

Title:

Avoiding Closing Costs When Buying a Home

Word Count:

495

Summary:

Most homebuyers - especially those doing it for the first time - are faced with a tough challenge when it comes to closing costs

Keywords:

loans

Article Body:

Most homebuyers - especially those doing it for the first time - are faced with a tough challenge when it comes to closing costs. Enough consumers who have saved for many years may not have enough available funds to cover fees related to a major real estate transaction. But there are ways to at least minimize the costs, and there are several strategies for buying without incurring any immediate closing costs.

With excellent credit you may qualify for loans over and above the price of the property you're buying. And if that happens, you can cover your closing costs with the extra funds you borrow. For example, you might be able to qualify for a loan of 107 percent of the selling price, enough funds to pay for the house plus all of your closing costs. If the price of the home you intend to buy is \$200,000 and you borrow \$214,000, the first \$200,000 covers the house and down payment, and the rest pays your closing fees. Because the lender considers you a low risk borrower thanks to your high credit rating, they see the bigger loan as good business for themselves, while it offers great convenience for you.

Another common way to avoid closing costs is by using a "80/20" or "piggyback" loan. This type of loan is actually two loans packaged together. One of the loans works in a conventional way, and is for 80% of the purchase price. The 2nd part of the loan is a smaller 20 % loan that is used to cover the down payment. So in reality, the lender is letting you borrow your 20% down payment. You can expect to pay higher rates on the down payment portion of the loan, but you get to buy a house with essentially zero down.

Sometimes a seller will offer owner financing and also pay your closing costs, to help you close a transaction. Or you can buy from your landlord and use a

"lease purchase" contract. The way those work is that the landlord/seller lets you apply monthly lease payments toward the purchase price until enough money has changed hands to compensate for the down payment. So you can avoid the biggest closing cost of all, by gradually using monthly rent to come up with your down payment.

If you are self-employed, be sure to investigate whether or not you qualify for special loans that are intended to help people buy houses. Some apply to those who are veterans of military service, and they offer loans with little or no down payments and reductions in other closing costs. Other loans are created by the government to assist lower income families; and there are even programs managed through various non-profit organizations that fund grants to help consumers buy homes. If you find a loan that fits your circumstances, don't hesitate to apply for it - sometimes special grants and loan funds are budgeted and dispersed on a "first come, first served" basis and then they run out quickly.