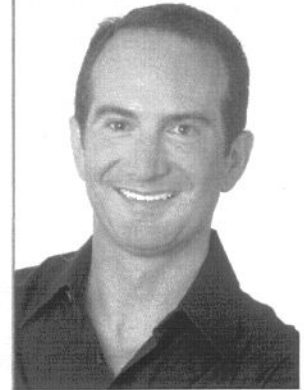


Buying A Home In Today's Market:

Why Homeownership Is Still A Smart Decision

by David Bach



David Bach is a financial coach and #1 bestselling author of seven books, including *The Automatic Millionaire Homeowner™*, *The Automatic Millionaire™* and *Start Late, Finish Rich®*.

You've heard news reports saying that the housing market is in turmoil, and that home prices are stalling, if not falling, in many areas. And it is tougher to get home financing. So does this mean it's game over – is it just too late to buy a house?

Well, before you write another rent check, or write off the opportunity to buy another property, consider the following seven things you need to know when it comes to homeownership.

1 HOMEOWNERSHIP IS A SOLID LONG-TERM INVESTMENT. In fact, it's probably the smartest investment you will ever make during your lifetime. That's because homeownership has proven to be a critical contributor of financial well-being for American families for decades. While residential real-estate did especially well between 1998 and 2005, I'm not thinking of just that period. Instead, housing has been making consistently solid gains since at least the 1950s. It's simple – homeownership generates wealth, renting your home does not.

2 THE IRS GIVES BIG ADVANTAGES TO HOMEOWNERS. The federal government provides tax breaks for homeowners – from allowing you to deduct your mortgage interest, mortgage insurance and property taxes to exempting capital gains taxes on your primary residence, within limits (be sure to check with a tax professional to see how these may apply to you). In some cases, you may find that your after-tax mortgage payment is comparable to, and perhaps lower than, your current rent payment!

3 GENERALLY SPEAKING, HOME VALUES HAVE STILL BEEN RISING. During the past year, home prices across the country rose 1.8%, according to government statistics. While that's the lowest rate of appreciation we've seen since 1995 and sharply slower than the 7.5% rate recorded a year ago, the value of the typical home continued to increase through the third quarter of 2007. And history is on your side, especially if you remain in your home for at least a few years. Since 1975, and through recessions and expansions, the average annual appreciation rate for the typical home is 5.9%.

4 WHAT THE MARKET IS DOING NATIONALLY IS IRRELEVANT TO YOU. The media likes to refer to a "nationwide housing slump". But don't be misled. Real estate isn't national, it's local! The only market you need to be concerned about is your local market. Some areas throughout the country are indeed struggling. On a state-by-state basis, six states recorded price declines of at least 2%, with the 3.7% decline in Michigan being the weakest performance. But at the same time, six states posted increases of at least 7%, with Utah's 12.9% appreciation outperforming all other states. When considering future home price appreciation in your area, ask yourself about prospects for local job growth: Is it anemic or healthy? And rely on your real estate agent, who can tell you a lot more than just listing prices. Ask about days on market, the local housing inventory, and selling prices to get a clear picture of your current local market. Don't let headlines in the media scare you away.

Homeownership is the smartest investment you will ever make during your lifetime.

5 BUYING OPPORTUNITIES HAVE IMPROVED. In most of the country, the number of homes on the market has risen steadily, making this largely a buyers' market. Sellers are more willing to make concessions on price or even paying part of the closing costs. Mortgage rates remain low by historic standards, and while lending terms have become more stringent for those with less-than-perfect credit, borrowers with a good credit record probably won't notice much of a difference.

6 YOU DON'T HAVE TO WORRY ABOUT TIMING THE MARKET. Ideally, you'd snap up a new home when the price is at its lowest, and see it start to appreciate right away. It's nice to dream, but don't let that keep you from getting into the market. Remember it's not timing the market, it's time in the market. If you're making a long-term purchase – a property you expect to own for at least four years or so – you're usually better served just getting in.

7 SMART HOME FINANCING OPTIONS ARE STILL AVAILABLE. There's a wide array of mortgage products out there, filling various needs for borrowers in certain situations. Be sure you understand what you're getting. Will the rate change? If so, how soon? How high could it go? Can you handle bigger monthly mortgage payments? Are you paying down the loan's outstanding balance? If you have the option of paying less than the monthly interest accrued, are you willing to add the unpaid interest to your loan's outstanding balance (known as negative amortization)?

These are just some of the questions you need to consider. The mortgage that's right for you depends on your situation and your preferences, and some financing options available to you may harm, not help, your financial security. That's why it's critical to work with a lender who takes the time to understand your financial circumstances and preferences, and then ensures that you understand your choices.

Again, the main point is: Homeownership is the way American families move ahead financially, and waiting for the current concerns to fade away can cost you. Don't simply assume that this is a bad time to buy real estate. Go beyond the headlines, and make yours a well-informed decision.