

## REAL ESTATE NEWS

Brought to you by **Ingrid Friel**



### ***Down Payment Dilemma: How Do You Know How Much to Put Down On A Home?***

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For many prospective home buyers, the down payment is the most daunting hurdle in the race to buy a home. Even for people with decent credit and a healthy paycheck, the down payment can be the great homeownership killer.

The big question for all prospective buyers is: how much should my down payment be? Most lenders will tell you that 20 percent is the standard, but is that really necessary?

The short answer is no, but of course there are some caveats.

"It's a myth that all homebuyers must have a 20 percent down payment to buy a home," says Nancy Herrera-Siples, a Riverside, CA, branch manager at Primary Residential Mortgage. So why all the fuss over having 20 percent to put down? "Because if you don't, it usually means you'll have to shell out money for either private mortgage insurance (PMI) or government insurance, which is usually financed by the Federal Housing Administration," according to Herrera-Siples.

Still, when a low down-payment is your only option to buy a home, PMI might literally be a small price to pay. Remember that PMI goes away eventually when your loan balance is 80 percent or less of the home's value. If you're in an area where homes are rising in value, this could happen sooner than you think.

Still confused about the ins and outs of down payments? Here are a few



## When to make a substantial down payment:

- When you're looking to keep your monthly payment as low as possible and have cash to spare.
- When you're approaching retirement age and can envision a reverse mortgage sometime down the line.
- When the interest rate is lower with a higher down payment. "The more you put down, the better position you are in for negotiating a lower interest rate," says Credit.com.
- If you're worried about being underwater. If the market should drop in your area, you run the risk of owing more than your home is worth.

## When to go low:

- When you don't have the funds for a higher down payment and can't earn or borrow them quickly enough.
- When the rate on your FHA or Fannie or Freddie loan is comparable to that you'd get with a higher down payment.
- When you need to escape a high-rent situation and the monthly payment on a house is lower than what you're currently paying, even with the PMI factored in.
- When you're confident your home will appreciate quickly, allowing you to refinance and get rid of PMI quickly.

## ***Should You Buy a Home Warranty?***

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"I'm buying a house. Should I buy a home warranty?" Seems like a relatively tame question, right? But post it on Facebook or Nextdoor and watch the impassioned responses roll in. You might as well ask, "What political party should I belong to?"





Everyone has their own experience, so expect to hear a few people call them "a scam" or at the very least a waste of money. Others will regale you with their tale of how having a warranty saved them from a freezing winter because they couldn't afford to fix their furnace without it.

In the end, the decision is personal and largely based on how comfortable you are paying out of pocket if one of the more expensive items in your home, like the furnace or hot water heater, needs to be replaced. Here are some things to consider when making your decision.

### **Know the cost**

"A basic home warranty costs about \$350 to \$500 a year or more," says [Money Talks News](#). A warranty typically covers plumbing, hot water heaters, and heating/electrical system components. More expensive, 'enhanced' plans can provide added coverage for things like your washer/dryer, air conditioning system, refrigerator, septic tank, and garage door openers.

You can typically break down the annual cost into more manageable monthly payments, but the cost of the warranty itself isn't the only thing you're responsible for paying. Most home warranties include either a service call fee or a deductible, so it's important to consider those factors in addition to the home warranty plan itself.

### **Consider your peace of mind**

Many homeowners opt for a home warranty for major "just-in-case" scenarios. Just in case the air conditioning unit crashes and bums. Just in case the hot water heater dies. With the cost of some of these items running into the thousands—the average cost for a new air conditioning unit and installation, per [HomeAdvisor](#), is \$5,413!—the peace of mind factor is huge.

"For a homeowner who doesn't have an emergency fund, or who wants to protect their emergency fund, a home warranty can act as a buffer," says [Investopedia](#). Home warranties also make sense for people who aren't handy or don't want to deal with finding a contractor.

## Understand that not everything is covered

There's always a chance that the item you need repaired is not covered under your warranty for one reason or another. Some problems simply won't be covered by a warranty, and most home warranties won't cover components that haven't been properly maintained." The lesson here: Read the fine print, so you're prepared.

QUESTIONS? VISIT <http://www.ingridhomefinder.com>



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