

## Is Home Ownership for You?

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## 7 Reasons to Own Your Home

1. **Tax breaks.** The U.S. Tax Code lets you deduct the interest you pay on your mortgage, property taxes you pay, and some of the costs involved in buying your home. Some rules have changed with the 2018 tax code. Effective with residences purchased Dec. 15, 2017 or later, the new cap on mortgage interest deductions is \$750,000 worth of new mortgage loans, including second homes. Another change is the state, local and property tax deduction is now limited to \$10,000 combined (used to be unlimited).
2. **Gains.** Between 1998 and 2002, national home prices increased at an average of 5.4 percent annually. And while there's no guarantee of appreciation, a 2001 study by the NATIONAL ASSOCIATION OF REALTORS found that a typical homeowner has approximately \$50,000 of unrealized gain in a home.
3. **Equity.** Money paid for rent is money that you'll never see again, but mortgage payments let you build equity ownership interest in your home.
4. **Savings.** Building equity in your home is a ready-made savings plan. And when you sell, you can generally take up to \$250,000 (\$500,000 for a married couple) as gain without owing any federal income tax.
5. **Predictability.** Unlike rent, your mortgage payments don't go up over the years so your housing costs may actually decline as you own the home longer. However, keep in mind that property taxes and insurance costs will rise.
6. **Freedom.** The home is yours. You can decorate any way you want and be able to benefit from your investment for as long as you own the home.
7. **Stability.** Remaining in one neighborhood for several years gives you a chance to participate in community activities, lets you and your family establish lasting friendships, and offers your children the benefit of educational continuity.

## **5 Common First-Time Homebuyer Mistakes**

1. Not asking enough questions of their lender and miss out on the best deal.
2. Not acting quickly enough to make a decision and someone else buys the house.
3. Not finding the right real estate professional who is willing to help you through the home buying process.
4. Not doing enough to make their offer look good to a seller.
5. Not thinking about resale *before* they buy. The average first-time buyer only stays in a home for four years.

## 10 Tips for First-Time Homebuyers

1. **Be picky, but don't be unrealistic.** There is no perfect home. Try to envision changes you can make after moving in to adapt the home to your needs.
2. **Do your homework before you start looking.** Decide specifically what features you want in a home and which are most important to you.
3. **Get your finances in order.** Review your credit report and be sure you have enough money to cover your down payment and your closing costs.
4. **Don't wait to get a loan.** Talk to a lender and get prequalified for a mortgage before you start looking. This is very important for many reasons.
5. **Don't ask too many people for opinions.** It will drive you crazy. Select one or two people to turn to if you feel you need a second opinion.
6. **Decide when you could move.** When is your lease up? Are you allowed to sublet? How tight is the rental market in your area?
7. **Think long-term.** Are you looking for a starter house with the idea of moving up in a few years or do you hope to stay in this home longer? This decision may dictate what type of home you'll buy as well as the type of mortgage terms that suit you best.
8. **Don't let yourself be "house poor".** If you max yourself out to buy the biggest home you can afford, you'll have no money left for maintenance or decoration or to save money for other financial goals.
9. Insist on a home inspection and, if possible, get a home warranty from the seller to cover defects within one year.
10. **Get help.** Consider hiring a real estate agent as your buyer's agent. Unlike a listing agent whose first duty is to the seller, a buyer's agent works only for you at no cost since they are paid out of the seller's commission payment.

## **10 Ways to Take the Trauma Out of Home Buying**

1. Find a real estate professional who's a good fit for you and your family. Home buying is not only a big financial commitment, but also an emotional one. It's critical that the practitioner you choose is both skilled and a good fit with your personality.
2. Remember, there's no "right" time to buy, any more than there is a right time to sell. If you find a home now, don't try to second-guess the interest rates or the housing market by waiting. Changes don't usually occur fast enough to make that much difference in price, and a good home won't stay on the market long.
3. Don't ask for too many opinions. It's natural to want reassurance for such a big decision, but too many ideas will make it much harder to make a decision.
4. Accept that no house is ever perfect. Focus in on the things that are most important to you and let the minor ones go.
5. Don't try to be a killer negotiator. Negotiation is definitely a part of the real estate process, but trying to "win" by getting an extra-low price may lose the home you love. Rely on your Buyer's Agent to advise you as to what would be a good offer for you that the seller would be most likely to accept.
6. Don't get so caught up in the physical aspects of the house itself—room size, kitchen—that you forget such issues as amenities, noise level, etc., that have a big impact on what it's like to live in your new home.
7. Don't wait until you've found a home and made an offer to get approved for a mortgage and investigate insurance availability. Presenting an offer contingent on a lot of unresolved issues will make your bid much less attractive to sellers.
8. Factor in maintenance and repair costs in your post-home buying budget. Even if you buy a new home, there will be some costs. Don't leave yourself short and let your home deteriorate.
9. Accept that a little buyer's remorse is inevitable and will probably pass. Buying a home, especially for the first time, is a big commitment, but it also yields big benefits.
10. Choose a home first because you love it; then think about appreciation. While U.S. homes have appreciated an average of 5.4 percent annually from 1998 to 2002, a home's most important role is as a comfortable, safe place to live.

## **Does Moving Up Make Sense?**

Answer these questions to help you decide whether moving up makes sense.

1. How much equity do you have in your home? Look at your annual mortgage statement or call your lender to find out. Usually, you don't build up much equity in the first few years of paying a mortgage, but if you've owned your home for a number of years, you may have significant unrealized gains.
2. Has your income increased enough to cover the extra mortgage costs and the costs of moving?
3. Does your neighborhood still meet your needs? For example, if you've had children, the quality of the schools may be more of a concern now than when you first purchased.
4. Can you add on or remodel? If you have a large yard, there might be room to expand your home. If not, your options may be limited. Also, do you want to undertake the headaches of remodeling?
5. How is the home market? If it's good, you may get top dollar for your home.
6. How are interest rates? A low rate not only helps you buy more home, but also makes it easier to find a buyer.

## **What Is Appraised Value?**

It's an objective opinion of value, but it's not an exact science so appraisals may differ.

For buying and selling purposes, appraisals are usually based on market value—what the property could probably be sold for. Other types of value include insurance value, replacement value, and assessed value for property tax purposes.

Appraised value is not a constant number. Changes in market conditions can dramatically alter appraised value.

Appraised value doesn't consider special considerations, like the need to sell rapidly.

Lenders usually use either the appraised value or the sale price, whichever is less, to determine the amount of the mortgage they will offer.