



LENDING

# Mortgage Advice

Has there ever been a *better time* to buy your first home?

by: Chuck Simmons

**W**e are definitely living in an interesting home-buying market. If you believe the media you may think that buying a house would be the last thing to do. However, if you look at the facts I think you will see a different story. While it is true that the housing industry has been hit hard over the past year, it is my belief that if you are currently renting, you are missing out on a golden opportunity. I have spoken to many people waiting to see "the bottom" of the market before they decide to jump in and buy. The problem is that no one will ever know where the bottom truly is until long after it has been hit. All it will take is one or two events to get people buying again and get us back to an upward trend. For first-time homebuyers (defined as anyone who has not owned a home in at least 3 years), those events may have just taken place.

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President Obama just signed a stimulus package that includes a tax credit for first-time homebuyers. This tax credit could be used to provide instant equity and help make the dream of homeownership come true for many people who thought homeownership was just out of reach. Combine that with one of the lowest interest rate environments we have ever seen and you have the makings of a great opportunity. While those are both compelling reasons to jump into the market right now, there are some other financially savvy reasons to look at owning vs. renting. Let's look at each reason in more detail:

### First-Time Homebuyer Tax Credit

Signed into law in February, this credit is equal to 10% of your purchase price (with a maximum cap of \$8000) for any qualified first-time homebuyer who pur-

chases a home between January 1, 2009 and November 30, 2009. Currently, the only way to obtain the money is by filing your tax returns or changing the deductions on your W-4. That means that, more than likely, this money will not be available to you until after you close on your home. You will need to have another source of funds to use for your down-payment. This tax credit does not have to be repaid as long as you own the home as your primary residence for a minimum of three years. To find out all the details about the tax credit and if you qualify, I recommend that you consult a tax advisor and visit the website [www.federalhousingtaxcredit.com](http://www.federalhousingtaxcredit.com).

### Interest Rate Environment

Interest rates are a funny thing. If you read my last article, you will know that an interest rate can be quoted many different ways with variety of costs packaged in. There is no denying that we are currently in a very low rate environment which makes it a very attractive time to buy. Rates today are lower than they have been for years, which means you can either afford a little more house than before or you can buy the same house you looked at last year and save some money every month.

### Equity – Equity – Equity

A home purchase is both an asset and a debt. There is certainly a monthly cost associated with a mortgage payment as well as all the unexpected items that first-time homebuyers need to prepare for. Before you get started, setting up a budget for your mortgage as well as other expenses is a great idea. The upside to buying is that every month a portion of your payment is paying down the principal balance of your mortgage which means your own that much more of your home. You can request an amortization schedule from your lender which shows how much equity is being built up every month. You can also play around with those numbers and see how paying a little extra every month can drastically change how much faster you can build equity and pay off your loan.



### Interest Tax Deductions

One of the main differences in the owning vs. renting debate is the fact that the mortgage interest that you pay is a tax deduction (some restrictions may apply – again, consult a tax advisor for all the rules and regulations). This could make a big difference in your wallet come tax time!

### Inventory

Look around and you will see there are far more sellers today than buyers. Houses are sitting longer than normal which means that sellers are very motivated. Having more houses to choose from puts you in the driver's seat and lets you find the home that is perfect for you. A realtor has a database of homes available at their fingertips and can help you narrow your choices by price, size, city, school district, or any other number of criteria.

Individually, these are all compelling reasons to buy instead of rent. Combined, it's not even close. You could receive free money to buy a home at a lower price and with a lower interest rate environment than last year while at the same time building equity and gaining tax deductions. There truly has never been a better time to enter (or re-enter) the ranks of a happy homeowner.



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