

UNDERSTANDING THE { MORTGAGE PROCESS }

Saving tips

Saving for a down payment is one of the biggest obstacles on the road to homeownership. But with the right strategy and determination, you can get there. Just keep your eyes on the prize – and pinch your pennies (and dollars).

1

Set a goal.

To determine how much we're talking, meet with a mortgage lender to get pre-approved. The type of loan program will also determine what you'll need to put down – anywhere from zero to 20 percent. Even if you know you're not ready to buy, this will give you a number to work with. Then, set a timeframe of when you'd like to purchase a home.

2

Make a plan.

Collecting change from your couch cushions probably won't make you a homeowner, but you might be surprised how much money you can sock away by simply making a few lifestyle changes.

- **Bank your change.**

Take advantage of a program that will round up your debit card purchases and puts the change in a savings account. Create your own system of putting aside every \$5 you receive in change. Set up an automatic direct deposit from your paycheck to your savings account – you'll never miss the money you don't see.

- **Gauge your interest.**

Stop paying more than you should. Move your credit balances to cards with lower interest rates or those that offer travel perks or airline miles. Refinance or consolidate student loans, auto loans and other debt that can be reduced.

- **Put the brakes on.**

When your car is paid off, try to go a year or more without buying a new one, but continue to save the amount of your monthly payment. If you live close to work, walk or bike when you can.

- **Welcome the windfall.**

Whether it's a tax refund, a raise, a bonus or a birthday gift from Aunt Jane, get in the habit of saving any unexpected income, not spending it. A family member may also be able to "gift" you part of your down payment.

- **Sweat the small stuff.**

Stop buying coffee every day. Pack your lunch. Buy store brands. Cancel the gym membership you're probably not using. Consider a cheaper cell phone plan. Kill the cable. Do your own nails. Eat out only once a month. Stop smoking or going out for cocktails. Shop with purpose and not when you're bored.

- **Increase your income.**

If cutting out expenses is a challenge, then consider adding some income via part-time or freelance work. Bonus: The extra time you are working is time when you are also not spending money.

- **Become that guy (or gal).**

You know – that friend who always tells you they'd love to join you for dinner or a weekend getaway, but they are saving for a down payment. You might be surprised how many of your future homeowner friends will be down for a movie night and a cheap pizza at home.

3

Be reasonable.

You are never hungrier than when you declare you're on a diet. Likewise, committing to a rigid savings plan will probably make you grumpy renters.

Don't restrict your budget so tightly that you don't have flexibility for unexpected expenses or emergencies, like car repairs, medical expenses or a job loss. Allow yourself an occasional splurge – think taco night or a few beers, not a trip to Hawaii or designer shoes.

QUESTIONS?

Contact your Allen Tate Mortgage Consultant.