

# How to Choose a Homebuyer Assistance Program

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## How to Choose a Homebuyer Assistance Program

Buying a new home, especially buying a home for the first time, can seem like a daunting task to many.

Many people choose to put off buying their own home because they have struggled to save up for a down payment, or they are worried about their credit score.

The dream of homeownership could be closer than you think if you choose to take advantage of one of the many homebuying assistance programs available to you.

According to The Mortgage Reports, there are over 2,000 homebuying assistance programs available in the United States. While they all offer similar services, it's best to choose the one that's the exact fit for you and your needs.

There are several types of programs to choose from; whether they are a good fit is up to you. You should reference your wants and needs when considering each homebuying assistance program.

## Finding the Program Best Fit for You

Everyone's situation is unique, especially their financial situation. Here are several program recommendations based on what you're looking for.

If you want: **a lower down payment, lower credit score requirements or little to no money down**

**Consider:** FHA loan. The Federal Housing Administration is a common program for many, especially first-time homebuyers. This program is available to people with lower credit scores, but does require a down payment from the homebuyer.

If you want: **a fixer-upper home or a home that will gain instant equity**

**Consider:** FHA 203(k) loan. These are loans offered specifically to buy homes which require repairs or renovations. There is a credit score requirement and a down payment of 3.5 percent of the purchase price. To qualify for this loan, properties must require at least \$5,000 in rehabilitation costs.

If you are: **a first-time homebuyer, want a low down payment and closing cost assistance**

**Consider:** HomePath Ready Buyer program, a federal program that helps low- to moderate-income first-time homebuyers purchase a home

If you are: **Low- to moderate-income, a first-time homebuyer, or have low credit (or all three)**

**Consider:** A local homeowner assistance program. There are no federal options that fit all three of these needs, but many state and city governments offer assistance, as well as nonprofit and private organizations. Eligibility requirements vary, but many have income requirements and purchase price limits.

These are just some options among many for people who may need assistance when buying a home. A local homeowner assistance program is suited for people with a wide range of needs with few requirements.

When it comes to choosing a local program, consider whether the organization requires you to pay expensive fees just to receive counsel from them. That is a red flag – while some organizations offer membership at a fee, they should also have free resources available to you.

Reputation is another thing to consider. If an organization has testimonials, news articles, and reviews on their site, chances are that they are a reputable organization and you can trust them. Remember: If it's too good to be true, it most likely is.

If you're struggling to find a new home or refinance one that you're in, many local homeowner assistance programs will offer to assist you with different options.

## Down Payment Assistance

One program a potential homebuyer could look into is down payment assistance. With this type of assistance, the organization offering the program will provide a portion of a down payment necessary to buy a home.

The homebuyer must provide some of their own money, but some or most of it will be provided by the assisting organization.

## Homeownership Vouchers

Federal and local governments can offer a voucher program for people hoping to buy a home but don't have enough money. These vouchers can be used for a down payment or for assistance in meeting monthly homeownership expenses.

Many of these programs require the homeowner or family to be receiving other homeowner benefits in order to qualify.

## Foreclosure Assistance

If you are already in a home, but your home is threatened by foreclosure, there are organizations that also offer foreclosure assistance in addition to homebuying assistance.

With foreclosure assistance, the organization will guide you through a loan modification process or state-offered loan applications for people facing foreclosure.

Many homebuying assistance organizations also offer education and counseling about repayment plan options, forbearance and deed in lieu of foreclosure.

Michigan offers the Step Forward Michigan program, which has two courses of action.

- The Unemployment Program will pay up to 50 percent of a mortgage payment for 12 months while the homeowner searches for new work.
- The Loan Rescue Program will pay up to \$30,000 to bring a delinquent loan or property taxes current.

The Step Forward Michigan program is available by application, and organizations throughout Michigan will assist you in the process.

There are many other options provided by federal, state and local governments to help people interested in buying a home do so. Nonprofit organizations also help potential homebuyers navigate the process, so a potential homebuyer doesn't have to do it alone.

After considering certain red flags as mentioned above, don't be afraid to meet with more than one organization. Face-to-face communication or telephone calls are a great way to get a feel for an organization, and really solidify the choice you make.