

Insider Tips for Completing a Successful Residential Loan

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Rent vs Own, run the numbers and see the light. **Is it cheaper for you to rent than own or own than rent?** Many who buy a home are never shown one of the most important numbers. I call it the **“free money”**, the tax benefit. The free money is money you don't have now but do have once you've paid 1 mortgage payment. Most know this benefit exists and that's about it. I feel it's important you are shown an **apple-n-apple comparison between renting and owning** a home before you buy a home, or rent one for that matter.

I speak to renters on a regular basis. I met a gentleman, his family was renting, he explained the rent was just increased and was a little upset about it. He wanted his own home but figured he did not have enough money and would have a hard time qualifying for a loan. I opened my laptop and proceeded to **“buy a home on paper”**. To his amazement he had enough down payment money, adequate credit and a little cushion money to boot. I helped him apply and get approved for a loan, then find a home. Him and his family closed escrow and **moved into their own place less than 45 days after our first meeting**. He was upset no more.

Typically I'll begin by pulling your credit report and help to clean it up if needed. Then together we'll buy a home on paper to estimate principal, interest, taxes, insurance and monthly mortgage insurance or MI if required (**The PITI and MI**). The interest, taxes and MI are typically tax deductible. To estimate I take the annual totals and simply multiply by 25%, (the approximate state and federal deductible amount is typically more than 25%). The remaining figure is your **“Free Money”**, divide by twelve months and subtract it from your estimated PITI and MI then compare to your current monthly rent. **Remember, you qualify for this tax benefit as soon as you have paid one mortgage payment**, not when you file your taxes. Have you heard someone say, **“It's cheaper to own than rent”**? This is what they're talking about. It's important to verify your **“free money”** figure with your tax person or whomever coaches you financially because then you'll have the **“piece of mind”** that it's real. **You'll be excited!**

Once you have made one mortgage payment (some of my clients do it earlier) you'll want to adjust your state and federal deductions listed on your pay stub so as you pay less state and federal tax by an amount equal to the **“free money”** figure you verified. **Your next paycheck will reflect your increased take home pay**. It's not magic, but it feels like magic.

The benefits of homeownership are vast and for this reason not everyone's PITI/MI less their tax benefit is less than their rent. **Some choose to pay less, for some it's about the same and some choose to pay more**. Everyone's a little different, **but it sure makes “signing on the line” much easier when you know where you stand**. The example I've just explained is only one of the benefits of owning your own home. Stability, Freedom and Appreciation are a few others, there are more. With your permission I can pull your credit, buy a home on paper and **you can let me know what you'd like to do next**.

By **David J. Weed**