

A Qualified Mortgage Consultant Can Help

# Renters Have Much to Gain by Pursuing the Option of Home Ownership

Buying a home vs. renting is a big decision that takes careful consideration, as most mortgage consultants will agree. But the rewards of home ownership are great. For many years, purchasing real estate has been considered an extremely profitable investment. It is an achievement that offers a sense of pride, financial stability and potential tax advantages.

Yes, there are certain responsibilities associated with owning a home. Landlords will often argue the benefits of renting, and for obvious reason. If you are renting, you're helping them make *their* mortgage payment.

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**There are many "low" and "no" down payment programs available that require less than 3 percent in out-of-pocket costs.**

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The numbers are staggering if you look at it this way. If you are paying \$1,000 per month for an apartment, and you know your rent will increase 5% every year, then over the next five years you will pay your landlord \$66,309. If you are currently renting a house, you may be paying much more than that each month. Either way, you gain no equity by shelling out this monthly housing expense and you certainly won't benefit when the property value goes up!



However, if you were to purchase your own home or condominium, you would be well on your way toward building equity within that same five-year period. By choosing a fixed-rate loan program, you can have the comfort of knowing that your monthly mortgage payment will never go up. In fact, you would have the option of refinancing to a lower interest rate at some point in the future should interest rates drop, and this would cause your monthly mortgage commitment to go *down*.

In addition to building equity, there are tax advantages that come into play with home ownership. Depending on your tax bracket, owning a home is often less expensive than renting after taxes. Interest payments on a mortgage below \$1 million are tax-deductible, and your mortgage consultant should help you evaluate the tax advantages of various loan scenarios, and share this information with your tax consultant to glean feedback on your behalf.

To find the loan program that is right for you, your mortgage consultant will need to evaluate your monthly household income, current assets and savings, as well as any monthly obligations you may have for credit card payments, car

payments, child support, etc. These prequalification factors, along with the report of your credit score, will determine how much house you can afford and what interest rate you will pay for financing. It is also important to let your mortgage consultant know what your future goals are, because this will help narrow down which loan option is the best fit for your long-term needs.

There are many different types of loan programs available, including "low" and "no" down payment mortgage programs. These types of programs require the borrower to provide less than 3 percent of the loan amount as down payment. FHA lenders rule that the mortgage payment, including principal, interest, taxes and insurance (PITI) should not exceed 31 percent of your gross income, and the PITI plus other long-term debt (car payments, etc.) should not exceed 43 percent of your gross income.

Housing is an expense that takes a big bite out of the monthly budget. If you are a renter and feel that "home" is more than just someplace to hang your hat, think about the advantages of purchasing real estate. It may be time to take the step into building your personal net worth as a home owner.

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