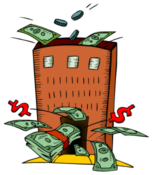
## Calculate Expenses

The biggest obstacles to homeownership for many



renters is putting together a down payment. Please keep in mind that when you rent a place to live you normally need to pay a security deposit and, perhaps, both the first and last month's rent in advance. If you have pets, you may pay an additional deposit for them as well. Instead, you could be putting that money toward a down payment on your own home, combining it with other cash assets – savings, liquidated investments, gifts from parents, a loan from your retirement plan, or other sources.

Borrowers with good credit are often surprised at how little cash it takes to buy a home today, thanks to a very competitive mortgage industry as well as local or state sponsored programs that encourage homeownership. Log on to my website **www.LivingMD.com** for a list of Grant Programs available in the state of Maryland. I can also recommend some of the best loan officers in the industry.

Of course, homeowners do have some expenses that renters don't – real estate taxes, home maintenance and repairs, homeowner's (verses renter's) insurance, buying and selling costs, even homeowner's association dues. These expenses can vary considerably depending on where the home is located, what type of property it is (detached, townhouse, condo) the age and condition of the property when purchased, and how long the owner keeps it.

## Talk With the Pro's

**Please call me, 410-409-2393, as a real estate professional, I can supply you with all the local market data and up-to-date information you'll need to make a sound decision about buying versus renting.** I can help you determine how much home you can afford, what type of loan would best meet your needs, and determine if you qualify for any grant programs. I'll also be happy to show you available properties that meet your criteria and budget, or I can keep a sharp lookout for your perfect home if you are not ready to buy right now. In addition, it's always a good idea to consult a financial planner or tax professional when making a major investment decision - which buying a home certainly is!

*All information contained herein believed to be accurate not guaranteed. Not intended to solicit clients currently working with a realtor.*

**The rates are great, there is a lot of inventory, sellers are anxious! Call me to discover your purchasing power, 410-409-2393.**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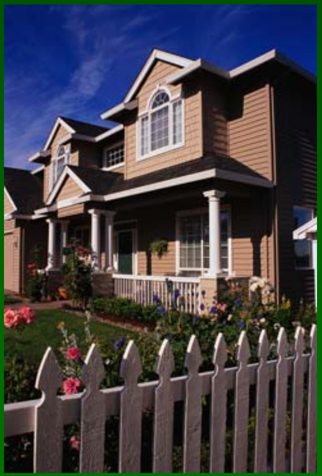
# Rent or Buy



## How To Make The Best Use of Your Housing Dollars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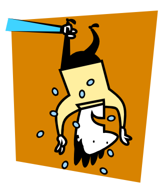
# Are you ready to stop paying your landlord's mortgage?

The only one who benefits financially from a rent check is the landlord. Renters never see their monthly payments again, and they can't use any of that money as a tax deduction. Homebuyers, on the other hand, spend part of their monthly payments buying an asset they can eventually sell. The remainder of their monthly expense pays interest to their lender, which is fully tax deductible *in most cases*.

If you are currently renting – or you're moving and debating whether to rent or buy – take a look at how your housing payment could be put to better use purchasing a home. The real question may be whether you can afford *not* to buy your own home.

## Stabilize Housing Costs

As a renter, you may be subject to a rent increase each time your lease period expires. You can end up paying more and more every year for a place to live – with no limit and no financial return in sight.

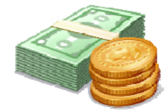


Homeowners who take out a fixed-rate mortgage, however; can look forward to the same monthly principal and interest (PI) payment as long as they own their home. Even with an adjustable rate mortgage, payments could increase if interest rates rise, but the increase would be "capped" to a maximum amount for each adjustment and over the life of the loan. (Will your landlord limit your rent increases?)

Whether buying with a fixed-rate or an adjustable-rate mortgage, when the loan is paid off, home owners enjoy a place to live with no required housing payment except, perhaps, for real estate taxes and insurance.

## Add Up Tax Savings

While holding housing costs constant, most homeowners can also take an annual tax deduction for mortgage-interest expenses. The tax savings alone make the purchase of a home a wise financial decision for most people.



As an example, let's say your rent payment is (or would be) $1,000 per month. If you turned that into a mortgage payment, you could buy a home worth $167,009 with a 10% down payment on a 30 year fixed mortgage at 7% interest. (*Ask about current rates to get a better picture about how much home your rent payment could buy.)*

The mortgage interest you would bay in your first year of homeownership would be $10,473. If you are in the 25% bracket, deducting your first-year interest expense would save you approximately $2,618 in taxes - $218 per month. That means your $1,000 PI payment would really be $782 with tax savings taken into account. After five years of ownership, your tax savings would be $12,795. (In fact, you could save even more in taxes. With mortgage interest expenses higher than the standard deduction, itemizing might allow you to deduct other qualified expenses as well.)

Because your payment schedule is "amortized" so you pay the same amount every month, in the early years of your loan most of each payment will go toward paying interest, with only a small portion paying off principal (the loan amount). Still every month you will pay less than the previous month toward interest and more toward the principal. As your interest expenses decrease over time, so will your annual tax savings, but your equity (owned value) in the home will increase.

## GET FREE MONEY!

**Maryland Grant Programs:**

- **$10,000** FHLB Grant—5 to 1 Match
- **$3,500** DSELP CDA Grant for homes sold at or below $175,000
- **$15,670** CDA Maryland Mortgage Program 3% *(example based on $522,363 home sale)*
- **$3,000** ADDI Grant
- **$3,000** Live Baltimore Tour Grant
- **$5,000** House Keys for Employees CDA Grant
- **$35,000** MALP - $25,000 down payment & $10,000 closing costs

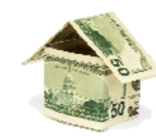
**Programs subject to change. Certain qualifications and restrictions apply to each program.*

## Build Wealth

Using the same example, after 12 months of homeownership you will have paid off $1,527 of principal. After five years, you'll have paid back $8,820. If that doesn't sound like much, consider how your home may increase in value over five years. (Although there's no guarantee your home will appreciate, historically, property value do tend to increase over time.)

Let's assume your home's value grows by a modest 4% per year for five years; it would be worth $203,192. With the original loan amount down to $141,488 after five years, your equity would be $61,704. You'll have made $45,003 on your original $16,701 down payment. Adding in tax savings, your investment will have grown by 446% ($12,795 + $61,704 ÷ $16,701).

## Look Ahead



Most homeowners eventually sell their homes. When they do, they can take advantage of a terrific tax break – a capital gains tax exclusion – which renters can't reap on other types of investments. If you sell a primary residence you have owned and lived in for two of the previous five years, you can keep the profits up to $500,000 (filing jointly) or $250,000 (filing single) tax free. (Some exceptions apply. Ask your tax professional.) That make owning a home an even better investment.

**Additional funds for settlement:**

- Receive a tax free gift
- Increase the loan amount to cover closing costs
- Use your income tax refund
- Borrow against your life insurance policy
- Borrow against your 401K
- Cash in CDS
- Apply for Grants
- Employer participation