



Buying A Home

Whether you are purchasing your first home, upgrading to a bigger space, or looking to downsize, there are a myriad of factors to consider and plan for before even beginning the search; below is a list of some of the most important financial aspects:

- **Calculate how much you can afford** – according to the College for Financial Planning, monthly housing costs (including principal, interest, taxes, fees, and insurance) should not exceed 28 percent of your *gross* income
- **Save for a down payment** – as a general rule of thumb, you should try to save up to 20 percent of the value of the home to use as a down payment; if you plan on putting less than 20 percent down, you will also need to make private mortgage insurance (PMI) payments until your equity exceeds 20 percent
- **Understand and consider utilizing mortgage points** – one point is equal to 1 percent of the loan amount (ex. 1 point on a \$200,000 mortgage would be \$2,000); there are two kinds of points, discount and origination fee:
 - *Discount* – prepaid interest on the mortgage; the more you pay, the lower the interest rate
 - *Origination fee* – charged by the lender to cover the costs of making the loan
- **Build a good credit score** – lenders will look at your credit score and history to determine how much of a risk you pose to them, how much they can afford to lend you (if anything), and what interest rate to charge you
- **Figure out what attributes are most important to you** – you should compile a list of items that you consider necessities versus luxuries (i.e. things you can live with and things you can live without); this will help focus your search and make decisions easier should you need to sacrifice one quality for another
- **Browse sites such as Zillow, Trulia, and Realtor** – the web has made searching for a home easier than ever and provides a plethora of information; you can now filter your search using specific attributes, see price history for a given property, compare prices, look at photos of the property, research neighborhoods and nearby school districts, and more
- **Consider utilizing a real estate agent** – while you could feasibly go through the home-buying process alone, a real estate agent offers many advantages, including but not limited to: convenience, better access to properties and agents, experience with negotiations and contracts, and fiduciary duty to act in your best interest
- **Select a mortgage provider** – mortgages are offered by many different types of lenders, including dedicated mortgage companies, credit unions, and commercial banks; you can research and compare the best mortgage rates online as well as check out lender reviews on the aforementioned websites
- **Plan for renovations, repairs, and utilities** – if you rented previously, you may be used to the landlord taking care of all the maintenance, but when you own your own home, all of this work becomes your responsibility (this is why it is exceedingly important to have an emergency reserve established to assist with any unforeseen home expenses or renovation needs); you may also have new payments including new utilities and/or homeowners' association fees

Buying a home can be a daunting task and requires much advance planning. Before you begin the process, you may wish to consider having a MASTERPLAN done. This financial plan will take a comprehensive look at your financial situation and help you plan and fund your next home purchase. Please contact Hefren-Tillotson for further details.

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