

Clarifying Down Payments in Today's Market:



Do You Need One? Yes.

There is some misinformation in the media lately about the required size of a down payment for a mortgage in today's market, and the blog world is abuzz with misperceptions.

Not all so-called experts are knowledgeable in this area, and some experts are being misunderstood.

The facts:

1. An individual may be required to put down 20 percent based on that person's financial situation. But that is not an across-the-board requirement for all borrowers.
2. A borrower who puts down less than 20 percent is required to obtain mortgage insurance.
3. Even in a declining market, a borrower is required to make at least a 5 or 10 percent down payment.
4. FHA requires a 3.5 percent down payment by borrowers, so long as they meet a 31 percent housing cost-to-income ratio. In other words, anyone who stays within their budget and who can afford a 3.5 percent down payment (even with family help) can become a homeowner.



Please note: FHA market share has grown roughly tenfold in the past year to an estimated 30 percent of new mortgage originations.

Source: NAR / Realtor.org 12/31/2008

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