

mighty mortgage



WHAT, HOW & WHEN?

It's no secret that we saw an unprecedented supply, sale, and speed of sale in the 2021 housing market. So much so that many of us are still reeling from bidding wars, low-interest rates, and the fact that more than 50 percent of homes sold for more than their list price. However, times are changing. According to the Mortgage Bankers Association, mortgage applications bottomed out in June, creating the most significant slump in 22 years.

What does this mean if you're in the market to buy?

Housing experts advise buyers to wait it out if they can because what happens next is highly unpredictable. If you don't have a choice but to buy, the better your financial position, the easier it will be. While that's a no-brainer, remember that the sharpest strategy in your toolbox is buying based on your current budget and needs.

How much house can you afford?

Start by calculating your monthly income, existing debt, and how much you have saved for a down payment. Your debt-to-income ratio is the primary driver behind whether a bank decides to give you a loan. Don't forget to consider planning for repairs, new furniture, homeowners association fees, and moving expenses.

With those numbers in hand, use a mortgage calculator to determine your monthly housing costs. Your repayment summary will include the following details:

- Loan Amount, Term & Interest Rate
- Total Monthly Payment
- Loan Pay-Off Date
- Total Interest Payment
- Total Number of Payments
- Monthly Taxes and Total Tax Payment
- Monthly Insurance and Total Insurance Payment

If you put \$80,000 down on a \$400,000 house, your loan amount for a 30-year mortgage will be \$320,000 based on a 5.1 percent interest rate.

What loan types should you consider?

Conventional

Ideal for borrowers with excellent credit and assets, conventional loans require a minimum down payment of 5 percent.

FHA

A popular choice among first-time buyers, an FHA loan requires a minimum down payment of 3.5 percent. The Federal Housing Administration insures this type of mortgage.

USDA

Tailored to home buyers in rural areas, the minimum down payment is zero. This option is available from and guaranteed by the Department of Agriculture.

VA

Available to veterans and military families, this loan requires zero down payment and is backed by the Department of Veterans Affairs.

How do you choose between a 15 and a 30-year mortgage?

With a 15-year mortgage, you'll pay less interest, but your monthly payment will be higher. A 30-year mortgage will be more affordable, but it will take you longer to pay it off, and you'll pay more interest.

The best way to secure a lower monthly payment is to make a larger down payment, letting your Guarded Money Mood guide you toward more significant savings.

What else should you consider?

Aside from finding a good agent and creating a master list of all the features necessary for you in your new home, consider how the investment fits into your overall financial plan for long-term stability. Before embarking on a mortgage, there's nothing like having your ducks in a row - an emergency fund, a deferred savings account, and a retirement account.

Between inventory and interest rates, your options in the housing market are constantly changing, so take your time, make a plan, and be careful not to sacrifice too much. Rely on your prism of Money Moods to prepare you to enjoy your much-anticipated Home, Sweet Home.

