

## ARE YOU READY TO BUY A HOME?

### Four questions to consider before you take the plunge

By Deborah Huso

Owning a home is part of the American dream. But before you assume a monthly mortgage as a first-time homebuyer, you'll need to determine whether or not your home-owning goals align with your current financial picture. Ask yourself these four questions.

#### 1 Are you ready for the down payment and associated costs of purchasing a home?

That list price may look attractive, but don't forget about upfront costs like a good faith deposit, down payment, appraisal and inspections, and closing costs. Use an online mortgage rate and payment calculator like **MortgageCalculator.org** to determine the full purchase price and monthly payments based on your credit score, home value and down payment.

If you don't think you have the funds to make a down payment, there are a number of local and national down payment assistance (DPA) programs (**DPAOne.FreddieMac.com**) available, says Landy Liu, founder of first-time homebuyer savings platform Foyer. "These programs can offer grants or low-interest loans to cover your down payment and even closing costs." According to Foyer, some 70 percent of all listed homes are eligible for DPA programs.

#### 2 How healthy is your credit?

Get a handle on your credit by obtaining your free credit report (**AnnualCreditReport.com**). The higher your score, the lower your mortgage interest rate will be. If you



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have student loans or credit card debt, pay them down as much as possible before applying for a home loan.

#### 3 Can you afford the long-term costs of ownership?

Owning a home means recurring costs—property taxes, home insurance, homeowner's association fees and utilities. And don't forget maintenance.

Lawrence Fiore, New England and Mid-Atlantic regional mortgage manager at US Bank, says you need to be able to afford to stay in the home "no matter what life throws at you."

When making plans to buy, be sure to pad your bank account for rainy-day expenses such as home repairs and appliance replacement.

#### 4 Does the home you're considering align with your short- and long-term plans?

That two-bedroom, one-bathroom cottage suits your current needs, but

think big picture. "Is this a first home or your forever home?" asks Fiore. "Do you see your family expanding soon?"

If you sell your house before you have equity in it or have earned back the original cost to purchase it, for example, you could end up losing money, particularly if you're liable for capital gains taxes in the sale, so make sure you're committed to staying in the home at least five to 10 years.

"You're buying a home both as a long-term financial investment as well as to be your home," Fiore emphasizes.

#### ON THE PLUS SIDE

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