

## Financing Alternatives

Even with the current low mortgage interest rates, some homebuyers are having a hard time obtaining financing to purchase their new home.

The reasons could be credit history, lack of sufficient downpayment, difficulty in income verification or family issues. Whatever the reason, there are several alternative ways a buyer can finance the purchase of a new home.

For buyers who need time to save funds and seller who do not need immediate funds there is the “rent with an option to buy agreement”. Under this agreement a portion of the rent usually 10% to 20% is applied toward a downpayment. When the rental credit reaches a certain amount, the tenant obtains financing and closes on the purchase.

If the buyer has cash to purchase but does not qualify for conventional financing the seller might consider “seller financing”. The seller takes back a portion of the purchase price in the form of a purchase money mortgage. The buyer makes payments to the seller rather than to a lender. The buyer can avoid some mortgage costs for appraisals, loan points, etc. and can reduce some of the closing costs.

If the buyer needs financial assistance help with the downpayment and the monthly mortgage payments there is “equity sharing” available. Equity sharing involves a negotiated joint-ownership by two or more parties, with one party occupying the property as their residence. One party may make the down payment and/or closing costs and the other makes the monthly mortgage payments or the downpayment and monthly payments can be shared in equal or unequal amounts.

When a seller has difficulty in selling a property they may be willing to offer a “concession”. This is anything the seller could offer to help the buyer purchase the property. It may include paying closing costs normally paid by the buyer or cash given to the buyer to reduce non-housing debts. To the seller there is little difference in offering a monetary concession or lowering the property price. However, to the buyer, a concession may be preferable because it is money that can be applied directly to the purchase.

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