



Extension News Column

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Prices of houses have gone down. Finance rates are at all time lows. Is it time to take that large step into home ownership? Before deciding to buy that house, make sure that you have considered all the costs of home ownership.

Most of us consider only one number, the price of the house. But savvy prospective home buyers consider mortgage fees, moving costs and even larger utility costs when thinking about the purchase.

Low mortgage rates in the vicinity of 5% and tax credits have helped sales surge over the last few months. But before you buy, consider all the costs of purchasing a home.

Cleaning up credit. Before you buy that house, you'll want to pay off any debt you have before starting the process. This will give you a better credit score, resulting in getting a lower interest rate. A difference of 100 points in your credit score will result in an extra \$25,000 in payments over the life of a 30-year mortgage. Check your credit score at www.annualcreditreport.com or check your FICO score for \$15.95 at www.myFICO.com.

Mortgage fees. With the recent melt down in the mortgage market, the price of mortgage fees has increased for many people. The fees are based on credit scores, type of home, and even the amount of loan in relation to the appraised value. You need to be prepared to pay at least 3% of the loan amount on fees. In addition, if your down payment is less than 20%, you will probably also be required to pay for mortgage insurance. That also has a hefty up front cost, possibly as much at 2.5%. If you are purchasing a \$250,000 house here in Fairbanks, that translates into a down payment of \$6250 and an additional cost of \$100 per month to pay the mortgage insurance. That makes a big difference in the cost of what you'll be paying each month.

Closing costs. In addition to the down payment, you'll have to pay administrative costs, title searches, appraisals, and property taxes. You need to plan for costs of 4 to 6 percent of the home's sale price. Again using the \$250,000 as an example, you'll need between \$10,000 and \$15,000 to cover closing costs. By law, you must be given a Good Faith

Estimate of those costs when you apply for a mortgage. Be sure to check it and be prepared when you go to the closing table.

Making the move. A move may require new furniture or appliances. In addition you may need to hire movers, or a rental on a moving van. There may be deposits on utilities or fees for beginning services. All these add to the money needed for the home purchase.

Home maintenance. As a renter, you may not even know what it costs to keep a house in good repair. That is the landlord's responsibility. Now, repairs are your responsibility as well as those normal wear and tear items such as fresh paint, new flooring, and lawn care (not to mention the cost of the lawn mower).

Home ownership is considered the great American Dream. Just make sure you are prepared for all the costs before you take the big step.