

Myths In Dealing Real Estate

Most of the people can afford a mortgage payment and associated costs to owning their own home but the thought of coming up with a substantial down payment often stops them from taking the plunge. Some of charity organizations and federal institutions are available to these buyers to assist with this problem. The following discussion suggests what can be done to assist the home buyer in need of financial assistance. Assistance programs for down payment, both non-profit and federally run; help interested home buyers with procuring down payment on a home. The person who sells the home assists the buyer by contributing a portion of sale proceeds to the home buyer at the time of closing. As federal and state laws dictate that the seller cannot give the funds directly to the buyer, the assistance programs provide a work around so that the sale stays within federal guidelines. The amount gifted is determined by the type of loan that is being applied for.

The selling party contributes the amount the buyer needs for closing. A certain amount of fee applies here. As the buyer and seller approach the closing table, the assistance program that the seller has enrolled in then wires the needed funds to the selling agent. According to law, the seller can have no part in the transfer of any funds. In this scenario there are agencies which provide help. The major and best source of funding comes through the Federal Housing Authority (FHA). The Federal Housing Authority is a branch of the Department of Housing and Urban Development (HUD) which was created in 1965. The prime responsibility of the Federal Housing Authority is to administer government home loan programs. As the loan is insured by the Federal Housing Authority, the lender is protected in case of default. These agencies also take care of the debt to income ratios differently. The standard set criteria in the lending industry is a debt to income ratio of twenty eight to thirty six percent, but the Federal Housing Authority has a standard of twenty nine to forty one percent.

By this the buyer are offered with less than perfect credit an advantage. The Federal Housing Authority also works with people on however many loans they wish to pursue. It is not just a one shot deal for consumers. The main disadvantage of a Federal Housing Authority loan is that there are limitations on the size of loan they will administer. We cannot call it a disadvantage to people who are pursuing a Federal Housing Authority loan. This is because people who require this type of assistance are not looking to buy home costing lots of money. Federal Housing Authority guidelines are readily available by doing a search on the internet.

About the Author

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