

FIRST-TIME HOMEBUYERS' GUIDE

Down payment help is available — but hurry, because time is limited

By **Merlisa Corbett**
Special to *The Examiner*

With federal and local government agencies allocating millions of dollars toward efforts to improve the housing market, first-time homebuyers can benefit from a variety of down payment assistance programs — if they hurry.

“Realtors and lenders need to do a better job getting the word out. A lot of these programs are time-sensitive,” said Angela Grantham, a mortgage specialist with Prospect Mortgage. “The government funds these programs, and they last to a certain date or until the money runs out.”

Grantham said some programs, such as those provided through the District of Columbia's Neighborhood Stability Program, have run out of funds already; other programs expire by the end of this year.

In February, as part of the stimulus package, President Barack Obama gave first-time homebuyers an \$8,000 tax credit. In May, the Federal Housing Administration permitted homeowners to use bridge loans and other mechanisms to access that \$8,000 to help with down payments or closing costs on FHA-backed loans. One must work with a government-sponsored program or

Seller-financed down payment help curtailed

On July 30, 2008, President George W. Bush signed a bill prohibiting seller-funded down payment assistance for loans backed by the Federal Housing Administration. Before this bill, the seller could contribute up to 6 percent to a down payment assistance organization, which would then help the buyer to cover either a down payment or closing costs on an FHA loan.

a nonprofit affiliated with such a program to tap the tax credit for down payment purposes, explained U.S. Department of Housing and Urban Development spokesman Lemar Wooley.

A bridge loan for closing costs does not have to come through a government-affiliated program.

Many state and local governments have introduced their own programs to help buyers directly or to assist them with accessing the federal tax credit in time for closing.

The Virginia Housing Development Authority created the Homebuyer Tax Credit Plus program in June. This program expires Nov. 30. The program guarantees affordable fixed-rate financing on a mortgage and offers a second mortgage to pay the down payment and closing costs. There is no interest and no payments on the second mortgage for the first year. The maximum for the second mortgage loan amount is

5 percent of the sales price with no cash back. Closing must take place no later than the expiration date.

Grantham said the best thing about the VHDA tax credit program is the options borrowers have in paying back the loan. These payment options include: paying off the second mortgage with the federal First-time Homebuyer Tax Credit to instantly build equity in a home or paying off the second mortgage over 29 years — thereby saving the tax credit for things such as paying off debt, setting up an emergency fund or making home improvements.

Much of the funds flowing to local governments for down payment support come by way of the Neighborhood Stabilization Program, established under Title III of Division B of the Housing and Economic Recovery Act of 2008. This law provides emergency assistance to states and units of local governments for the purchase of abandoned

Online resources

» **Prince George's County Down Payment on Your Dream Program:**
princegeorgescountymd.gov

» **Virginia Homebuyer Tax Credit Plus program:**
vhda.com

» To track where available federal funds are being allocated in your area, visit hud.gov/nsp.

Prince George's County Department of Housing and Community Development started the “Down Payment on Your Dream” initiative on July 9. This program aims to provide down payment and closing cost assistance to eligible homebuyers for foreclosed homes.

Qualified buyers are eligible for a loan with no interest and deferred payments, with no repayment if the purchaser stays in the home for 10 years. The program targets areas where foreclosures are negatively affecting property values.

If you are a local, state or federal employee, Grantham encourages buyers to contact those governments about down payment assistance programs for government workers moving into the area.

The Employer Assisted Housing Program in the District provides assistance to D.C. employees who are first-time homebuyers purchasing in Washington. Employees of District government agencies may be eligible for matching down payment funds of up to \$1,500 and a deferred loan of up to \$10,000.

“There is so much out there, and a lot of it is available to everybody,” Grantham said. “Even with all this information out there, people just don't know what's available to them.”

and foreclosed homes.

Prince William County, the jurisdiction hardest hit by foreclosures in Virginia, has its own down payment program that allows borrowers to get a \$30,000 grant, which they can use to pay for repairs after buying a foreclosed home. “This was developed because a lot of times buyers would purchase the house but could not afford the repairs necessary on some of the foreclosed properties,” Grantham said.

To qualify, buyers must have a minimum 620 credit score. “In the past if the husband had 720 and the wife had 619, we could still do it. Not anymore,” Grantham said. “We now must take the middle credit score from both, and they both must be 620 or better.”

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