Are You Ready To Buy?

Juggling the demands of work and busy family schedules have become commonplace for many people. There is little time to step back and take a look at what you have achieved and what you still want to accomplish. Deciding to buy a home provides the opportunity to carefully weigh the advantages and disadvantages, analyze your employment stability, review your credit reports, and evaluate your financial status.

Renting vs. Owning

Does it seem a little strange that we would even urge you to consider remaining a renter? After all, we are in the business of lending and definitely want to gain your business. But more importantly, we want you to be completely happy and satisfied with your decision. Just like every thing else in life, there are two sides and there are advantages and disadvantages to both. Carefully evaluate your financial situation. Buying a home means it is time to put your goals in priority.

The Advantages of Ownership

Let's face it - if there weren't so many advantages to owning a home, would the idea be at the core of the American dream? We like to own things, make them ours and take pride in them. Along with the emotional perks owning your home brings, there are also several financial advantages. Leading financial experts agree that owning real estate is a solid investment strategy compared to options like stocks, bonds, etc.

Homeownership provides a welcome tax break. The government allows homeowners to deduct the amount of their property taxes and mortgage interest from their taxes. In California, voters passed Proposition 13 stating that homeowners will pay one per cent of the original sales price for their property tax bill. This cost is fixed, at least until the law changes. This is fortunate compared to most other states in the country where property tax amounts are based on property assessments taken every couple of years generally increasing the cost. Of course, laws and situations vary, so consult your tax advisor to determine your exact savings.

To a homeowner, there is no sweeter word than "EQUITY". Equity is the financial investment or stake you have in your home. For example, let's say you buy a home for $210,000 with no down payment. In a few years, your house may be worth $250,000 and you're the proud owner of $40,000 in equity. Building equity is one of the best and smartest investments you can make to secure your future. As your equity grows, your personal wealth grows. When you have equity, you have the ability to obtain low cost loans borrowed against it. Think of the possibilities. Your equity can build over the years and may become a resource for college tuition, home improvement loans, and even your retirement. Equity can be a growing nest egg that could always be there for you.

Some buyers take the road to building equity at a faster pace with a little "home work". Commonly known as "fixer uppers", these homes can be purchased for a lower price simply because they need some work. If you have the resources to invest "sweat equity" in your home, then you can increase the value of your home rather quickly compared to buying a house that is in perfect move-in condition.

Although there are additional costs involved in homeownership compared to renting, for the most part those costs are going to be fixed or increase slightly during the term of the loan. These extra costs include:

- Real estate taxes
- Homeowners insurance
- Condominium maintenance fees (depending on what type of house you buy)
- Homeowners association dues (depending on your neighborhood choice)
- All utilities - gas, electric, water, trash

- Maintenance and repair

But if you think owning a home is expensive, consider the alternative. Your rent is subject to an increase each time you renew your lease. Use the following table to calculate your rent in the years to come.

Predicting Your Future Rent

Your Current Monthly Rent	Multiplication Factor (Based On 4% Inflation Rate)	Projected Future Rent
$	X 1.48	= $ in 10 years
$	X 2.19	= $ in 20 years
$	X 3.24	= $ in 30 years
$	X 4.80	= $ in 40 years
$	X 7.11	= $ in 50 years
$	X 10.52	= $ in 60 years

If you're current rent is $1,100/month, expect to be paying $1628 in ten years. If you have a mortgage payment of $1,100/month, expect to pay $1,100 in ten years with a fixed rate loan. Here's the same scenario from a different viewpoint. Jump forward in time thirty years (the average mortgage length) and imagine you are living in that same apartment. For mathematical simplicity, your rent has remained $1,100 because you're an excellent tenant and the landlord likes you. Over the thirty years, you've given the landlord a whopping $396,000 and you are left with nothing to show for it except a pile of cancelled checks. However, if you had purchased a home thirty years ago, it would now be paid off with you as the rightful owner. You would have built up substantial equity and you would have enjoyed years of tax benefits.