

Alexandria  
Old Town  
703-739-0100

Arlington  
703-237-1100

Burke  
703-913-8080

Fair Oaks  
703-279-1500

Fredericksburg  
540-373-1300

Front Royal  
540-878-4210

Gainesville  
703-468-2020

Kingstowne  
703-417-5000

Lake Ridge  
703-492-7900

Leesburg  
703-840-2000

Manassas  
703-393-0333

McLean  
703-734-8900

Reston  
703-318-9333

Stafford  
540-658-0992

Vienna  
703-242-2860

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540-349-7990



## Downpayment Assistance Programs for Home Buyers

For many people a downpayment is what stands between breaking the cycle of renting and having the ability to purchase a home. Fortunately, there are several programs to assist with this as long as the buyers meet the criteria specific to each program.

This article includes a synopsis of each assistance program as a reference tool for real estate professionals to use when working with clients who may benefit from some financial help. Due to the complexity and nuances of the individual programs, the web addresses for each are being provided. Supporting documents, lists, information, or frequently asked questions can be found on each website.

**The Department of Housing and Urban Development – FHA's Bridal Registry**  
[www.portal.hud.gov](http://www.portal.hud.gov)

The Department of Housing and Urban Development (HUD) offers a "bridal registry" through their Federal Housing Administration's (FHA) mortgage program. While the name is misleading, HUD makes it clear that this program is an opportunity for a home buyer to establish a fund for any gift-giving occasion.

FHA approved lenders may establish funds on behalf of buyers who wish to ask gift-givers to donate towards the downpayment on a house. The lender must keep detailed records of what is donated but the use of the funds is at the discretion of the buyer. It is not required that the gifted money be used for a downpayment. There is no limit on the amount of money that can be donated to this fund.

For a list of approved lenders who have indicated they will establish a registry fund, please visit HUD's web site.

**The U.S. Department of Agriculture – Rural Development – SFH Direct**  
[www.rd.usda.gov](http://www.rd.usda.gov)

The U.S. Department of Agriculture – Rural Development (USDA) has their Single Family Direct Home Loan Program, more commonly known as SFH Direct. This program is a subsidy for low and very-low income applicants and can be utilized when the client cannot get a loan from any other source and has no "decent, safe, or sanitary" housing option available to him.

SFH Direct does not require a downpayment and the assistance can lower the interest rate to as low as one percent. Another way this helps a homebuyer is by extending loan payback terms to 33 years which in turn lowers the monthly payment. In extreme cases, payback terms can be stretched to 38 years. The goal of the program is to get people into homeownership situations which are often a stepping stone to financial stability.

A participant in SFH Direct must be using the home as a primary residence, must meet citizenship requirements, and must not be suspended from participation in any other federal programs. The property being purchased with this assistance cannot exceed 2000 square feet, cannot have an in-ground swimming pool or be designed for income producing activities, and the market value must remain below applicable area loan limits. Application for participation in the SFH Direct program must be made through the USDA Rural Development field office serving your county.

**Virginia Department of Housing and Community Development – Down Payment Assistance Program**  
[www.dhcd.gov](http://www.dhcd.gov)

The Virginia Department of Housing and Community Development's (DHCD) Down Payment Assistance Program (DPA) is intended to help fill the gap where a downpayment is needed. First time homebuyers who live at or below 80% of the Area Median Income (AMI) for the property area may apply.

Through a partnership between the Commonwealth of Virginia and government entities, non-profit housing service providers, and mortgage lenders, the aim of DPA is get low and middle income first time buyers into safe and sustainable housing. Applicants must be FHA eligible to participate.

Partners apply for a limited amount of funds on a biannual basis. Therefore, funds are distributed to applicants on a first come, first served basis. Complete lists of agencies to which buyers may apply for assistance are on the DHCD site.

DPA will provide a down payment of up to 10% of the purchase price (\*20% in high cost or economically-depressed communities) and up to \$2500 in closing costs.

THERE ARE VARIOUS OPTIONS AVAILABLE FOR HELPING BUYERS OVERCOME THE DOWN PAYMENT HURDLE THAT SOMETIMES GETS IN THE WAY OF HOMEOWNERSHIP.

In exchange, applicants must receive homeownership counseling, complete a HUD Homebuyer Education Course, and be purchasing a turnkey property. Additionally, the buyer must be the primary resident for the duration of the affordability period or repay the DPA and must contribute one percent

of the sales price if they are within 50-80% of AMI. If they are within less than 50% of the AMI, then a \$500 contribution is required. The DPA does not need to be repaid if the buyer remains in it through the end of the affordability period\*.

\*A list of economically-depressed communities and the affordability period chart can be found on DHCD's site

**The Virginia Housing Development Authority – Down Payment Assistance Grant**  
[www.vhda.com](http://www.vhda.com)

The Virginia Housing Development Authority (VHDA) offers a Down Payment Assistance Grant (DPA) that provides a maximum of two and one-half percent of the purchase price of a house to eligible buyers. To apply a buyer must be a first time homeowner with an FHA credit score of 620 and a 45% debt to income ratio.

The DPA grant must be used only in conjunction with a VHDA loan and must not be used with any other DPA resources. No repayment of this grant is required. Recipients of the DPA are also eligible for a federal tax credit but that must be applied for separately.

The VHDA web site provides a list of approved mortgage providers to whom a buyer must apply for a DPA grant.

While similar in goal, all four downpayment assistance programs have their own unique requirements. This overview is intended to give real estate professionals an idea of the various options available for helping buyers overcome the downpayment hurdle that sometimes gets in the way of homeownership. All buyers should be encouraged to explore funding options with their mortgage lender or banker.

*See you at the settlement table!*