

“Preserving the Dream” is this year’s theme for National Homeownership Month. Homeownership has long been considered the American dream but it’s important for each consumer to carefully consider the options. Housing is the largest fixed expense for most consumers. Here are some things to consider before buying a home:

Timing - The rule of thumb is that you’ll need to be in the home 3-5 years to recoup the closing costs and fees. One of the main reasons to buy versus rent is that real estate is typically an appreciating asset. If you’re not going to be there long enough for the property to increase in value, it might not be worth the hassle of moving. Another reason to wait is that some consumers prefer to avoid the cost of borrowing money. You might want to take time to save enough for a larger down payment or the full purchase price.

Budget - Housing costs – including taxes and insurance – should be around 25-30% of your income. That allows enough money in your budget to cover other household and living expenses. Be sure not to overextend yourself on a house payment. Make a list of all of your expenses and include the money you put aside for saving and investing each month. You may qualify for a loan amount that’s larger than you need. Make sure your house payments are manageable and leave plenty of room in your budget for food, transportation, retirement saving, insurance, and everything else you need. Also, you’ll need to build an emergency fund large enough to cover the cost of the house payments plus other expenses for at least 2 months.

Shopping – The larger the expense, the more important it is to shop around. Compare not only houses, but also lenders. Look for a home that will be a good investment. Look for the lender with the best rates and fees. Consumers with higher credit scores qualify for the best rates on loans. The best deals are usually on 15-year fixed rate mortgages. Fewer years and lower interest rates will save thousands of dollars over the life of the loan.

The Cooperative Extension Service is your source for reliable, research-based information to improve quality of life. Discover the latest recommendations for creating a spending plan, managing credit, building your savings and investing for the future. Learn more at www.uaex.edu.

Laura Connerly, Ph. D.

Assistant Professor – Family and Consumer Economics

The Arkansas Cooperative Extension Service offers its programs to all eligible persons regardless of race, color, sex, gender identity, sexual orientation, national origin, religion, age, disability, marital or veteran status, genetic information, or any other legally protected status, and is an Affirmative Action/Equal Opportunity Employer.