

Buying Your First Home? Avoid These Common Budget Mistakes

Ready for homeownership? Starting your search with a budget—and sticking to it—is essential. Before you buy, review these common budgeting mistakes that trip up first-time buyers, and learn what to do to avoid them:

Saving for a Home: Regrets & Reality

Regrets

20% of people spend more than **30%** of their gross income on housing¹



12%

of homebuyers said saving for a down payment was the most difficult task in the homebuying process¹



Reasons saving was delayed:²



48%: Credit card debt
44%: Student loan debt
36%: Car loan debt

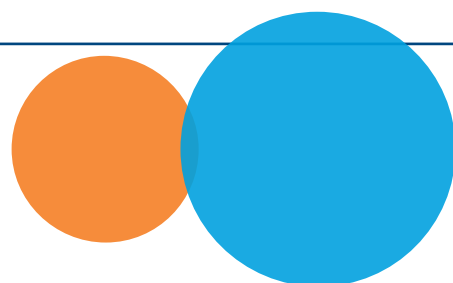
Reality

28

The maximum percentage of your gross monthly income that should go to housing expenses, including your mortgage, taxes and insurance³

\$169,000

The median market value of first-time buyers' homes²



6%: The median down payment for first-time buyers vs. **13%** for repeat buyers²

Length of time buyers spent saving for a down payment:⁴



Common Homebuying Budget Pitfalls

The most common financial issues first-time buyers encountered in recent years included:



Mortgage misunderstandings:

61%

of misunderstandings involved fees, terms and ownership costs⁵



Financing setbacks:

28%

attributed the setbacks to issues with their credit⁶



Pre-approval:

20%

didn't get pre-approved before starting their home search⁶



Savings:

15%

said their financing issues were due to insufficient cash savings⁶

**Among all buyers, a key issue was inspection:
10% of recently purchased homes weren't inspected⁷**

Budgeting for Success

Purchasing your first home can become a reality in the near future with the right game plan. Here are three steps to help you stay on track with your budget:



Step 1: Reduce Debt & Save

- Raise your credit score by paying off your student loan, credit card and car loan
- Set up a recurring transfer to your savings account every pay period to make saving for a home automatic



Step 2: Determine Your Spending Limit

- Calculate 28 percent of your gross monthly household income to help determine how much you can afford to spend on housing expenses
- Get pre-approved for a home loan by meeting with a banker and learning about lending rates



Step 3: Estimate Additional Costs

- Ask your real estate agent for the projected utility costs for homes in your price range⁸
- Set aside 1 to 2 percent of your home's purchase price each year for repairs and maintenance⁹
- Add closing costs into your budget—on average they're 3 to 5 percent of the home's purchase price¹⁰
- Evaluate other housing expenses as necessary, such as homeowners insurance, association fees and private mortgage insurance, which is often required if you put down less than 20 percent¹¹



1. "The Top Ten Money Mistakes Poll Results," Dec. 18, 2012, MintLife
2. "2014 National Association of Realtors Profile of Home Buyers and Sellers," Nov. 3, 2014, National Association of Realtors
3. "First-Time Homebuyers," SunTrust
4. "2015 Resolution: Save for a House?" Dec. 31, 2014, National Association of Realtors
5. "Lock in Loyalty: Coming to Terms With the New Borrower's Needs," 2013, PwC
6. "First-Time Home Buyer Survey," 2009, Keller Williams Research
7. "8 Biggest Mistakes First-time Homebuyers Make," July 17, 2014, CNBC
8. "5 Budgeting Tips for First Time Home Buyers," Nov. 20, 2013, Mvelopes
9. "Budgeting for Home Maintenance and Repair Costs," Feb. 2, 2011, MintLife
10. "The Good Faith Estimate," April 1, 2005, Bankrate
11. "How To Get Approved For Your First Mortgage," April 18, 2013, Money Under 30