

Saving for a Down Payment

Owning a home is a significant milestone for many, but saving for a down payment can be a daunting task.

With careful planning and dedication, however, achieving your homeownership dream is within reach. Follow these strategies while keeping your end goal always before you. While you might have to make sacrifices in the short term, the result will be moving into a home that you love.

GOALS AND BUDGETS

The first step is setting clear and realistic goals. Determine how much you need for a down payment based on the price range of homes you're interested in. A common guideline is aiming for a 20% down payment, but there are loan programs that require less. For some new home owners, you might need as little as 3%.

Calculate your target amount and establish a timeline for reaching it. Developing a detailed budget lets you track your income and expenses. Identify areas where you can cut costs and redirect funds toward your down payment savings. Consider using budgeting apps or spreadsheets to



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monitor your financial progress.

SAVINGS STRATEGIES

Separate your down payment savings from your regular bank accounts by opening a dedicated savings account. Many banks offer high-yield savings accounts specifically designed for saving toward a major financial goal. This account should be off-limits for everyday spending.

Set up automatic transfers from your checking account to your dedicated savings account on your payday. Automating your saving ensures that you consistently contribute to your down payment fund without the temptation to spend money elsewhere.

High-interest debts, such as credit card balances, can hinder your ability to save. Prioritize paying off high-interest debts to free up more

money for your down payment savings. Start with the debts that carry the highest interest rates.

FINDING MONEY

Explore opportunities to increase your income. This may involve taking on a part-time job, freelancing or monetizing a hobby or skill. The gig economy offers numerous opportunities to earn extra money. Consider participating in ridesharing,

food delivery or freelance work to supplement your income and accelerate your savings. There are even gigs you can do from home such as participating in laundry services.

Cut unnecessary expenses. Review your monthly expenses and identify areas where you can cut back. Consider dining out less, canceling unused subscriptions or finding more affordable alternatives for daily and monthly expenses.

Allocate any unexpected windfalls, such as tax refunds, work bonuses or gifts, to your down payment savings. These one-time influxes of cash can boost your savings significantly.

SEARCH OUT OPTIONS

Research local and federal down payment assistance programs that may be available to you. These programs can provide grants, loans or tax incentives to help first-time buyers secure a down payment.

Stay informed about various mortgage options and loan programs. Some lenders offer low down payment options, such as FHS or VA loans, which require a smaller upfront payment compared to conventional mortgages.

Regularly review your progress and adjust your savings plan as needed. If your financial situation changes, update your goals and strategies accordingly.



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REAL ESTATE 101



Buyer's Tip

Use a market absorption rate calculator, such as the one found here, <https://calculator.academy/absorption-rate-calculator/>, to help you learn what sort of market you are in. A low number is a seller's market, a high number is a buyer's market and a six-month supply is considered a balanced market. **Source:** MortgageLoan.

HOMEWISSE GLOSSARY

Marketable title: a title that is free and clear of objectionable liens, clouds, or other title defects. A title which enables an owner to sell his property freely to others and which others will accept without objection. **source:** Illinois Real Estate Lawyers Association

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