

## SHOULD YOU BUY A HOME? THE CHEAPEST CITIES TO BUY A HOME AND LIVE



Is it time to become a home owner? Are you looking for a home because that's what people your age are supposed to do? Whatever your age, you should consider your options carefully before taking on a mortgage and a substantial monthly payment. Begin by answering a few basic questions:

- Do I have a steady and reliable source of income and a good record of paying my bills?
- Do I have the ability to pay a mortgage every month?
- Do I want to build equity, take advantage of tax benefits, and protect myself against rent increases?
- Do I want to be free to decorate without permission of the landlord?

If you answered "yes" to these questions, the time is probably right to become a first-time home buyer. Read on to learn about this financial rite of passage.

### Does That Landlord Really Need Your Money?

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Clearly, it can be bad financial planning to rent when you could own your own home. Besides putting yourself at the mercy of rent increases, you sacrifice the chance to build equity and enjoy the tax advantages that come with a mortgage. It can be a problem, however, to come up with the down payment. This is especially true for people who are just starting their careers and haven't built financial reserves. How will you ever save \$40,000 – the 20 percent that would typically be required when buying house costing \$200,000?

But there's good news: The rules are different for most first-time home buyers. Many lenders offer loans with only 10 percent down, provided the borrower purchases private mortgage insurance (PMI). And an increasing number of home affordability programs are cropping up. These programs allow down payments of just 5 percent or less.

You may also be eligible for a federally insured loan from the Federal Housing Administration (FHA). The main advantage of a FHA loan is the low down payment requirement. You can learn more about these loans at the Housing and Urban Development (HUD) website ([www.hud.gov](http://www.hud.gov)) or by calling a HUD-approved counseling agency at 1-800-569-4287. If you have been on active military duty during specified periods, you are eligible for a Veterans' Administration (VA) loan on a moderately priced home. Little or no down payment is required, loan fees are modest, and interest rates are relatively low. Note, however, that guidelines for loan administration vary from one regional VA office to another.

### Do Your Homework

Shopping around to "buy" the best mortgage will save thousands of dollars over the life of your loan. Visit with your local banker and credit union. You should also take the time to browse many of the large online mortgage sites for details on current conventional-mortgage programs. Many of today's new homeowners actually made their mortgage deal right on the Net.

Check out community home buyer programs, which are designed to assist low- and moderate-income first-time home buyers. These programs require a low 3 to 5 percent down payment. The National Council of State Housing Agencies ([www.ncsha.org](http://www.ncsha.org)) provides a State Housing Finance Agency Directory with links to participating lenders. The federal government gets into the act with its Federal National Mortgage Association ([www.fanniemae.com](http://www.fanniemae.com)), which offers 97 percent mortgages in most states. The required low 3 percent down payment may be borrowed – you can even charge it to a credit card!

### The Midwest: Wal-Mart for Home Buyers

If you want to save on the cost of your house – as well as your mortgage – consider putting down roots in Illinois or Indiana. The Midwest is the most affordable region in the United States, according to information provided by the National Association of Home Builders. Fourteen areas in the top 25 are in the Midwest, with Springfield, Illinois, ranking as the nation's most affordable housing market. The South has six markets on the most affordable list, the Northeast has four, and the West has only one. Here is are some of the more affordable communities to live in the US:

- Springfield, IL
- Muncie, IN
- Rockford, IL
- Davenport-Moline-Rock Island, IA-IL
- Utica-Rome, NY
- Wilmington-Newark, DE-MD
- Mansfield, OH
- Tallahassee, FL
- Duluth-Superior, MN-WI
- Des Moines, IA
- Johnson City-Kingsport-Bristol, TN-VA
- Melbourne-Titusville-Palm Bay, FL
- Binghamton, NY
- Dayton-Springfield, OH
- Kansas City, MO-KS
- Lakeland-Winter Haven, FL
- Saginaw-Bay City-Midland, MI
- Champaign-Urbana, IL
- Beaumont-Port Arthur, TX
- Youngstown-Warren, OH
- Anchorage, AK
- Hamilton-Middletown, OH

- Peoria-Pekin, IL
- Newburgh, NY-PA
- Vineland-Millville-Bridgeton, NJ

#### **On the Other Hand**

You may not be ready for home ownership. You should carefully consider all of the following questions – if you can emphatically answer "yes" to any of them, you might not be ready to own your own home.

- Do you plan to move within three years?
- Do you anticipate frequent job changes or transfers?
- Are you saving to earn an additional degree or to start a business?
- Are you a "conspicuous consumer" who always buys the most expensive things?
- Can you calmly and effectively deal with a clogged toilet or a broken air conditioner?

Buying a home can be an empowering experience, giving you practical financial advantages and a genuine sense of security. On the other hand, it may exert a great deal of financial pressure before you're ready to handle it. You shouldn't take the decision lightly.

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