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## 12 Low Down Payment Mortgages, Including Some With Low Or No Mortgage Insurance

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The soaring home prices all around the country have made it more difficult for buyers to come up with enough money for a down payment. But lenders have caught on to the idea that there are plenty of buyers out there who aren't in danger of defaulting on their loans, they just need a little wiggle room when it comes to the hard cash they have to bring to closing.

That means we can all say hello to the low down payment mortgage option and its many variations. (Below I've listed 12 national-level programs, but thanks to readers I've also compiled a list of [47 programs by state](#), including 30 with no mortgage insurance requirements).

The most common type of low down payment mortgage is the government-backed Federal Housing Authority or FHA loan. Even though they usually require only a minimum of 3.5% down, they come with the huge downside of requiring mortgage insurance for the life of the loan for anyone who puts down less than 20%. Yep, that means if you get to the point of having paid off enough of the mortgage to reach 20% equity you are still required to pay the mortgage insurance. The purpose of the insurance is to protect the lender in case you default on your loan and the only way to get out of it is to refinance once you paid enough down to cross the 20% threshold. For FHA loans the standard rate for mortgage insurance is 0.8% annually (usually divided in to twelve payments). Though with private lenders it can vary from 0.5% to 1.5% (sometimes even higher). I've listed 12 programs below that either don't come with the insurance requirement, have reduced rates, or some other benefit that might make it worthwhile.

It's important to keep in mind that just because a mortgage has a low down payment option that doesn't necessarily mean it is a wise financial move. You can end up being charged a higher interest rate over the life of the loan or have extra fees added on to the initial amount in many cases. I made sure to list ones here that don't do that to buyers. They are open to most types of buyers but largely cater to first-timers so they have lower minimum credit requirements while still providing competitive interest rates.

So what are the interest rates on the list? Alas, that is the one factor I can't include simply because it is the variable lenders won't commit to until they have seen the entire financial picture of an applicant. **There is one exception, NACA, that charges the same rates regardless of credit score** so check them out if you're at the lower end of the FICO spectrum.

Whether you are a first-time buyer or a move-up buyer there are still plenty of options for getting a mortgage that doesn't come with the same stringent requirements home loans used to have five or more years ago. Lenders are coming up with safe ways to get buyers a home even if they don't have a lot of cash and they aren't charging outrageous rates to make it happen. You could be a homeowner sooner than you thought possible.

**Bank of America:** Their [Affordable Loan Solution](#) is a fixed-rate product geared toward first time homebuyers or those without a large down payment option. They also work with down payment assistance programs in each state which may be a way to get you an even bigger amount to put down.

- Minimum credit score: 640
- Down payment as low as 3%
- No PMI
- Cannot own another property at time of purchase
- Homeowner education may be required for first-time buyers (no charge)
- A \$200 bonus possible if you apply before November 30, 2018.

**Flagstar:** One of their mortgage options is the [Professional Loan](#) which is designed for buyers who are on the cusp of having a higher earning potential—such as those who have just finished school or are just starting in their career. They look at each individual situation to determine eligibility and credit requirements but if you have a score of 720 or higher you could qualify for a zero down mortgage.

- Minimum credit score varies by situation
- As low as zero down, with a 720 credit score
- No PMI
- Applies to mortgage balances up to \$850,000
- Student loan debt may be excluded from payment ratios

**Suntrust:** Their [Agency Affordable Financing](#) product is in conjunction with the Fannie Mae HomeReady and Freddie Mac Home Possible programs but according to their website buyers may be eligible for reduced insurance rates. You have to complete an online homebuyer education course.

- As low as 3% down
- All of the down payment can come from gifts or seller contributions
- Reduced insurance costs
- Closing costs can be exchanged for a higher rate on a fixed-rate loan

**Costco:** If it isn't gallon-sized bottles of ketchup that you need, but a mortgage then [Costco Mortgage Services](#) could be a good place to get your home loan. While they aren't a lender themselves, they facilitate loans with approved lenders and according to their website over 105,000 loans have been funded via their mortgage program. One unique piece of their program is the low origination fees for Costco members that can't go higher than \$350 for Executive level members or \$650 for Gold Star members.

- Minimum credit score : 620
- As low as 5% down for a conventional loan
- Low origination fees for Costco members. Capped at \$350 for Executive level members and \$650 for Gold Star level members

**Rocket Mortgage:** Under the auspices of Quicken Loans, [Rocket Mortgage](#) is the company that promises to streamline the mortgage process and provide quick turnaround for both approving a loan and getting the money in your hands. They have several options for people with very low credit scores. They can also underwrite a loan before you decide on a property. In a competitive market this can help you stand out from other buyers because it shows you won't have issues with financing.

- Minimum credit score: 580
- As low as zero down (for qualified buyers)
- Can underwrite loan before you decide on a house
- Many options have no pre-payment penalty

**NACA:** The [Neighborhood Assistance Corporation of America](#) is a community advocacy organization with a very grassroots mission of making homeownership accessible. They look at each case individually to determine eligibility and are not strictly bound by the usual requirements for credit scores or down payment amounts. Your credit score does not impact the interest rate.

- **No minimum credit score**
- **No PMI**
- **No closing costs**
- **No points/fees**
- **Zero money down options**
- **Borrower can't own another home at time of closing**

**Carrington Mortgage Services:** Even though [Carrington](#) is a smaller lender they provide mortgages in all fifty states and D.C. For low down payment options they provide FHA loans but they have lower minimum credit scores than most of the larger lenders. They also don't charge an application fee.

- Minimum credit score:
- 550 for 10% down
- 580 for 3.5% down
- 640 for 5% down with a conventional loan
- No application fee

**SoFi:** The non-bank lending institution that made a splash a few years ago is still offering their [SoFi mortgages](#) and shows no sign of slowing down. They do have a non-borrower paid PMI option for lower down payments but that usually that means the interest rate is higher. If you only plan to be in the home for a short time it may make financial sense to go with that option.

- Minimum credit score: 660 (680 for jumbo loans)
- As low as 10% down
- No origination fees
- No pre-payment penalties
- No borrower-paid PMI
- Property needs to be your primary or secondary home for at least twelve months
- If you have another loan with SoFi (such as a student loan refinance) you can be eligible for a .125% rate discount on your mortgage

**Chase:** The [Chase DreaMaker](#) product has a slightly lower minimum credit score but can come with reduced insurance rates for qualified buyers. It also has the possibility of a \$500 credit if you complete a homebuyer education course (there is no charge for the course). To find out more info go to the [Chase mortgages page](#) and scroll to the bottom. *(This has been updated to reflect the minimum credit score is 620, not 680 as we were originally told).*

- Minimum credit score: 620
- As low as 3% down payment
- Entire down payment can come from outside sources (such as gifts or grants)
- Reduced insurance compared to standard PMI rates
- May be eligible to receive \$500 if you complete a homebuyer education course.

**CitiMortgage:** Their [HomeRun](#) product has similar rules to most other low down payment mortgages but comes with an extra requirement of needing to have one month's mortgage payment in reserve in the account you use for your monthly payment. If you have an excellent credit score this may be able to be waived.

- Minimum credit score: 640

- No PMI
- One month's mortgage payment in reserve required
- Not available in every market
- Single family home as low as 3% down up to jumbo loan limit (\$453,100)
- Condo or co-op as low as 5% down up to jumbo loan limit (\$453,100)
- As low as 5% down for markets that qualify for the higher jumbo loan limit (\$679,650)

**Wells Fargo:** Even though it is called the [yourFirst Mortgage](#) product you don't necessarily have to be a first time buyer to qualify, but it is geared for people who are early in their real estate buying years. Also, in some situations—such as family or roommates—they'll count the income of other residents in the home as part of the household income even they aren't borrowers on the loan.

- Min credit score: 620 (suggested)
- Willing to accept lower credit scores if higher down payment or other
- As low as 3% down payment
- Use gift funds and down payment assistance
- No area median income requirements

**New American Funding:** Another of the lenders that can write loans for low credit scores, [New American Funding](#) can also adjust the payment amounts according to the length of time you want the mortgage to last. If your job or retirement plans means you'll be in a house for a known amount of time this could work out to be better than the standard 15, 20, or 30 year timeframes.

- Minimum credit score: 580
- As low as 3% down
- Can qualify for a reduced mortgage insurance rate
- No pre payment penalty
- Not tied to 15, 20, or 30 year time frame

<https://www.forbes.com/sites/amydobson/2018/07/10/12-low-downpayment-mortgages-including-some-with-low-or-no-mortgage-insurance/#75ecc36969d5>