CAN YOU BUY AN APARTMENT WITH NO MONEY DOWN? HERE IS HOW YOU CAN!

by [Nasser Mansur](https://www.mashvisor.com/blog/author/nasser/) , Mashvisor.com

One of the biggest hurdles that many real-estate investors face – especially [beginner investors](https://www.mashvisor.com/blog/investing-in-real-estate-for-beginners-steps/) – is the financing of their investment. Usually, in order to buy an apartment or a house or any other kind of real estate property, an investor will need to have a large sum of money to use as a down payment on the property; but, [can you buy an apartment](https://www.mashvisor.com/) with no money down?

The short answer is: yes, you can. However, there are things to take into consideration before you can buy an apartment with no money down, like your credit score, the type of property you want to buy, the location of the property, among other things.

So, how [can you buy an apartment](https://www.mashvisor.com/) with no money down? Let’s find out!

How Can You Buy an Apartment with No Money Down?

In most cases, when you’re trying to buy an apartment or a house as a homeowner, the first option you will consider – [if you don’t have the amount in cash](https://www.mashvisor.com/blog/how-to-invest-in-real-estate-with-no-money-beginners-guide/) – is financing your purchase using a mortgage.

However, as an investor, the number of mortgage options you have will be limited. Additionally, even in the case of financing through a mortgage, most lenders will require you to put a down payment equal to a set percentage of the price of the property that you want to buy.

For example, if you’re buying an apartment that has a price of $100,000 and the required down-payment is 30%, then you will need to put down $30,000 of the price as a down payment before the lender can give you a mortgage. Most lenders do this to reduce the risk of you not being able to pay back your mortgage.

However, there are a number of mortgage options that are great choices for anyone asking the question “can you buy an apartment with no money down?”

Government-Backed Loan

[Can you buy an apartment](https://www.mashvisor.com/) with no money down? If you have a government-backed loan, you definitely can.

A government-backed loan is a loan that is insured by the federal government. This means that in the case you weren’t able to pay back your mortgage, the government will have to carry the burden for you.

Government-backed loans are usually given to people who are struggling due to bad financial situations and are in need of a home. However, government-backed loans are much less risky for lenders since they won’t be losing the money that they’re lending you and they’re insured to get the amount back by the government.

Currently, there are two types of government-backed loans in the US: those are [USDA Loans](https://www.quickenloans.com/home-loans/usda-loan) and [VA Loans](https://www.quickenloans.com/home-loans/va-loan). Each of these loans has its own unique set of requirements that you will have to meet in order to qualify for the loan.

Additionally, there are options that will require you to put some money down, but these options are much more forgiving as the amount of down payment they require is relatively low and affordable. These options include the [FHA loan](https://www.quickenloans.com/home-loans/fha-loan) as well as some [conventional mortgage](https://www.quickenloans.com/home-loans/30-year-fixed) options.

Zero-Down Mortgages

Zero-down mortgages are exactly what the name suggests – they are mortgages that do not require any down payment.

However, in order to get a zero-down mortgage, you need to qualify for a government-backed loan first. Here are the two most notable types of zero-down mortgages:

USDA Loans

This type of loan is backed by the USDA (United States Department of Agriculture).

A USDA loan is a zero-down loan, meaning it requires no down payment at all. Additionally, this type of loan has much lower fees than most other [types of loans](https://www.mashvisor.com/blog/6-types-loans-for-investment-properties/).

However, in order to qualify for a USDA loan, you will need to meet its criteria:

First, the property that you want to purchase must be located in a rural or suburban area. Additionally, the property you’re buying can’t be a working farm – it must be a single-family home that you intend to use as a primary residence. You can use the [USDA’s map of eligible areas](https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfp) to see if the property you want to purchase is located in an eligible area.

Second, these are the financial requirements that you need to qualify for in order to get a USDA loan:

* Your household’s combined gross income cannot be higher than 115% of the median income of the county where the property is located.
* You cannot have a [debt-to-income ratio](https://www.mashvisor.com/blog/debt-to-income-ratio-for-a-mortgage/) that is higher than 45%.
* Your FICO score must be 640 or higher.

VA Loans

If you thought that the requirements for a USDA loan are specific, wait until you hear about the VA loans.

This type of loan is backed by the Department of Veterans Affairs, and if you qualify for the above criteria, then this type of loan is the answer you’re looking for when asking the question “can you buy an apartment with no money down?”.

VA Loans are usually reserved for active-duty service members, veterans, spouses of deceased veterans, or members of the National Guard. But not all of the aforementioned will qualify for a VA loan.

Can you buy an apartment with no money down using a VA loan? First, you will need to meet these criteria:

* Served 90 consecutive days of active service during wartime, or 181 days during peacetime.
* You must have served in the National Guard or the Reserves for no less than 6 years, or 90 days under Title 32 orders with at least 30 days being consecutive.
* If you’re discharged due to a disability that you’ve suffered during service.
* If you’re a spouse of a deceased service member who has died due to a service-related injury or who has died in the line of duty.

Finally, in order to qualify, you must have a [credit score](https://www.mashvisor.com/blog/calculating-credit-score/) that is higher than 580. So, can you buy an apartment using a VA loan? Let us know!

Can You Buy an Apartment with Low Money Down?

If you don’t qualify for a VA or a USDA loan, there are a few options that you might be interested in that offer financing options for your property at low down payment.

These options include FHA loans and conventional loans with PMI:

FHA Loans

[FHA Loans](https://www.mashvisor.com/blog/fha-loan-for-investment-property/) are loans backed by the Federal Housing Administration, and they are usually given to people with low or modest incomes.

This type of loan requires as little as 3.5% down payment, and they have far fewer requirements than the zero-down mortgages mentioned above:

* You must be planning to use the property as your primary residence.
* The home must meet the livability standards (can’t be a [distressed property](https://www.mashvisor.com/blog/distressed-property-find/)).
* You must move into the property within 60 days of closing the deal.

Conventional Loans with PMI

While most conventional loans have a requirement of a 20% down payment, a PMI (private mortgage insurance) loan is different.

However, it is possible to get a conventional loan with as little as a 3% down payment. But your lender will require you to pay a PMI as a condition on your loan if your down payment is less than 20%. This type of insurance is used to protect your lender in case you stop paying your mortgage bills.

A PMI doesn’t offer any other advantages. That’s why most people will want to cancel their PMI as soon as they can, which is when they reach 20% equity on their home. This is done by contacting their lender and asking them to cancel their PMI.

Can You Buy an Apartment with No Money Down as an Investment?

If you qualify for any of the above types of loans, and you want to turn your new property into an [investment property](https://www.mashvisor.com/blog/what-makes-good-income-property/), then you will probably want a tool that can help you do the math to see how long it will take before your property will pay for itself. This is where we come in! Mashvisor is a real estate platform that was designed to help [real estate investors](https://www.mashvisor.com/) and homebuyers find the perfect property that meets their criteria and which will achieve their financial goals.

Using our platform, you will gain access to [a wide selection of tools](https://www.mashvisor.com/blog/tools-find-best-rental-properties-2020/) that you can use for any number of purposes to help you on your investment journey or to help you close the deal.

One of these options, the[Investment Property Calculator](https://www.mashvisor.com/), is especially relevant here. If you’ve found the answer to the question “can you buy an apartment with no money down”, and regardless of the option that suits you, our property calculator can help you run the math on your purchase to see what your financial situation will be on the short term and the long term.

Mashvisor Property Calculator

Our [property calculator](https://www.mashvisor.com/blog/mashvisors-rental-property-calculator/) is an effective tool that will help you do all the necessary calculations needed in order to make smart decisions when it comes to your purchase.

Using this tool, you can find any property on our database and see how that property holds up compared to other properties in the area. And, while the tool will give you the property’s value, expected returns, and cap rate by default, you can edit and modify the values in order to match your particular purchase.

For example, the property calculator will give you calculations based on a conventional mortgage with a 20% down payment by default. However, in the case you can buy an apartment with no money down, you can simply change the values of the mortgage and the down payment to match your case in order to get calculations that are more accurate for you.

What Does It Calculate?

The property calculator will give you calculations that are related to using the house as an investment property or as a homeowner by crunching down the numbers based on the property’s appreciation rate and the rental income that it can potentially generate.

Based on this data, combined with comparative data from thousands of other similar properties as well as the neighborhood where it’s located, the property calculator will give you the following values:

* Cap Rate (capitalization rate – when will the property pay for itself)
* Cash on Cash Return (how much cash you’re getting back for the cash that you put down)
* Rental Rates (both long-term and short-term (Airbnb) renting)
* Cash Flow
* Occupancy Rate
* Maintenance Costs
* Appreciation

This means that, even if you don’t want to turn in your property into a rental, you will still be able to see how much the property will cost you and what its value will be in the next 10 years.