

Homeownership: The Advantages & Disadvantages

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Owning a home ranks as one of life's most exciting experiences. We relish the promise of having a corner of the world to call our own. We feel a sense of pride that we've made it, and can afford to own a house. Even so, there are advantages and disadvantages to homeowners to be carefully considered.

To Buy or Rent? That is the BIG Question!

In mulling over the decision to buy a home, many ask themselves the following questions:

- "Can I afford to buy a house?"
- "Am I cut out to be a homeowner?"
- "Do I really want to own a house?"
- "Can I properly take care of a house?"



Honest answers to these and other questions, as well as a careful review of your financial situation can save you a great deal of time and trouble. .

The ADVANTAGES of Home Ownership

- **It's your castle.** You can decorate it as you wish, and paint the walls orange if you wish (or not). You can also pound nails in the walls without worrying that you will chip away at your security deposit refund.
- **Housing costs stay steady.** There's no landlord to spring a rent increase on you every year or two. With a fixed-rate mortgage through your Credit Union, your monthly payments for loan principal (the amount you borrow) and interest (the fee you pay for using the credit union's funds) won't change over the entire period of the loan, unless you refinance. Of course, property taxes and insurance premiums may fluctuate.
- **You build equity.** Equity is the value of the portion of the house you own, after paying the debt owed (a mortgage). After several years, you will have something to show for the money you have spent besides a fistful of cancelled rent checks.
- **It is a sound investment.** Although house values are not rising at double-digit rates as they were in the past, values still are appreciating or at least remaining stable in most areas. Even so, no one can predict what the future will hold for the housing market. Generally speaking, buying a house is a sound financial investment.
- **You get tax benefits.** When filing federal income taxes, if you itemize you may be able to deduct what you pay in property taxes and interest on your mortgage. This could save you hundreds or thousands of dollars yearly. See your tax adviser for specific details.

Over for disadvantages

The DISADVANTAGES of Home Ownership

• **The upfront expenses can be hefty.** The down payment and closing costs (various fees that come with a real estate transaction) can add up to a sizable chunk of cash. In most cases, this is due BEFORE you even get the keys to the front door. That's why most financial institutions want you to have a significant amount saved prior to starting the process.

• **People often feel financially stretched and emotionally stressed.** By the time some people make their monthly mortgage payments and pay their living expenses they have little left for much else. This is one more reason you need to consider what you can realistically afford. Try not to “marry” yourself to your new home, instead budget wisely and strive to maintain your current lifestyle.

• **Keeping a house in shape takes MONEY.** If the roof leaks, if weather takes down a tree, or your furnace dies you can't just call the landlord to come and fix it for free.

• **Keeping a house in shape takes TIME.** Small home repairs and general maintenance, like lawn mowing, eat into your free time. It is a fact that renters do not often think about. The more property you have, the more time it takes.

• **If you need to sell, it will take time.** Unlike liquid investments that can be cashed in fairly quickly, a house is a non liquid investment. It can take months, or even years to sell a home, even in a stable market. A home's value will depend on many factors.



Summary

A precise evaluation of the financial pluses and minuses of home ownership can get complicated, yet should not be avoided. There are many factors to juggle in the equation, including:

- Costs including down payment, mortgage payments, closing costs, insurance, property tax, utilities, improvements *and* repairs.
- The income tax benefits (if any) of home ownership
- Predicted re-sale value (which can fluctuate)
- The going rental rates in your area

Only you can weigh the psychological and emotional factors and decide if you are ready to own a home. Know that ICCU is prepared to help you every step of the way with quality mortgage lending products and experienced experts to help.

Documents needed to apply for a mortgage:

- 30 days worth of income verification (pay stubs)
- W-2's from the past two years
- If self employed, tax returns for 2 years
- Two months of account statements (savings, checking, etc..) other than ICCU statements.
- A completed ICCU mortgage application



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