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Ways to Save On Your Home Purchase

Leona K. Hawks
Utah State University

Lucy Delgadillo
Utah State University

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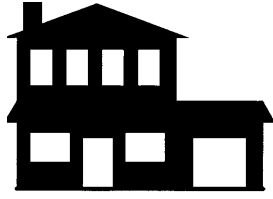
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HOME OWNERSHIP
FACT SHEETS

Ways To Save On Your Home Purchase

Leona K. Hawks, Professor, Extension Housing Specialist
Tawnee McCay, Family Life Center Director

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Reduce the Principal

- Negotiate the price
- Negotiate points
- Make extra payments on the principal
- Increase the down payment
 - Borrow money from relatives at a low interest rate
 - Put off buying and save money
 - Save money for the closing costs
 - If you have 20% of the down payment, then there is no additional cost for mortgage insurance

Reduce the Interest

- Shop for low interest rates
- Pay more on the principal
- Obtain a shorter-term loan
- Obtain a bi-weekly mortgage (two payments each month)
- Make extra payments each year

Trade off between interest rate and points

- Offer to pay points for a lower interest rate, assuming you will be in the house for at least three years

Get a 15, 20, or 25 year loan

- Interest rates are lower on shorter term loans
- Payments are often not that much higher
- Save thousands of dollars in interest

Reduce the Closing Costs

- Shop for the lending institutions with low closing costs
- Negotiate the closing costs
- Study the good faith estimate to make sure closing costs are accurate

Shop around for Home Owners Insurance

Use the Tax Deduction

The interest paid on your home is a tax deduction
Points paid to lower the interest rate are also deductible in the year you paid them
Property taxes are also deductible

Make extra payments or pay a little extra each month

Put your tax return toward your mortgage
Apply your bonus to your mortgage
Extra money paid each month goes straight to the principal, which saves a lot in interest

Do not purchase Mortgage Life Insurance

It is often overpriced
Normal life insurance is usually a better deal

Stop paying private Mortgage Insurance

When you have reached 20% equity in your home, you are not required to pay mortgage insurance, but you may to have your house appraised
Do not rely on your lender to tell you, you may need to ask

Adapted from: Wilson Smith, Money Daily: Nine Ways to Save on Your Mortgage, January 1997.

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