The Costs of Buying a Home

There are two types of main costs involved in buying a home: Upfront Costs & Ongoing Costs

Upfront costs:

1. Down payment.

Most first time homebuyers depend on a mortgage from a financial institution to buy a home. Nearly all mortgage programs require that you give some part of your own funds (the down payment) included in the deal. If you have some of your own money involved, Mortgage lenders are more secure that you won't walk away from it if your finances go down. Below are some links to websites that offer mortgage loan programs requiring little or no down payment.
FHA Loans: http://www.fha-home-loans.com/ **VA Loans: https://www.veteransunited.com/va-loans/**

2. Closing costs.

Homebuyers must be ready to pay several additional upfront costs incurred in purchasing a house, along with the down payment. Called "closing costs", these expenses generally range from 3-6% of the mortgage amount. If you were to buy a $175,000 house with a 5% down payment ($8,750), you could expect to pay between $4,987 to $9,975 for your $166,250 mortgage. Closing costs for various loans will vary from mortgage loan program to mortgage loan program. Learn more about the various closing cost of each type of mortgage loan here: **http://www.fha-home-loans.com/closing_costs_of_fha_loans.htm**
http://www.va-home-loans.com/closing_cost_va_loan.htm **http://www.mnhousing.org** **http://www.ndhfa.org**

3. Settling-in costs.

There will also be cost involved in moving and settling into your new home. The house may need major repairs, or you might want to purchase new appliances. Just remember these costs so you don't spend all your funds on the buying a home.

Ongoing costs:

A renter's only ongoing cost is a monthly rent payment. For homeowners, ongoing cost consist of a monthly mortgage payment, property taxes, homeowner's insurance, mortgage insurance (if required by the mortgage lender), and utilities and maintenance.

1. Monthly mortgage payment.

Every mortgage payment contains both the repayment of a portion of the principal and the interest. Mortgage lenders refer to payments of principal and interest as "P&I." *Your total monthly payment relies on the amount you borrow, the interest rate, the repayment period (or "term"), and whether you have a fixed-rate or an adjustable-rate mortgage.*

2. Taxes and insurance.

In most cases, a homebuyer's monthly mortgage payment contains the amount required to repay a part of the principal and accrued interest (P&I), and an extra amount for property taxes & specials, homeowner's insurance and private mortgage insurance. The mortgage lender holds these additional amounts in an individual "escrow" account and then pays the tax/specials and insurance bills when they come due. The mortgage lender ensures that these annual expenses will be paid on time. If taxes/specials and insurance are not escrowed each month, the homeowner should be prepared to pay off these bills when they come due.

Other costs of homeownership.

Other ongoing costs of owning a home consist of utilities (gas, water and electricity) and maintenance costs. First-time homebuyers aren't prepared for how expensive basic upkeep is. The cost of utilities may differ greatly (increasing during the summer, dropping in winter). Unexpected repairs also add to the cost making it necessary that homeowners always have available cash on hand.

Mortgage Payment Calculator

Use the following to chart to determine your monthly principal and interest payments at various interest rates for either a 15 or 30-year term.

Interest Rate Factors Per $1,000					
Interest Rates	Term 15 Years	Term 30 Years	Interest Rate	Term 15 Years	Term 30 Years
2	6.46	3.63	5	7.91	5.37
2 ¼	6.58	3.78	5 ¼	8.04	5.52
2 ½	6.69	3.92	5 ½	8.17	5.68
2 ¾	6.80	4.06	5 ¾	8.30	5.84
3	6.92	4.20	6	8.44	6.00
3 ¼	7.04	4.34	6 ¼	8.57	6.16
3 ½	7.16	4.48	6 ½	8.71	6.32
3 ¾	7.28	4.62	6 ¾	8.85	6.48
4	7.40	4.77	7	8.99	6.65
4 ¼	7.52	4.92	7 ¼	9.13	6.82
4 ½	7.65	5.07	7 ½	9.27	6.99
4 ¾	7.78	5.22	7 ¾	9.41	7.16

- Find the appropriate interest rate from the chart above.
- Look across the column to the appropriate term to determine your interest rate factor.
- Multiply the interest rate factor by your loan amount in $1,000s.

An Example
Interest Rate = 4 ½
Desired term = 30 years
Interest rate factor per $1,000 = 5.07
Mortgage = $200,000
Monthly Principal & Interest = $1,034 (5.07 x 200)

Add your monthly homeowners insurance premium and the monthly portion of your property taxes and specials to your principal and interest to determine your total monthly payment. (You will also need to add mortgage insurance if it applies. You can figure an approx. mortgage insurance premium by calculating 1% of your total mortgage and divide by 12, this is a very rough figure but will help you determine your approximate payment until you have actual figures from your lender. Mortgage insurance premiums vary with different down payment amounts.)

We are providing this information only as a guide. We strongly recommend that you contact our mortgage specialist or any mortgage professional.