

## CHOOSE THE HOME YOU CAN AFFORD

Figure out how much you can afford for monthly principal and interest. The loan amount you can afford depends on how much you can repay each month.



- Find the average cost of utilities in your area and factor in gas, electricity, water, cable and internet service providers, and home alarm systems.
- If you're interested in a condo, co-op, or a home in a neighborhood with a homeowners' association, you will likely have condo fees or homeowners' association (HOA) dues. These fee amounts vary and are usually paid separately.
- If a home has solar panels, ask about any associated costs.
- Consider the cost of yard maintenance and other basic maintenance costs like replacing the air filter every three months.

### Get pre-approved for a loan.

Being pre-approved for a loan will allow you to effectively research the type of home you can afford and be prepared to bid on your dream home successfully.

### Factor in all the costs of owning a home.

Create a hypothetical budget for your new home. Revisit your budget as you gather more information throughout the home-buying process.

- Your monthly mortgage payment — which is principal + interest + mortgage insurance (if applicable) + escrow (homeowners' insurance and property tax).

Your principal and interest amount will generally remain the same if you make regular payments on time; your escrow (property taxes + homeowners' insurance) amount can change. If your home increases in value, your property taxes also typically increase. Even with a fixed-rate mortgage, monthly payments can change when your escrow amount changes.

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## **Understand the real estate market.**

Once you know what type of home you're looking for and can afford, research the selling prices of similar homes in your area of choice in the past six months.

## **Understand the risks and responsibilities of homeownership.**

Homeownership can be rewarding and a good way to build wealth. However, there are risks and responsibilities associated with owning property. When you buy, you take on all the risks and responsibilities for the property, which include:

- Your home value could decline, and you could lose equity or even owe more than your home is worth.
- If something important breaks — for example, the furnace quits working, the roof starts to leak, or the dishwasher breaks — you will have to pay for the repairs to fix it immediately.

Experts recommend putting aside 1 percent of the total purchase price of your home for home maintenance repairs. For example, a \$250,000 home would require you to save \$2,500 annually or about \$209 monthly.

## **Consider meeting with a housing counselor.**

As a first-time buyer, a housing counselor can be a helpful advisor throughout this process. You can find a HUD-certified housing counselor online or by calling 1-800-569-4287. Ask for the pre-purchase counseling services. Active-duty service members might want to contact their installation's personal financial manager (PFM).

