CAPITAL FINANCIAL GROUP CORPORATION

THE CASH-FLOW BLUEPRINT

Why Draining Savings for a 20% Down Payment Can Leave You House Poor

3–5% Down vs. 20% Down — Keep Cash Liquid

Capital Financial Group Corporation | Jupiter, FL | NMLS #2547138

You cannot pay a medical bill with bricks and drywall.

Draining your entire life savings just to avoid a monthly mortgage-insurance premium leaves you house poor. If a rainy day happens, the extra equity in the walls does not write a check. Smart buyers keep cash liquid. Putting 3% to 5% down — when the file supports it — keeps a safety net intact and leaves room to invest, repair, or simply sleep at night.

The Myth: “Always Put 20% Down”

Twenty percent down is a useful rule for one thing: it usually removes monthly PMI on a conventional loan. It is not a law, and it is not automatically the cheapest or safest way to buy. Conventional 97, Fannie HomeReady / Freddie Home Possible, FHA (3.5%), and VA ($0) exist because the market already accepts lower down payments when credit, income, and reserves work.

In South Florida the cash drain is worse than the national average. Property insurance, flood, HOA, and closing costs already take a large check. Writing a second six-figure check for 20% down on a $500,000–$650,000 Palm Beach County purchase can empty the reserve account that underwriters — and your household — actually need.

Side-by-Side Math (Illustrative $500,000 Purchase)

Figures below are educational only — not a quote. They show the cash decision, not a locked rate. Principal-and-interest uses a sample 6.75% 30-year fixed. PMI is a typical conventional estimate and drops off as you reach ~20% equity. Taxes, insurance, and HOA are excluded so the down-payment tradeoff is visible.

	3.5% down	5% down	20% down
Down payment	$17,500	$25,000	$100,000
Loan amount	$482,500	$475,000	$400,000
Est. P&I (6.75% / 30-yr)	~$3,130	~$3,080	~$2,594
Est. monthly PMI*	~$140–$200	~$120–$170	$0
Cash left vs. 20% down	+$82,500	+$75,000	$0 extra

*PMI varies by credit score, LTV, and loan type. FHA uses mortgage insurance for the life of the loan unless you refinance later. VA has no monthly PMI. Always run the file before treating these as your numbers.

What the Extra Cash Is For

- **Reserves.** Lenders want to see months of PITIA in the bank after closing. So should you. A roof, HVAC, or insurance spike in Florida is not theoretical.
- **Emergency liquidity.** Job change, medical bill, or a special assessment cannot be paid with drywall.
- **Opportunity.** Cash that is not locked in the house can sit in reserves, pay down high-interest debt, or fund the next investment — including a DSCR rental if that is the plan.

• **Offer strength is not the same as cash drained.** A full pre-approval, clean appraisal-gap plan, and proof of reserves often beat a 20% down offer that leaves the buyer empty.

When 20% Down Still Wins

This blueprint is not “never put 20% down.” Twenty percent is the better move when PMI would be expensive relative to your rate, you already have 12+ months of reserves after the larger down payment, you want the lowest possible payment and plan to keep the loan a long time, or the loan program you need (some jumbo / portfolio overlays) requires it. The mistake is treating 20% as the default when it empties the only liquid account you have.

How to Use a Low Down Payment the Smart Way

1. Get fully pre-approved so the payment includes Florida taxes, insurance, and HOA — not just P&I.
2. Compare 3%, 5%, and 20% on the **same** house: cash to close, monthly PITIA + PMI, and cash left in the bank.
3. Ask when PMI drops off (conventional) vs. whether you would refinance later (FHA).
4. Layer gift funds, Hometown Heroes, HAP/SHIP, or VA $0 down when you qualify — that is how 3–5% becomes even less cash out of pocket.
5. Do not make large purchases or move money around after pre-approval. Reserves have to be sourced.

Want the math on your house — not a $500,000 example?

Comment BLUEPRINT or call (561) 677-2340. Send the price, estimated taxes/insurance/HOA, and how much cash you want to keep in reserve. We will run 3%, 5%, and 20% side-by-side. No hard credit pull on an inquiry.

Keep the cash liquid. Then buy the house.

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