.IowaFinanceAuthority.gov or you can contact a participating lender.

These grants can make buying a home a little easier on your bank account. Grants can be combined if you qualify for more than one. As you can see by these examples, down payment and closing cost assistance is readily available. **You just need to know where to find it!**



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