Chapter 3
Buying a Home with Little or No Money Down and Obtaining Seller Financing

Capitalism makes for the most creative vehicles for transferring land – and the engine for this creativity is need. While buyers need a place to live, sellers may need to pay off a mortgage, move to a bigger house, make a profit or perhaps do all of the above. The more desperate a seller becomes, the greater a buyer's chances of handing over very little money in exchange for a home. The methods discussed below do not apply to transactions where financing will be received from third party private lenders, but rather from the sellers themselves. Using governmental and private lending programs with very little or no money down options may result in higher fees, but otherwise follow the traditional guidelines in the financing chapter of this book. We are therefore talking about owner financing here.

Putting Very Little or No Money Down

Desperate times can lead sellers to especially desperate measures. Of course, every seller would prefer to have the buyer's down payment made at the signing of the contract of sale and for the full purchase price to be paid at closing. But that does not always happen. Sellers cannot rely on receiving a down payment in a weak real estate market; however, many still manage to sell their homes in their preferred price range. In a weak real estate market, buyers who would not normally qualify to reach their goal of homeownership can leverage the market's down conditions to buy a home with little or almost no money down. Though fees may be higher when engaging in these kinds of deals with federal government financing or other third party lenders, many of the terms remain the same as they would in any market transaction.

However, you may need to be more willing to negotiate on other terms in these situations -- such as the purchase price, the interest rate and the home's condition. Because negotiating on such terms will not usually be to your advantage, you should only seek such a deal if you are unable to purchase the home with money down or if you are a home investor using other people's money to make a profit from flipping, re-selling or renting the properties purchased.

Some investors use the no-money-down strategy without even asking the seller to give them a mortgage. They obtain the money for a loan or to take out a second loan based on the equity or value of the home being purchased -- or occasionally even from the equity or amount that can be borrowed from another home that they may own. These methods are extremely risky; only experienced investors or those with a high level of risk tolerance should use them under the guidance of qualified advisors who have completed these types of deals before.

This kind of deal requires the seller to finance your purchase of the property in exchange for your agreeing to pay equal to or above the asking price -- and many times, to also pay an above-average interest rate on the loan that the seller provides you. Instead of paying rent to an owner and receiving nothing aside from immediate shelter for your payments, the no money down purchase allows these monthly payments to go toward paying off the purchase price. Rather than monthly rent, these become mortgage payments.

The Little or No Money Down Negotiation and Process

The essence of the little or no money down negotiation begins with teaching the seller why it is a good idea to accept your offer to purchase the home with very little or no money