



How to Save Money for a House Down Payment

For most first-time homebuyers, saving enough for a down payment is the biggest hurdle to homeownership.

Even when you're ready to put down roots and buy a house, not having enough money saved for a down payment is a common problem.

But don't let current lack of savings make you think you'll never be able to become a homeowner. It may take a few months to a couple years, but with diligence, smart money moves and an understanding of the assistance programs that may be available to you, saving for a down payment isn't so bad.

Here are some steps to help you save enough for the down payment you need for your home:

- [Decide how much you need to save.](#)
- [Investigate low down payment mortgage options.](#)
- [Tighten your monthly budget.](#)
- [Put a halt on vacations and luxuries.](#)
- [Consider new earning options.](#)
- [Keep an eye on financing programs that will help you buy a home sooner.](#)

Decide How Much You Need to Save

The typical down payment for a conventional loan is 20% of the home's purchase price. Of course, saving up \$60,000 cash to buy a \$300,000 house, or even higher in a more expensive market, can feel unachievable for a lot of people.

Lower mortgage down payments are available, however, those programs may include a higher interest rate or require private mortgage insurance, so its always good to shop around different lenders.

Mortgage options requiring less than 20% down include loans through the Department of Veterans Affairs, the Federal Housing Administration, the Department of Agriculture or the



purchase of private mortgage insurance. Some of these programs allow homebuyers to get financing with as little as 3% (or even 0%) down.

To find a low down payment option you may qualify for, you can always consult with a housing counseling agency approved by the U.S. Department of Housing and Urban Development. These housing counseling agencies provide free help across the U.S. to find loan and down payment programs you may qualify for, as well as giving advice for getting your finances in order to make homeownership a reality. You can also contact any preferred lenders recommended by your real estate agent, or your current financial institution. If having a lower down payment is a priority for you, focus on finding a loan officer who specializes in low down payment programs and assistance.

We recommend to have at least 3.5% down of your total home purchase budget saved. This is the minimum required by low down payment programs like the Federal Housing Administration."

Low Down Payment Mortgage Options

Here's a quick rundown of the most common low downpayment mortgages and what they require:

FHA Loans

- Federal Housing Authority (FHA) loans typically require a 3.5% down payment if you have a credit score of at least 580, with a 10% down requirement for credit scores between 500 and 579.
- Buyers must have a maximum debt-to-income ratio of 50%.
- The home must meet FHA loan limits for your area and the home must meet minimum FHA standards, which will be determined by an FHA appraisal.
- FHA loans require private mortgage insurance.

VA Loans

- VA loans are backed by the Department of Veterans Affairs and do not require a down payment
- VA loans are only eligible for current members and veterans of the U.S. military (see VA loan eligibility requirements).
- VA loans don't require mortgage insurance.



USDA Loans

- USDA loans are backed by the U.S. Department of Agriculture and do not require a down payment.
- Homes must be located in an approved rural area.
- Buyers must meet income requirements, which vary by region and number of household members. Currently, the income limit for most areas in the country for a 1-4 person household is \$103,500, although that can change by area. See the USDA's eligibility page for region-specific income limits.

Tighten Your Monthly Budget

Where are your saving options? For the most part, they're the same as saving for any other reason: making a homemade lunch for the office instead of eating out every day, cutting cable or monthly subscriptions, canceling an unused gym membership, or shopping around for better pricing on current companies you use.

Of course, eliminating unnecessary purchases doesn't mean you should go hungry or let your car fall into disrepair. A budget to maximize saving shouldn't mean you have to suffer. Save an amount of money each month that's within your comfort zone.

Put a Halt on Vacations and Luxuries

While you're taking a look at your regular budget, consider putting off some of the bigger purchases you plan to make for the sake of putting those funds toward your down payment.

Calling off a weeklong vacation later in the year, for example, could mean thousands of dollars go toward your down payment savings instead – even if you were looking forward to traveling. According to NAR's report, it showed canceling a vacation as the fourth-most popular sacrifice made to purchase a home.

By putting off luxury purchases, you're also likely to lower the amount you put on your credit card, which can help raise your credit and secure you a better loan in the future. To increase your credit score, use credit cards wisely. Keep your credit card utilization rate,



which is the percentage of your total available credit you use, below 30%, and try to pay off your balance each month if possible.

Consider New Earning Options

If you'd like to boost the amount of savings you put away each month, you may consider a second job or earning opportunity. This may be the perfect time to explore a [side hustle](#) or consider a seasonal job to add to your current income.

Some buyers reported earning extra income through a second job in order to purchase a home. The choice was most popular among homebuyers age 23 to 31, with 10% of buyers in that age bracket taking on a second job. Another option can be to sell unused personal and household items. Many items can be sold on numerous apps and websites for quick cash, and decluttering.

Look for Financing and Down Payment Assistance Programs

There is some relief for first-time homebuyers when it comes to borrowing options thanks to the growth of low down payment mortgage programs.

With a 3% down payment for a \$300,000 house or condo, you'll need just \$9,000 in cash instead of the \$60,000 with a standard 20% down payment. The mortgage insurance required with most types of low down payment programs increase your monthly payment, but it means you can still buy a home if you have less in savings.

There are also down payment assistance programs, which provide the funds needed to make a down payment either as a grant or secondary lien on the home. These programs can help you close the gap between your savings and what you need to cover both your down payment and closing costs.

Many state and city governments offer down payment assistance programs for eligible residents. Check out the HUD's directory of local homebuying programs, or speak with a local lender, to find an assistance program in your area.

While you save, it's important to keep an eye on your credit score and do any work you can to improve it. While you may want to save as much as possible for your down payment, it's just as important to reduce your outstanding debt and make regular payments on any credit cards, student loans or a car loan.