



HouseBuyerGuides.com

STEP-BY-STEP GUIDE 3 OF 7

Down Payment Assistance: How It Works, Step by Step

How down payment assistance works: grants versus forgivable and deferred loans, who offers it, typical requirements, and how to find and apply for programs near you.

\$0

repaid on a true grant

620–680

common credit score minimum

1 lender

applies for most programs with your mortgage

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housebuyerguides.com/guides/down-payment-assistance

SUMMARY

Key takeaways

- 01 Grants are never repaid; forgivable loans disappear over time; deferred loans are repaid when you sell or refinance.
- 02 Programs depend on where the home is, and most have income, price and credit score limits.
- 03 For most state programs you apply through a participating lender, not the agency.
- 04 Compare Loan Estimates with and without assistance, since some programs carry a higher rate.

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Down payment assistance (DPA) is money from a government agency, nonprofit or employer that helps cover your down payment, closing costs or both. Thousands of programs exist across the country, and most buyers who qualify never apply because they don't know the programs are there. This guide explains the types, the usual rules, and how to find and use a program, step by step.

STEP 01 OF 08

Learn the types of assistance

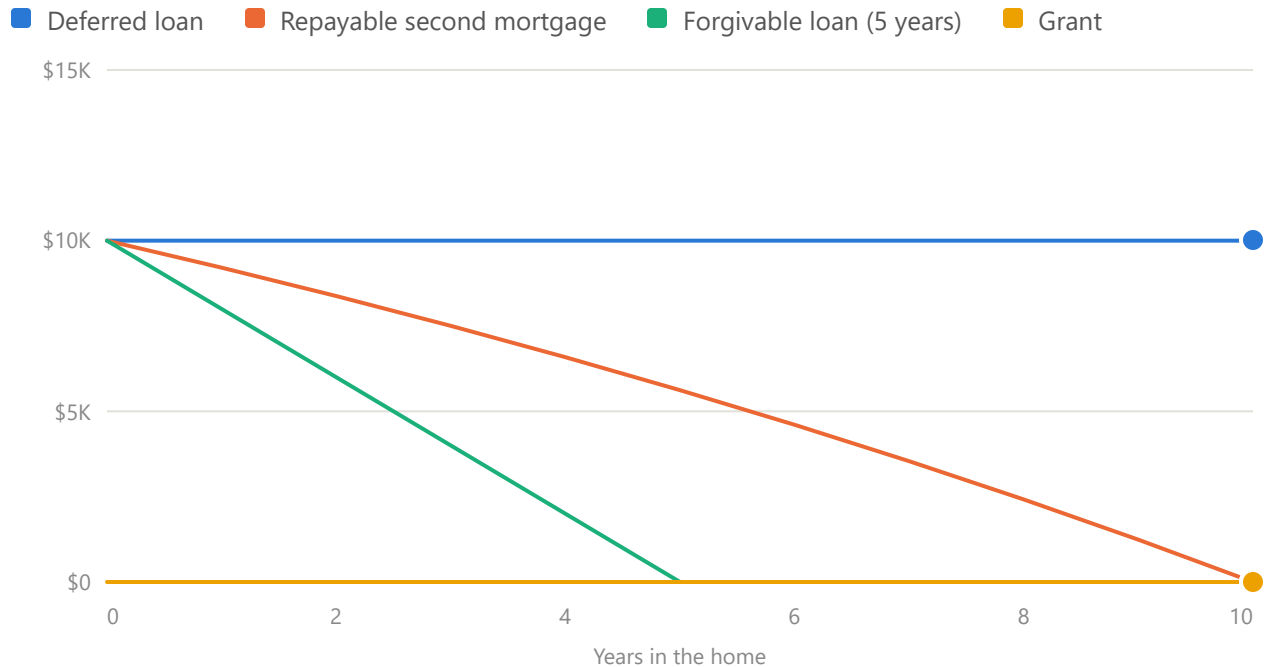
The type of assistance decides whether you ever pay it back and when:

- **Grant.** Not repaid. Some grants still require you to live in the home for a short period.
- **Forgivable loan.** Recorded as a second mortgage with no payments. A portion is forgiven each year you live in the home, and it is fully forgiven after the set term, often 3 to 10 years. If you sell or refinance before that, you repay the remaining balance.
- **Deferred loan,** sometimes called a silent second. No monthly payment and often 0% interest, but you repay it in full when you sell, refinance or pay off the first mortgage.
- **Repayable second mortgage.** A low-rate loan with monthly payments that runs alongside your first mortgage.
- **Mortgage credit certificate (MCC).** Not cash at closing. It gives you a federal tax credit for part of the mortgage interest you pay each year.

FIGURE 1

How much you owe on \$10,000 of assistance, year by year

Amount owed if you sold or refinanced at the end of each year.



Source: HouseBuyerGuides.com calculations. Example terms: forgivable loan forgiven evenly over 5 years; deferred loan at 0% due when you sell, refinance or pay off the mortgage; repayable second mortgage at 5% over 10 years. Real programs set their own terms.

"Grant" is used loosely in advertising. Read the program terms to see whether you are getting a true grant or a forgivable or deferred loan.

STEP 02 OF 08

Know who offers it

- **State housing finance agencies.** Every state has one, and most run at least one statewide program. These usually come with their own first mortgage through participating lenders.
- **Cities and counties.** Often funded by federal HOME or CDBG money, with income limits tied to area median income and a requirement to buy inside the city or county.

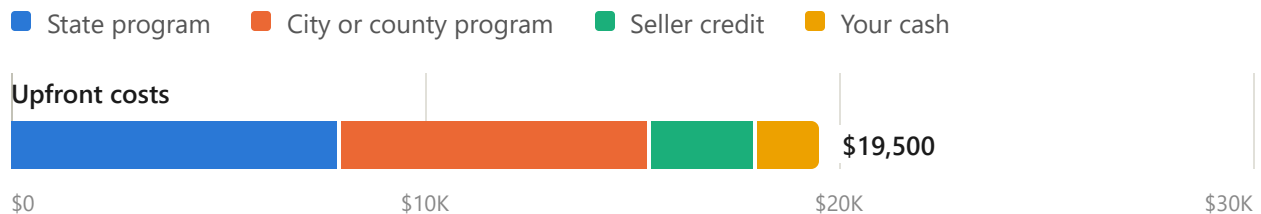
- **Nonprofits and housing authorities.** Programs for certain neighborhoods or groups of buyers.
- **Employers and occupation programs.** Some hospitals, universities and cities help their own staff. Others serve teachers, police officers, firefighters or health workers.
- **Lenders.** Some offer their own grants or closing cost credits, often for buyers in certain census tracts.

Local programs can often be combined with a state program, which is how buyers in some areas get most of their upfront costs covered. See [how to stack down payment assistance](#).

FIGURE 2

How layered help can cover upfront costs

Example: \$19,500 needed for an FHA purchase of a \$300,000 home.



Source: HouseBuyerGuides.com calculations. Illustrative only. Whether programs can be combined, and how much each pays, depends on the programs, your lender and your contract. Many programs require a minimum contribution from the buyer.

STEP 03 OF 08

Check the common requirements

Every program sets its own rules, but most include some of these:

- **Income limit**, usually a percentage of the area median income (AMI) adjusted for household size
- **Purchase price limit**
- **First-time buyer status**, usually no ownership in the past three years. Some programs waive this for veterans or targeted areas.
- **Minimum credit score**, often 620 to 680
- **Homebuyer education** from an approved provider

- **Owner occupancy.** You must live in the home as your main residence.
- **Your own contribution.** Some programs require you to put in a small amount, such as \$1,000 or 1% of the price.
- **Property type and location** limits

The program pages on this site list the limits we have verified for each program, with a link to the official source.

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Find programs for your address

Programs depend on where the home is, not where you live now. Search the state and city you want to buy in on this site to see the statewide and local programs that serve it. You can also [browse every program](#) by type, or answer a few questions on the [program finder](#) to get a shortlist.

Check the funding status. Many local programs run on yearly budgets that can run out before the year ends, and some reopen on a set date. We show when a program has paused or closed.

Tip: If a program you want is paused, ask the administrator when funds reopen and whether you can get on a waiting list. Some programs release new funding at the start of a fiscal year.

STEP 05 OF 08

Choose a participating lender

For most state programs and many local ones, **you apply through a lender, not the agency.** Only approved lenders can originate the program, so:

1. Open the program's participating lender list.
2. Get Loan Estimates from two or three of them.
3. Ask each one which programs they close often and how long approval takes.

Then [get pre-approved](#) with the lender you choose. Tell them up front which programs you plan to use.

STEP 06 OF 08

Complete homebuyer education

Take the required course early, from a provider the program accepts. Online courses usually take a few hours, and HUD-approved counseling agencies also offer in-person classes and one-on-one counseling. Send the certificate to your lender as soon as you have it.

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Shop within the program's limits

Keep the program's price limit, property type rules and service area in mind while you shop. When you write an offer, leave enough time before the closing date for the program's review. Some local programs need a week or more after the lender approves the loan. Some also require their own inspection or a check on lead-based paint in older homes.

STEP 08 OF 08

Close and keep the terms in mind

At closing you sign the assistance documents, which for a loan usually means a note and a second mortgage or lien. Keep copies. Write down:

- How long you must live in the home
- What happens if you sell, refinance or rent the home out before then
- Whether the amount you owe goes down each year

If you plan to refinance later, ask the program whether the assistance must be paid off or can be "subordinated" to the new loan.

Weighing the cost

Assistance is not always free money. Some state programs charge a slightly higher interest rate on the first mortgage that comes with the assistance, and deferred loans have to be paid back eventually. Ask your

lender for two Loan Estimates, one with assistance and one without, and compare the monthly payment, cash to close, and total cost over the years you expect to stay.

Frequently asked questions

Do I have to pay back down payment assistance?

It depends on the type. Grants are not repaid. Forgivable loans are forgiven over a set period if you keep living in the home. Deferred loans are repaid when you sell, refinance or pay off the first mortgage. Repayable loans have monthly payments.

Can I combine more than one down payment assistance program?

Sometimes. Some programs allow layering with city or county assistance, and others do not. The first mortgage lender and each program administrator must approve the combination.

Do I apply for down payment assistance directly?

For most state housing finance agency programs, you apply through a participating lender while you apply for your mortgage. Many city and county programs also work through approved lenders, but some take applications directly. Each program page on HouseBuyerGuides.com lists how to apply.

Does down payment assistance raise my interest rate?

It can. Some state programs pair the assistance with a first mortgage whose rate is a little higher than the market rate. Compare the total cost with and without the assistance before you choose.

Sources

Checked October 22, 2026.

1. **HUD: Let FHA loans help you**
<https://www.hud.gov/buying/loans>
2. **CFPB: Find a HUD-approved housing counselor**
<https://www.consumerfinance.gov/find-a-housing-counselor/>
3. **CFPB: Buying a House**
<https://www.consumerfinance.gov/owning-a-home/>
4. **HUD: First-time homebuyer definition**
<https://archives.hud.gov/offices/hsg/sfh/ref/sfhp3-02.cfm>
5. **Fannie Mae: HomeReady mortgage**
<https://singlefamily.fanniemae.com/originating-underwriting/mortgage-products/homeready-mortgage>

About this report

Written by Tyler Thompson, licensed real estate agent, for HouseBuyerGuides.com. Figures were checked against the official sources listed above on October 22, 2026. Charts are illustrative examples built from the assumptions stated under each one.

This report is for education only and is not financial, legal or tax advice. Loan rules, fees and assistance programs change. Confirm the details with your lender and the program administrator before you make decisions.

NEXT STEP

Find the down payment assistance programs that serve your city

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