

How to Buy a Second Home With No Down Payment

[Dori Zinn](#) November 16, 2022

Buying a home will be one of the most expensive purchases you ever make. Even on a tight budget, you can make it work. You can save up for an increase in monthly mortgage payments. You can even go in with little or no down payment since there are programs available to [first-time homebuyers](#). A [financial advisor](#) could also help you put a financial plan together to help you reach that goal. But buying a second home might feel like a daunting task, especially if you're not prepared to make a down payment.

Consider Extra Costs.

An extra mortgage payment is already costly enough, but there are other factors to consider, like:

- Your principal and interest payments
- [Homeowners insurance](#)
- HOA fees
- Private mortgage insurance
- [Property taxes](#)
- Utility bills and payments

This includes other payments on your primary home. If your [second home](#) won't be your primary residence, you'll need to add costs for a home manager and other maintenance you won't be able to do yourself.

However, if you have the money to put towards another home and all its related costs, then you may have an easy time getting another mortgage. If you're struggling to come up with the extra funds, you may want to pause

your plans.

Look at the Market.

Where are you planning to buy your next home? Hot housing markets mean the demand will be much higher than in sleepy neighborhoods. Try to find a helpful [real estate agent or broker](#) who is familiar with the neighborhoods you're interested in. Consider a broker who will tell you if your budget is in line with what you'll be able to afford. Also, you may want someone who lives and works in the community you're exploring.

If the market trends upward, it may be more expensive to purchase a new home. This means buying a home with a lower down payment — or none at all — might not work out for you. You may want to have a few backup places to explore or think about postponing a second home.

Do the Math on Your Mortgage.

If you've found a property you're interested in, estimate what the monthly payments would be if you didn't put any money down versus if you put some money down. If you're comfortable with the figures in the "no money down" column, your chances of avoiding a down payment may increase.

You also may try rolling your potential down payment into the final cost of the home. Many lenders do this with first homes as well. However, interest rates and fees may cause your monthly payments to go up. Make sure you can afford those costs.

Without a down payment, you'll have to pay [private mortgage insurance](#). With the increase in the mortgage payment and the added cost of PMI, a second home may be more costly than you realized. You can cancel PMI after you've made 20% equity in your home. Or you can avoid PMI if you have a 20% down payment.

Browse Different Loan Types and Lenders.

A conventional loan requires a 20% down payment, but it's not the only type of loan available as you're looking for a second home to buy.

Home equity financing: Use a home equity line of credit (HELOC) or a [home equity loan](#) on your first property to put towards your second one. Both let you borrow money against the existing equity in your home. But keep in mind that due to tax laws implemented in 2018, you can't write off the interest you pay through a home equity loan or HELOC unless it's used on the home you borrowed from.

Cash-out refinance: Cash-out refinance is when you take out a new loan to replace your old one, using the equity in your home to cash out. New terms usually include a lower interest rate or longer repayment terms, which could lower your monthly payments. You could use the money from "cashing out" to help fund your second home.

Government-backed programs: FHA loans are primarily for single mortgages. That is, not multiple homes for individual borrowers. But if you meet the eligibility requirements, you might qualify. VA and USDA loans are also available but are limited based on your background and where you're looking to buy.

To see if you'd qualify, contact individual lenders or complete pre-qualification forms. These will give you a better idea of which lenders will work with you even though you don't have a down payment.

Bottom Line

Are you looking to [buy a second home](#) without a down payment? As daunting as it sounds, there are ways you can get into buying a second home without a down payment. Or you can work on building up your down payment a few different ways before jumping on board. Look into your

options, calculate your down payment, and consider more than one lender before making your decision

Homebuying Tips

- It's important to have the right team in place when you're buying a home. A real estate agent or broker is important, but a [financial advisor](#) can help you create a financial plan for a second home. Finding a qualified financial advisor doesn't have to be hard. [SmartAsset's free tool](#) matches you with up to three financial advisors who serve your area, and you can interview your advisor matches at no cost to decide which one is right for you. If you're ready to find an advisor who can help you achieve your financial goals, [get started now](#).
- [Having a down payment](#) is one of the best ways to prove you're responsible enough to lend money to. Unless you can pay for your home completely in cash, you'll need to take out a loan. The higher your down payment, the better you look to lenders. If you don't have a high down payment, make sure your financial profile is in tip-top shape. For instance, get your credit score as high as possible and lower your debts as much as you can. [The lower your DTI](#) and higher your credit score, the more likely lenders will approve you for a loan.

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Dori Zinn has been covering personal finance for nearly a decade. Her writing has appeared in Wirecutter, Quartz, Bankrate, Credit Karma, Huffington Post and other publications. She previously worked as a staff writer at Student Loan Hero. Zinn is a past president of the Florida chapter of the Society of Professional Journalists and won the national organization's "Chapter of the Year" award two years in a row while she was head of the chapter. She graduated with a bachelor's degree from Florida Atlantic University and currently lives in South Florida.