

Four Reasons to Buy a Home Now

Homeownership has long been an essential part of the American dream. But it also is likely to be one of the biggest and most difficult financial decisions you will make in your life. If you have been on the fence about buying, here are four important reasons why right now just may be the ideal time to jump off and find your perfect home:

Reason 1: Homeownership is a key to building wealth

It probably comes as no surprise that homeowners are typically wealthier than renters. What might surprise you, however, is how much wealthier. According to the Federal Reserve Bank's 2016 Survey of Consumer Finances, homeowners are—on average—*46 times wealthier than renters*.*



Homeownership vs. Renting:

- Unlike renting, purchasing a home is an investment that tends to appreciate in value over time.
- With a fixed-rate mortgage, the monthly loan payment stays the same for the life of the loan. The average rent, on the other hand, increases 3% per year.**
- Unlike rent, mortgage payments can act as a type of “automatic” savings account. The portion of your payment that goes towards the principal becomes equity that you hold in the home.
- Depending on where you live, if you itemize your taxes, some or all of your mortgage interest, as well as your state and local taxes, may be tax deductible. Those are tax deductions that renting doesn't offer, and the money can be put toward other investments.

Reason 2: Enjoy more financial flexibility in retirement

Whether it's building equity for later in life or to take out a line of credit for home improvements in the meantime, homeownership can give you financial flexibility to do the things you've dreamed of doing in the future.

If you were to purchase a home today, there's a good chance you'd own it outright by retirement age. So instead of a potentially ever-increasing rent payment eating into your savings, you would no longer have to worry about paying a mortgage, which could drastically reduce your housing expenses.



Use this calculator to see how quickly you can build equity in your home as you pay down your loan and your property appreciates.

(<https://www.achievethe dream.com/Tools/EquityAppreciationCalc>)



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Reason 3: You do not need a 20% down payment

One of the biggest myths first-time home buyers encounter is that a 20% down payment is required. In reality, homebuyers can qualify for a multitude of low- and no-down-payment mortgage programs. And some of these programs aren't just for first-time buyers, either. Repeat home buyers are getting access to the same zero-down products as everyone else.

Today's private mortgage insurance (PMI) offers far more flexible and competitive pricing options. By taking advantage of PMI, you can lock in a historically low interest rate with a down payment as low as 3%. The following table illustrates one example, for a home that costs \$250,000:

Cost Of Home	20% Down Payment	3% Down Payment
\$250,000	\$50,000	\$7,500

Reason 4: There's never been a better time

Interest rates, currently down almost 40% from their post-housing bubble high of 6.48% in 2008, are at historic lows, but offer little guarantee that they'll stay there forever. Locking in a low fixed-rate mortgage now means your principle and interest payments will not increase, which equates to significantly lower monthly payments today and for the next 30 years.

As the table below demonstrates, the final cost of a \$250,000 home at a 4.4% rate on a 30-year mortgage would change significantly if rates were to jump up even slightly to 5% or 6%. Consider the decision to rent: a monthly rent payment of \$1,500 projects to \$540,000 over 30 years. By comparison, after 20 years, your total cost of homeownership (down payment, mortgage, taxes, etc.) for a \$229,000 home in the U.S. would be \$524,392. ***

Rate	Monthly Payment [§]	Final Cost Of Home
4.4%	\$1,783	\$641,880
5%	\$1,871	\$673,560
6%	\$1,971	\$709,560

§Based upon a 3% down payment.

The Bottom Line:

There may never be a better time to say goodbye to the pitfalls of renting, and hello to the house of your dreams, than right now. Homeownership is a great way to build equity for the future. Rates are at historic lows. Lenders and government agencies are offering a variety of programs for first-time homebuyers with lower credit scores and less than 20% to put down.

Perhaps most importantly, housing prices and interest rates can increase at any time. So, while it may be tempting to focus on what it will cost to buy a home, it's important to also keep in mind the overall cost if you decide not to buy.



Use this calculator to see how long it will take to save for different down payment amounts.

(<https://www.achievethe dream.com/Tools/DownpaymentCalc>)



Compare the true cost of renting versus owning a home to help you determine which would be most cost effective for you.

(link to <https://www.achievethe dream.com/Tools/RentVsBuy>)



For more homebuying tips and resources, visit:

[achievethe dream.com](https://www.achievethe dream.com)

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* Source: [federalreserve.gov](https://www.federalreserve.gov/econres/scfindex.htm). <https://www.federalreserve.gov/econres/scfindex.htm>

** This is how much the average rent increases per year. Apartment Therapy. April 19, 2019.

*** Based on median U.S. home sale price (\$229,000) and monthly rent (\$1,500) according to Zillow Research, September 2019.