

Major Misconceptions about Home Buying

While most would agree that homeownership is an excellent investment, there are those who put it off, or avoid buying a home all together. Why? Here are some of the most common misconceptions keeping people out of a home of their own.

“We can’t afford the mortgage monthly payments.”

If you can afford to rent, you can probably afford to buy. When comparing a mortgage payment to a rent check, remember that mortgage interest is tax deductible in most cases. That deductibility can lower the actual annual costs of owning as opposed to renting even after factoring in property taxes, insurance and home maintenance (always ask your tax advisor for details about your personal situation). Also, home loans don’t come in just one flavor. There are many loans that feature mortgage payments well below what’s commonly found with a conventional 30-year, fixed-rate loan. Check out the savings of adjustable-rate mortgages, a hybrid (fixed for three to seven years, then becomes adjustable), or a buy down mortgage. Another way to lower a monthly mortgage payment is to bring in a co-owner, or buy a duplex that’s already generating income to help cover your monthly mortgage payment.

“We’ll never get a loan with our credit.”

Credit unions are in the business of making loans. If your past credit history has some irregularities, there are still many loan programs available to you. Many people mistakenly believe that a short employment history, or gaps in employment, or that being self-employed precludes them from qualifying for a home loan. But that’s not true in this day and age where more and more people are self-employed, and change jobs several times over a career span. Ask your credit union about no income verification or no ratio loans – one of them could be right for you.

“We need to find the property first, and then get a loan.”

Actually, that’s backwards. There are many advantages to being pre-approved for a home loan, before the search for a home even begins. First, you’ll know *exactly* how much you can afford, and what your payments will be. That narrows your search considerably, saving you time and money. As a pre-approved buyer, you’ll enhance your bargaining power with the seller. It shows him or her that you are serious about buying a home and have the money to prove it.

“We can’t buy because we plan to move in four or five years.”

Instead of putting off homeownership and all the wealth-building benefits that go along with it – as well as gambling that home prices and interest rates won’t go through the roof – you could adopt a short-term purchase plan. One option would be to buy a fixer-upper at a depressed market price, make improvements and then sell it at or above market price in a couple of years. The only true roadblock to a home loan is a limited imagination. So stop throwing your money away on rent! A mortgage can build equity for as long as you own the home. When you rent, you are paying for a roof over your head for 30 days at a time. Your credit union goes the extra mile for clients, because it doesn’t just sell mortgages, it offers financial solutions.