



Where, oh where, has 100% financing gone? Used to be, you could walk into any old bank, get an 80/20 loan and never have to pull a dollar out of your pocket to buy a house (or not many dollars anyway). Those days are dead and gone but that doesn't mean that 100% financing is impossible, you just have to know where to look. Being able to afford your own home is pretty easy right now (although it's about to get harder) so it's a good time to buy, if you have the cash to do it.

Now, I'm going to go ahead and say up front that if you can't come up with 3-5% for a down payment, you may want to take a long, hard look at your financial health and decide if there's a very good reason that you aren't yet a homeowner. Being able to save up a chunk-o-change to put down is a good sign that you are now a responsible adult who shouldn't be paying rent.

Having said that, if you are that responsible adult, just without a big ol' savings account, you actually do have a few options.

THDA

If you are a first time buyer, lending from the Tennessee Housing Development Authority (THDA) is probably going to be your best & easiest bet.

Let's dig right in to THDA, shall we? As the name implies, you're going to be limited to homes in Tennessee. This program can be used in conjunction with FHA or VA. It is designed to give buyers two things:

- A better interest rate than they might otherwise qualify for (which means more purchasing power)
- Down payment assistance in the amount of 0% (Great Rate program), 2% (Great Advantage), or 4% (Great Start)

Keeping in mind that FHA requires a 3.5% down payment, you get to pick your poison, depending on what you need. Why wouldn't everyone in their right mind pick the 4% grant? Good to know you're paying attention. It's because the grant amount you choose determines the interest rate for the life of your loan. Right now, you really can't go wrong no matter which one you end up with. The current Great Rate is 4.98%, Great Advantage is at 5.28% and Great Start gets you started with a 5.58%

mortgage. Any one of those is a screaming-red-hot deal, historically speaking. Check my site for up to date THDA interest rates.

There are [income and purchase price limits](#) and you have to be a first time buyer, defined as someone who hasn't held title to a home in the last three years. The minimum credit score is 620 and they don't lend unless your total debt to income (DTI) ratio, including your new mortgage, is less than 45%.

There are exceptions to the first time buyer rule. For example, if you are a veteran you can use THDA regardless of whether it is

your first or fifth home. Another exception is the purchase of a home in a targeted area. Certain [urban areas of Hamilton County](#) qualify as a targeted area where the first time buyer rule is waived. There are no exceptions to the credit score or DTI ratio.

Here's an example of how this whole thing works. Let's say you can only come up with \$500 cash. You want to buy a home that's listed for \$120,000. You use FHA in conjunction with THDA which means that your required down payment is 3.5% or \$4,200. You opt for the Great Start program which gives you a 4% grant (\$4,800) and a 5.28% interest rate. You ask the seller to pay your closing costs of \$4,000. You use your \$500 as earnest money and your \$4,800 grant for \$4,200 in down payment and \$600 for various pre-paid items. You just bought a house with only \$500 out of pocket. AND you still got an interest rate that rocks.

Not all lenders are set up for THDA and not all lenders who are set up for THDA are created equal. If you think this program might be just what you need, contact me and I'll give you a short list of good (i.e. competent and experienced with THDA) mortgage professionals who can help you buy your new Chattanooga home.



