

BUYING A HOME

Home is where we rest in the presence of loved ones and God. Finding space for those relationships is the only investment worth making.

—Ben Wilson*

LEARN

A home can be a good investment for those who are prepared and understand the risks. Paying a mortgage increases your equity and can give you tax advantages. Home ownership, with its security and stability, also comes with additional responsibility and accompanying expenses.

How much can I afford?

Your monthly house payment (including principal, interest, property tax, and insurance) shouldn't be more than

28%

OF WHAT YOU MAKE IN A MONTH.

Imagine living with a payment that size in your monthly expenses, and adjust your home-buying budget as needed until it feels right.



AIM FOR A

15 YEAR MORTGAGE

if possible, to ensure your home is paid for before you retire.

What kinds of loans are available?

CONVENTIONAL LOAN

- Requires a higher credit score
- Allows down payments as low as 3%
- Requires mortgage insurance until 22% of the home value is paid

FHA LOAN

- Accepts buyers with lower credit scores
- Allows down payments as low as 3.5%
- Requires mortgage insurance for the life of the loan with a down payment less than 10%

How can I avoid mortgage insurance?

20%

DOWN PAYMENT

With a 20% down payment, you won't need mortgage insurance. This fee is charged of higher-risk borrowers.

How can I save for a down payment?

5

OR MORE YEARS TO SAVE consider a brokerage account

YEARS OR LESS TO SAVE

a CD or savings account may be best

Should I hire a real estate agent?



Since the seller of a home pays agent fees, you have nothing to lose in hiring a real estate agent when buying a home. Ask for referrals from local friends and family to find someone you enjoy working with. Although there are many online resources for DIY house hunting, an agent's experience and training can be invaluable to first-time home buyers.

What if I don't plan to stay in the area long?

Statistically, you should only consider buying a home if you plan to live there for at least five years. A home is typically not a good short-term investment because the transaction costs are high.

DO

Set up direct deposit

To save for a down payment, consider a dedicated account with a regular deposit directly from your paycheck.

Shop for a lender

Look for the lowest annual percentage rate (APR), not just the lowest interest rate. The APR includes additional fees the lender may charge.

Get pre-approved

Prove to your agent and home sellers that you are serious about buying a home and give yourself an idea of how much you can afford. Look for a home that is about 20% less than your pre-approved amount.

Find a home that fits your payment ratio and overall budget

Your real estate agent can help you find homes within your range. Plan to spend a lot of time walking through homes and discussing what you do and don't like about them. Your agent can help you make the best use of your budget to find a home you love in a neighborhood you are comfortable with.



Resources

[NERD WALLET MORTGAGES](#)

[CREDIT.COM MORTGAGE LEARNING CENTER](#)

[HOW TO KNOW IF YOU'RE READY TO BUY A HOUSE](#)

* Ben Wilson, "What I Gained by Ditching House-Buying Conventions," Groto (newsletter), accessed February 27, 2020, <https://grotonetwork.com/navigate-life/career-and-finance/things-to-consider-when-buying-house>.

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