



How Much Home Can You Afford?

5 Questions to Guide Your Search

A home may be the biggest investment you'll ever make, and smart budgeting from the outset can save you a lot of headaches as a future homeowner. Here are five questions to ask yourself to help determine just how much house your budget will buy:

1. How strong is my financial history?

Make sure your credit score is in good standing before you set out to buy a home. The higher your credit score, the more likely you'll qualify for a lower interest rate, which could save you thousands of dollars over the life of your mortgage.

2. What mortgage product is right for me?

Most mortgage products fall into two categories of mortgages: a fixed rate mortgage or an adjustable rate mortgage (ARM). A fixed rate means that you will keep the same interest rate for the life of the loan. This means your monthly payment stays the same. An ARM begins with a fixed rate for the initial period, but will then change based on market fluctuations. This means after a certain time, your monthly payments could change.

3. How much should I put down?

Down payments are determined by many factors, such as loan product, geographical location, and borrower income. The more you put down upfront, the lower your monthly payment could be (for example, if you put down a certain amount, mortgage insurance isn't required). You can ask your lender about programs that have low down payment requirements if you're concerned about how much cash you have available. You can also ask about down payment assistance programs for first-time buyers and borrowers with low to moderate income.

4. What home price can I afford?

If crunching numbers isn't your strong suit, enlist the help of an [online home affordability calculator](#). Simply enter your annual income, monthly debts, and expected down payment, and get a sense of the price range that can fit comfortably within your budget.

5. What housing expenses should I include in my budget?

Be sure to include taxes, insurance, and interest. Don't forget about HOA fees, repairs, and regular maintenance expenses.

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