

DCC DOLLARS & \$ENSE

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Home Buying II

Special points of interest:

- Building your home vs. buying your home
- Is refinancing right for you?

Building a New Home

There are several aspects of building a new home that consumers find desirable. Having a home that no one else has lived in, designing the floor plan to their own specifications, the right color of paint and decorations are just a few. The

main categories are the typically the most important to consumers are the following:

- You know what you want
- You know the quality of the construction
- You know the builder (You can choose based previous work quality)
- You can choose the floor plan based on what your needs are.
- Houses experience the most appreciation in values in the first few years of ownership.
- The style of the house can be selected and changed during construction.
- Remodeling is not necessary once you move in.

With all of the benefits that a consumer will find with building a new home, there are some other things to be considered. A consumer should look at both sides of the coin.

- The cost of a new home may be more than an existing house.
- New houses need to be built prior to moving. This will add time to the planning procedures.
- There may not be land available where you would like to build.

Buying a Home

Buying a new home also has several options that consumers may find appealing. Keeping in mind that this whole process is dependent upon an individuals needs, and these will vary as much as the individuals. Some things to consider in favor of buying an existing home could include:

- You can move in right away
- You see exactly what you'll get upfront
- Necessary changes can be included into the sales contract to be completed before closing.
- f the style of the house and floor plan are enough to make a consumer consider purchase, chances are that there will be little remodeling required.

Some things to consider when purchasing an existing home that could be considered as negatives may include:

- The home was designed to someone else's tastes and may lead to remodeling.
- Not all necessary repairs can be included in the sales contract. (A home may be for sale based on the premise that the new owner will need to remodel it.)
- An existing house has already experienced it's greatest time frame for appreciation in value.
- As things get older, they need to be replaced. Consumers may find themselves replacing major appliances on a regular basis after a few years or more.

Home Buying II Cont. Refinancing

Refinancing is the process of obtaining a new mortgage with all or some portion of the proceeds used to pay off the original mortgage. There are several reasons for a person to refinance and several things to consider first. Is refinancing right for you?

Homeowners refinance their mortgages for several reasons:

Interest Rates: It can make sense to apply for a new mortgage to pay off your existing mortgage if interest rates have gone down since you obtained your original mortgage.

Changing Mortgage Types: Some homeowners refinance in order to switch the type of mortgage they have – from variable to fixed interest rate, or vice-versa. Balloon or reset mortgages must either be paid in full or refinanced at the end of their 5- or 7-year term. With a Balloon/Reset, the only other option other than to sell, is to refinance.

Mortgage Term: Some homeowners pay off their original mortgage in order to take out a loan with a shorter term – thus paying less interest because the money is borrowed for a shorter period of time.

“Cashing Out”: Certain lenders will let you borrow more money than the balance on your original mortgage based on the equity you have in your home, making additional cash available for other activities or to pay off other loans.

Refinancing can be a good way to reduce your monthly mortgage payments or shorten the term of your loan. However, taking out a new loan may involve costs. You may have to pay discount points, appraisal fees, and closing costs up front. Investigate all the fees associated with a new loan before you go to closing so that you make an informed decision

as to whether you will save money by refinancing.

Refinancing your existing mortgage will take some time and effort. The process is the same as when you obtained your original mortgage. You'll want to look at all the aspects involved prior to making a decision.

Ask Yourself...

1. Is the current interest rate significantly lower than the rate of my original loan?
2. Do I want to shorten the term of my mortgage?
3. Do I want to change the type of mortgage I have?
4. Am I prepared to pay the costs of refinancing?
5. Am I planning to stay in my house for at least 2 years?
6. Am I willing to go through the process of getting a mortgage again?

If you answered yes to most of these questions, refinancing may be right for you.

When Refinancing May not be for you

- You've had your current mortgage for a long time
- You have already paid off most of the interest on your mortgage
- Your mortgage has a prepayment penalty clause
- You are refinancing to pay off unsecured debt
- You plan to move from your house within 24 months

If any of these statements sound like your situation, talk to a mortgage professional and find out if it makes sense for you to refinance.