

# How Much Money Should You Put Down on a New House?

Coming up with a down payment is only half the challenge for most homebuyers. Deciding how much to put down can be just as difficult, because of the significant financial consequences that are usually involved.

Most buyers should start saving for a down payment long before they begin shopping for a mortgage, because down payment requirements are usually substantial. The funds that you use have to be in your account for a relatively long period of time, or most lenders won't accept them. They want to ensure that the money is really yours, and not just temporarily parked in your account with the goal of making you look financially stronger than you actually are.

Even after coming up with the money for a down payment, there are plenty of pros and cons regarding mortgage down payment strategies, and almost all of them depend upon your unique financial situation. In general, you should pay as much as possible to gain the benefits of a large down payment, while also taking care not to go beyond your own financial comfort level.

## DOWN PAYMENT CONSIDERATIONS

Here are just a few items to consider before you make the big down payment. For example:

- If you pay less than 20 percent down, you'll probably be required to pay a heftier monthly payment that includes a premium for private mortgage insurance (PMI). Be sure to ask your lender about this.
- If you pay more than 20 percent down, you may run the risk of tying up all your available cash. If you need money later down the road, a second mortgage may be your only option.
- By paying more up front, however, you improve your chances of getting a more favorable interest rate — even if you don't have excellent credit. This could save you thousands of dollars during the lifetime of a mortgage.
- As we all know, moving costs money, so don't overextend yourself by putting all your available cash into your down payment. You'll also need a savings cushion to take care of unexpected homeowner expenses, like the repair or replacement of a roof, a heating unit, or other critical items.
- On the other hand, the more you put toward your down payment, the greater your equity. Putting down little or nothing might make you vulnerable, because even a slight slump in prices could leave you owing more than your house is worth. That's a risky situation that most people want to avoid at all costs.

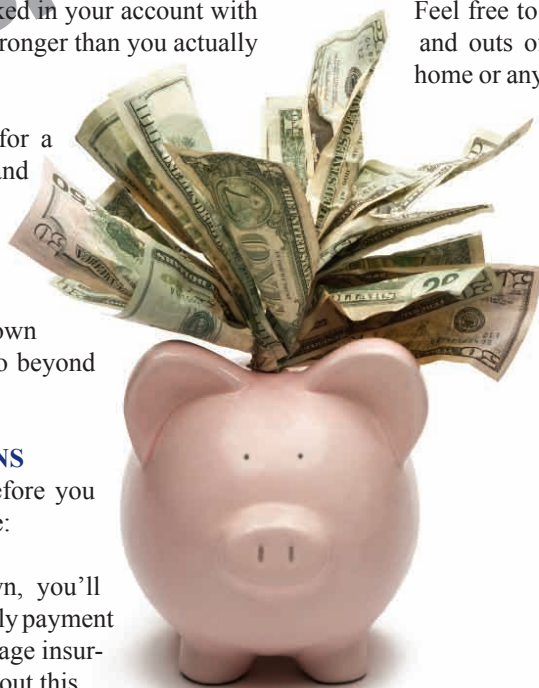
However, every down payment decision is a personal and individual one, based on the buyer's particular circumstances.

Before committing funds, you should evaluate all your options with an experienced lender who can answer your questions as you consider various possibilities.

Most importantly, don't spend money on a down payment unless you can afford it. Because doing so will only cause stress on your budget, and a stressed budget usually translates directly into real stress for you and your family. Pay what's comfortable, and then enjoy your new home with peace of mind and financial stability.

Feel free to contact our office today to discuss the ins and outs of coming up with a down payment for a home or any other mortgage or real estate related issue. That's why we're here. We look forward to your call.

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# Which Mortgage Refinance Loan Should You Choose?

According to the Mortgage Bankers Association of America, Americans refinance their home mortgage loans about every four years. But how do Americans know it's time to refinance? ...How do they know which refinance loan to choose?

You can refinance your mortgage to accomplish a number of things:

1. Refinance to a lower rate (and lower payment) — often dictated by market conditions
2. You have an ARM or balloon mortgage that needs to be refinanced before anything changes
3. Refinance to get cash out for a number of things — consolidating debt, home improvement or anything else

Keep in mind that sometimes looking for a lower rate and looking for a lower payment could be two different things. The market dictates rates — if you got your loan when rates were higher than they currently are, refinancing to a lower rate should give you a lower payment and help you to pay less in interest in the long run. If you simply need a lower payment, sometimes refinancing to an interest-only loan can offer you the extra monthly cash flow you need.



If you've got significant debt outside your mortgage, a refinance could turn the inefficient debt into another tax deduction! Credit cards and car loans typically don't share this benefit, so consolidating them with your mortgage may reap you huge savings on a monthly basis and the interest paid may be tax deductible. Doing a cash-out refinance will give you one low, monthly payment into an investment that should appreciate over time — your home.

The other thing you need to assess is your goals for your home when you're thinking of refinancing. Do you plan on selling soon? Are you planning any life changing events in the next 3-5 years, such as children, college or buying more real estate? Refinancing to the lower rates of a 3, 5, or 7-year hybrid ARM could save you money if you think you will be out of the mortgage within that time period.

Weigh your refinance options to find which one makes the most sense — a good mortgage lender should be able to help you compare refinance loans side by side. Feel free to contact our office today.

## Are You Buying a House...or a Home?

As you read and study about buying real estate, you will often find the words "house" and "home" used interchangeably. Keep in mind that there is a huge difference between a house and a home.

A house can be a place to eat, sleep, park your car, and put all your "stuff" (including other family members). It is a material possession and an investment. A home is where you feel comfortable, warm, safe, and protected. ...A home is where you live.

A house is something you buy logically. A home is an emotional

purchase. When buying real estate you have to balance your emotional wants and your logical needs because there will almost certainly be a time when the two conflict. For example, you may want a house with a view, but the payment may be higher than you feel comfortable with on a 30-year fixed rate mortgage. What do you do?

Purchase the house anyway and budget more carefully for the next few years? Buy the same house without the view and get it cheaper? Make a larger down payment by borrowing from your 401K or family members, so you get a lower payment? Get an adjustable rate mortgage with a smaller payment instead of a fixed rate loan? Or buy a smaller house and still get the view?

When viewing the house, most people look at it emotionally and envision it as a safe, happy, comfortable home. Later, when making the offer or filling out a mortgage application, your logic may begin to kick in, instead. Did you buy the right house? Did you make the right decision?

### A Balancing Act

The trick in buying real estate is to view all decisions with both a logical perspective and an emotional perspective. If a situation presents itself that requires a trade-off, decide on whether there is a huge conflict or a small one. Logic should win the big conflicts, but emotion should always be a factor, even winning the small ones.

You will find yourself owning a warm, happy, safe home — and an investment for the future at a price you are willing to pay.

