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## Why to Buy a Home Now

*by Phoebe Chongchua*

If you're renting and wondering if you should buy a home, consider what bestselling author, David Bach, says, "The average homeowner is worth 35 times more than the average renter."

He advises renters to take action immediately and start saving part of their paycheck every month to help accumulate a down payment. He also encourages renters to borrow 10-20 percent less than what the bank is willing to lend; that way they're only buying as much home as they can afford.

The longer you rent, the longer it may take you to eventually get into homeownership. If the market conditions have scared you, perhaps you're not looking at the other side of the coin. Owning a home becomes part of your investment portfolio, provides tax benefits, allows you to build equity (it still exists), and, if you buy now, you may get an excellent deal.

According to a MarketWatch news article, buying a home now can provide some real negotiating power to request improvements, price reductions, help with closing costs, and more. "People can get a lot of what they need and almost all of what they want today," said Jay Papasan, one of the authors of "Your First Home".

While poor market conditions have created a troubling situation for some homeowners, the downturn has made the buying market ripe for others. The affordability of homes is better than ever. The National Association of Realtors' housing affordability index concluded that homes in December of 2008 were more affordable than at any other point since 1970 (the start of the index). And with numerous foreclosures on the market and prices dropping in many areas, now is a good time to buy. But in order to make your purchase profitable, here are some things you should consider.

How long will you be in the home? Some experts advise that if you are planning to move within a year, buying may not be the best option because of the expenses associated with moving. However, if you're searching for a place to live for, at least, several years, buying now could be a good choice for you.

How much you can afford. Don't let tighter lending regulations scare you off from making a purchase. Instead, understand what you truly can afford. Don't get caught up in buying too much home. In fact, these days, the trend is moving toward smaller homes -- simpler living.

Mortgage rates drop to historical low. How much home you can afford is affected by mortgage interest rates that, right now, are highly appealing. Good credit, documenting your income, and a substantial down payment will make you a better candidate for the better mortgage rates.

Freedom to choose. Now, unlike several years ago, the market has a large inventory in many areas. The market time to sell a home has increased which creates a large inventory of homes, everything including new, existing, and foreclosures. Buyers can peruse the market and have the freedom to select the home they really want. If your interest is in a new home, know that many developers are getting

more competitive with their pricing because they also have taken a hit by the ailing economy.

**Quality of life.** Buying a home can create a higher quality of life, giving you pride of homeownership, and something to enjoy improving and developing over the years.

**Tax credit benefit.** Last summer, the federal government started providing up to a \$7,500 tax credit to buyers who have not owned a home in at least three years; the tax credit must be repaid within 15 years. But that figure may increase. The National Home Builders Association and National Association of Realtors are pushing for more significant help for all home buyers -- not just those who are buying for the first time. The Senate, as part of a stimulus package, this month approved a temporary new tax credit to be applied to homebuyers' tax bills. The credit would give buyers 10 percent of the purchase price of any home, up to \$15,000. Alan Zibel of the Associated Press writes, "Anyone who buys a home within a year of the bill's signature would qualify. To deter speculators, buyers must occupy the house as their main residence for at least two years." At the time of this writing, the stimulus package had not yet gone to the White House.

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