

Name \_\_\_\_\_

## Cracking the Code of Down Payments: Your Key to Homeownership

### Short Answer Key

1. A down payment signifies to the lender that the buyer is committed to the purchase and reduces the amount that needs to be borrowed through a mortgage. It can lead to lower monthly mortgage payments and, if the down payment is at least 20%, typically eliminates the need for private mortgage insurance (PMI).
2. Making a 20% down payment can result in lower monthly mortgage payments, as less money is borrowed. It also typically eliminates the need for private mortgage insurance (PMI), reducing overall loan costs. However, it may require more upfront savings and limit the selection of homes within budget.
3. One government-backed loan program is the FHA Loan, which offers down payments as low as 3.5% and is accessible to borrowers with lower credit scores. Borrowers who have limited savings or lower credit scores may benefit from this program.
4. Practical tips for saving for a down payment on a home include creating a budget, opening a separate savings account, automating savings transfers, cutting unnecessary expenses, and exploring down payment assistance programs.
5. Private mortgage insurance (PMI) is insurance that lenders require borrowers to pay if their down payment is less than 20% of the home's purchase price. PMI protects the lender in case the borrower defaults on the loan. Borrowers can typically stop paying PMI once they have built sufficient equity in the home.

