

The Truth or Myth Behind the “First Time Homebuyer Programs”

Is it true? Are there special programs for first time homebuyers? Free money, grants, low interest rates, closing cost assistance? Ask most people and their answer is a resolute “Yes, there is!”

And the answer is “Yes.” However, there is confusion as to what is available and just how good these 1st time home buyer programs are. Let’s take a look at what really is available for “first time home buyers.”

Grants

Yes, for the first time homebuyer, there are grants to help purchase a new home. Grant money can include assisting in paying for some of your closing costs and or paying for some of the home itself. Some cities have local grants to pay for improvements like a new roof, windows, siding and insulation.

Free Money

There is no “Free Money.” Now that being said, some lenders or Credit Unions do have a first time home buyers program where you go through home ownership schooling and they help match the money you deposit over the course of 10 months. For example, when you set aside a total of \$2,500 they will match it with their \$5,000 and after 10 months you have \$7500 for closing costs.

Also check to see what the buyer income restrictions are. A certain credit union I know only allows buyers who make 80% of the medium income for that county to participate. So if the average annual income for that county is \$40,000 then you cannot make more than \$32,000 to get this FREE money. Just remember programs like these are lender specific and you’ll need to ask your lender if it’s available.

Loans

When it comes to mortgages, the first time homebuyer is defined as anyone who has NOT purchased a home in 3 years. That’s right, you can be a “first timer” if you have not purchased in a while. The two most common “First time home buyer” loans are FHA and USDA. Below we will compare these two loans with the slightly more expensive 5% down conventional mortgage.

Type	Down Required	Benefit
Conventional Mortgage	5%	None
FHA Mortgage	3.5%	1.5% less needed down
USDA Loan Program	0%	5% less needed down

As you can see. the only first time homebuyer advantage here is that your down payment is lower. Which means you bring less money to closing. How much less? For example on a \$100,000 home purchase, with FHA loan it’s \$1,500 less and USDA it’s \$5,000 less to closing. But you still pay \$100,000 for the home. The advantage is having to bring less money to the closing table.

The good news is there are first time homebuyer benefits. Use this guide as a launching point to avoid the disappointing myths and to learn which benefits are best for you during your home buying journey.