

## Avoid Financial Pitfalls

There's a thin line between a wise investment and a money pit when it comes to homeownership. Here are some tips to keep you in the black.

### HAVE A BUDGET

And stick to it. Yeah, it's easier read than done, but critical to keeping your home and your bank accounts in good standing. It's as easy as sitting down with a paper and pencil and writing down your weekly, monthly or yearly obligations. Don't forget to take into account fun; a sparse budget can result in splurges that break the bank. Always set aside some money for repairs and other emergencies. In the past, home equity lines of credit were popular fallbacks for homeowners in a repair or remodel bind, but tighter financial markets mean you shouldn't rely on credit.

### UNDERINSURANCE

No one likes to think of things like floods and fires, but the fact is they happen, even to great people like you. What you need to do is make sure you're prepared by having enough insurance to help you through the tough times and get you back on your feet quickly. Find a local agent who understands the risks in your region to get completely covered. Secondly, don't underestimate the value of



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### REAL ESTATE 101

#### Mortgage Sense

Financial matters are a big part of the decision to buy a home. According to the Consumer Financial Protection Bureau, taking out a mortgage might make sense if you can answer yes to the following:

- You have a steady source of income and a good record of paying your bills on time;
- Home prices where you are looking to buy are stable;
- You are able to pay for property taxes, homeowner's insurance, water, and other utilities which might cost more than utilities you might pay for when you're renting;
- You're willing to stay put for a few years;
- You can cover the cost of repairs and maintenance; and
- The potential tax advantages make sense given your financial situation.

your possessions and make sure to get supplemental policies to cover high-value items like jewelry or art.

#### BUILDING COSTS, BUILDING HONESTY

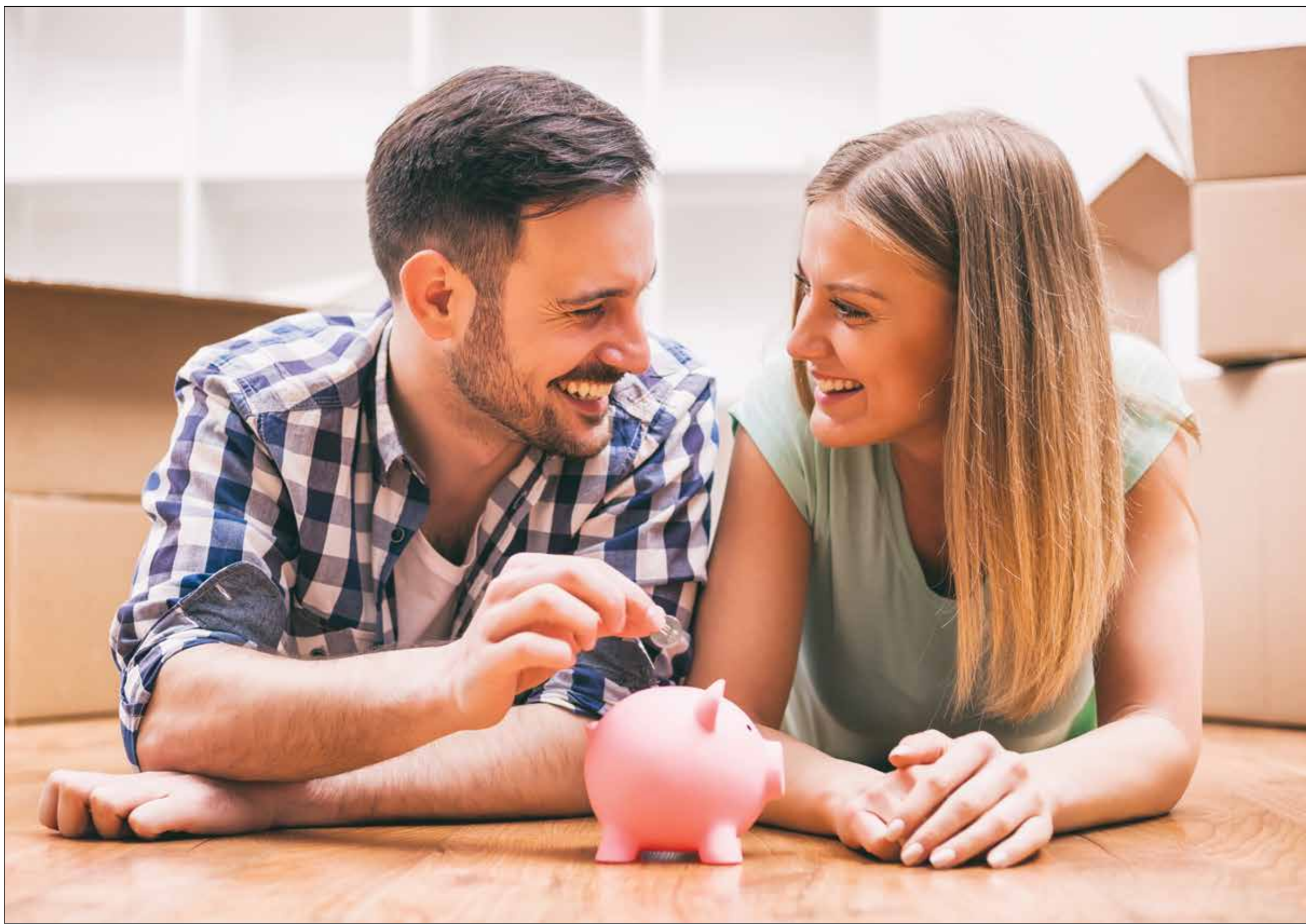
We've all seen the home improvement shows where the

homeowner maxes out their budget and — surprise! — they have to replace or repair something gigantic, necessary and

expensive. It doesn't have to be this way. Whether you're building or remodeling, keep a good tally of your expenses and keep lines of communication open with your contractor. Talk to them ahead of time about holding part of your money back to deal with different contingencies. It is exciting building the home of your dreams, but be prepared to dial back your spending if you need to. Your contractor or designer may be able to offer you cost-effective options to that pricey marble flooring that gets you the same look for less.

#### MORTGAGES

The not-so-sexy part of buying or building a home is the mortgage. It can also be really confusing. Sit down with your financial professionals and make sure you understand every line of the enormous financial responsibility you're about to take on. Do you know your interest rate? How much principal you'll pay? What about PMI or your escrow account? These are all things you should consider when it comes to accounting for your mortgage payment, and, ultimately, how much home you can afford. If you have a low down payment, talk to your financial professional or Realtor about homes that may qualify for special loans with low down payments and low interest rates.



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### HOMEWISER GLOSSARY

**Chain of title:** The history of all of the documents that have transferred title to a parcel of real property, starting with the earliest existing document and ending with the most recent.  
SOURCE: Federal Trade Commission

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