



Home Ownership

When buying a home, it important to assess your budget and lifestyle to determine whether it's the right choice for you. Is your lifestyle (skills, time, married, children, schools, travel, moving, etc.) compatible with home ownership?

Basics

- Lenders offer loans with as low as 3% of the purchase price **down payment**.
- **Interest rates** or fees lenders charge vary and impact home purchase affordability.
- **Private Mortgage Insurance (PMI)** protects lenders in case the borrower defaults and required for loans *with less than 20% down*.
- **Mortgage payments** are typically principal, interest, PMI, insurance, and taxes.
- **Debt-to-Income (DTI) Ratio** refers to the percentage of income that goes towards paying debt. Lenders limit DTI (e.g. 43% total and 31% mortgage debt payments).
- **Loan terms** are typically 30, 15 or 10 years.
- **Loan types** are typically fixed rate or adjustable rate (ARM).
- **Closing costs** include discount and origination points, appraisal fees, title search fee, home inspection, etc.
- **Home type** include single family, multi-family, condominium.
- **Qualifications** depend on type of loan (FHA, WHEDA, conventional, VA, jumbo, etc.) and criteria including credit score, down payment, DTI, term, income, employment history and co-signers.
- **Pre-qualification** is estimate and **pre-approval** is a commitment. Tool: [Mortgage Calculator](#)

Tips

- **Adjust your budget and cash flow** for maintenance, insurance, HOA fees and taxes.
- **Improve your credit score**, at least 640; 720 or better for the best rates. Tool: [Credit Karma](#).
- Improve your **employment history**.
- Consider carefully the **type of home** - single family, condo or *multi-family*.
- Save a **20% down payment** to eliminate PMI and reduce interest rate costs.
- Use the 3 times your income rule for home purchase affordability.
- Evaluate the purchase as an **investment**; consider location, neighbor, taxes, schools, government services, market conditions, etc.
- Make **additional payments** to reduce interest expense and reduce the term.
- If **refinancing**, calculate the return and do not extend the term or increase the loan size.

Benefits

- **Builds equity** or (forced) savings with each payment. At the end of the mortgage, you own the home, which significantly decrease monthly cash flow or then becomes savings for retirement.
- Mortgage interest, property taxes, and some closing costs are **tax deductible**, which may reduce income subject to tax.
- **Fixed monthly payments** means there are no fluctuations in monthly housing bills (except for maintenance).

Other Topics: Refinancing, second mortgage, reverse mortgage, private mortgage, multi-family, second homes

Do you need a [financial advisor](#)?

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