H&L MORTGAGE, INC.
SERVICE AS BIG AS TEXAS

Expense List for Buying a Home

There are many expenses that come with buying a home. The following list is a good example of what to expect:

Down payment - A minimum of 20% of the home's purchase price is usually required for the best loan terms and to avoid paying private mortgage insurance (see below), but it's entirely possible to buy a house with a smaller down payment.

Monthly mortgage payments - Include loan principal, interest, and sometimes additional charges for taxes and insurance.

Property taxes - Amounts vary, but the average is around 1.5% to 2% of a home's purchase price.

Homeowners insurance - Again, the cost varies. Call insurance companies for more information, or contact the Florida Department of Insurance for surveys of prices for insurance rates.

Private mortgage insurance (PMI) - If your down payment is less than 20% of the purchase price, this can tack several hundred dollars each year to your loan costs until the equity in your home reaches 22%, when you no longer need the insurance.

Maintenance - Varies year to year, but you may spend about 1% of the purchase price annually on maintenance and repairs.

Closing costs - Include points and other fees charged by the lender, which can add up to 3% of the amount you borrow; title insurance, from a few hundred to over a thousand dollars, depending on the purchase price of your home; inspections, about $200 to $500; and other miscellaneous fees. Many of these costs are negotiable between the buyer and seller, and are dependent on local customs. You can also negotiate with the lender to reduce, and in some cases completely waive, certain costs.

Housing expense ratio
Typically, mortgage lenders won't allow these housing expenses to be more than one-third of your household monthly gross income. In other words, 28% of your monthly gross pay (for example, your annual salary divided by 12) is the usual maximum "housing expense ratio" allowed by lenders.

The "housing expense ratio" compares your monthly gross income to "PITI," an acronym for:

- Principal, or the amount you borrowed, of your mortgage loan
- Interest on the mortgage loan
- Taxes: property taxes
- Insurance: homeowners and private mortgage insurance (PMI)

Debt-to-income ratio.
On top of the 28% lenders allow for monthly housing expenses, they will usually let you spend another 10% for other debt repayments such as student loans, car loans and other similar loans. Added together, your housing expense ratio and monthly recurring debts make up your "debt-to-income ratio," and should not be higher than 38% of your monthly gross pay.

Now the Good News
The good news is that there are tax benefits to owning a home. The IRS lets you deduct mortgage interest and real property taxes, within limits, on your annual income tax return! Contact a real estate or tax attorney for the specifics in your area.