

You Already Have The Money For A House...

Although buying a home with Little to No Money Down is easier today than it has ever been before, this does not mean that you will not need to have a reserve of money to take care of costs outside of but related to the home buying process.

No Money Down does not necessarily mean "No Money Spent"! Some of these unforeseen costs include but are not limited to:

- Home Inspection – a home inspection, though optional during the purchase of your home, is a necessity to make sure that you are investing in an asset (your new home) that is worth what you are paying for it. Home inspections can cost anywhere from \$200-\$500 depending on the extent of the inspection and the type of property you are buying.
- Earnest Money Deposit – Most sellers will not accept an offer for their home without an earnest money deposit. Earnest money deposits usually range from \$500-\$1,000 and are usually required at the time you make an offer for a property. This money may or may not be refunded to you at the closing of your loan.
- Appraisal Fee – You may have to pay for an appraisal of your new home upfront so that your loan can be processed. This amount ranges anywhere from \$150 to \$500 or more (If the seller is paying for your closing costs, this money will be refunded to you at closing).
- Emergency Reserve Fund – Most homes (including new construction) are not perfect. So it is always a good idea to have some money at hand to handle emergencies that arise with plumbing, electricity, landscaping and a host of other items that you will only discover AFTER you purchase the home. Your reserve fund depends on how much peace of mind you need about your ability to handle issues as they arise.

It is therefore important to have access to at least \$1,800 to \$2,000 as a "reserve fund" during the purchase process so you will not have any serious hiccups along the way.

BUT HOW CAN YOU FIND THE EXTRA MONEY?

Finding the extra money may be easier than you think! Here are 8 suggestions of ways you can find and/or save the money that you will need to purchase your home. By the time you go through all of these steps, you will be surprised how much money you find. Bear in mind that it takes most buyers between 45 to 90 days to purchase a home, so you can start looking for a home even as you are 'finding' the money:

1. Open A "Home Purchase Savings Account" specifically for saving money towards your home purchase and deposit \$50 or more into it every month.
2. Create A Budget listing all of your monthly income and expenses, and then eliminate all luxury items – put the 'found' money in your "home purchase savings account" every month when you receive your paycheck(s)
3. Tap Into Your 401k or Roth IRA by liquidating some of the current funds – think of this as diversifying your investments between stock and real estate – place the funds into your "home purchase savings account" (you may be able to liquidate a certain % of the money tax-free because you are going to use it towards the purchase of a home – ask a qualified financial advisor about how to do this)
4. Cancel All Non-Basic Cable Television (i.e. HBO, Showtime etc.) and put an amount equal to the cost of these services into your "home purchase savings account" every month
5. Avoid Eating Out (this includes fast food and ordering in). Calculate how much you spend on eating out in an average month and place this amount of money into your "home purchase savings account" immediately after receiving your paycheck
6. Use The ATM Only Once A Week – disciplining yourself to go to the ATM less often will force you to plan your purchases more carefully and therefore save more money.
7. Leave Your Rental Residence Early and Save the Security Deposit – if you have family or friends that can house you for a few months, and your landlord does not penalize you for canceling a lease early, terminate the lease a few months before you plan to move into your new home and deposit the entire money you get back from your security deposit into your "home purchase savings account"
8. Save Some Or All Of Your Tax Return – instead of going on a vacation or spending it on 'consumable items' like entertainment, food, or clothing, deposit some or all of your tax return into your "home purchase savings account"

WOW, YOU MIGHT ALREADY HAVE ENOUGH MONEY AT THIS POINT!

In Part II of this article, we will go over some other ways in which you can "find" money to go towards your home purchase.

THE MILLIONAIRE ATTITUDE

Homeownership is an essential component of your wealth building plan – but you want to make sure that you start off on the right foot. By making sure that you build up enough of a "reserve fund" before, during and after the transaction, you will ensure that buying a home gives you a leap forward financially, rather than sets you back a few steps because of a host of unexpected expenses.

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