

# FLYNN | ZITO

## CAPITAL MANAGEMENT



Greetings!

Our newsletter this month is titled "Your Piece of the American Dream: Buying a First Home."

Thank you for your thoughts and feedback on our newsletters. If you know someone who may benefit from this information, please pass it on. If you have any questions or comments, please contact us.

Regards,

Doug Flynn, CFP®, ChFC®

Rich Zito, CFP®, CMFC®

Steve Aberman

[www.FlynnZito.com](http://www.FlynnZito.com)

Flynn Zito Capital Management, LLC

A Registered Investment Advisor

300 Garden City Plaza, Suite 226

Garden City, NY 11530

(516) 746-9000

(516) 746-0300 fax

### In This Issue

\*Your Piece of the American Dream: Buying a First Home

\*How Much House Can You Afford?

\*Closing Costs

\*Operating Costs

### More About Us





## → Your Piece of the American Dream: Buying a First Home

For many people, buying their first home represents the biggest financial commitment they'll ever make. Before making such an important decision, you should consider a variety of factors starting with whether home ownership is right for you.

When considering this question, it may help to view the ownership decision as a lifestyle choice first, and a financial decision second. While over time, buying a home can potentially be a good way to build equity, history has shown that, like many other investments, real estate prices can fluctuate considerably. If you aren't ready to settle down in one spot for a few years, you may want to defer buying a home until you are. But if you are ready to take the plunge, you'll need to determine how much you can afford to spend.

## → How Much House Can You Afford?

Most people, especially first-time buyers, must take out a mortgage to buy a home. To qualify for a mortgage, the borrower generally needs to meet two industry-standard ratio requirements: the housing expense ratio and the total debt ratio.

- The housing expense ratio compares basic monthly housing costs to the buyer's gross monthly income (before taxes and other deductions). Basic costs include mortgage payments, insurance and property taxes. Income includes any steady cash flow, including salary, child support or alimony payments. For a conventional loan, your monthly housing cost generally should not exceed 28% of your monthly gross income.
- The total debt ratio is the percentage of income required to service all of your monthly debt payments. Monthly payments on student loans, installment loans and credit card balances, for instance, are added to basic housing costs and then divided by gross income. Your total monthly debt payments, including basic housing costs, generally should not exceed 36%.

In addition to qualifying for a mortgage, you will likely need a down payment. Down payment requirements generally vary from a minimum of 3% to 20% or more depending on individual factors. Down payments greater than 20% generally exempt you from buying private mortgage insurance and may help you secure a lower interest rate. Mortgages available to some military veterans and active duty military personnel through the Veterans Administration (VA) may

require no down payment.

## → Closing Costs

Closing costs vary considerably, but typically add between 2% and 7% to your purchase price. Such costs can include--but are not limited to--a home inspection, loan origination fees, up-front "points" (prepaid interest), application fees, an appraisal fee, title search and title insurance, homeowner's insurance, recording fees and attorney's fees.

## → Operating Costs

In addition to mortgage payments, there are other costs associated with home ownership. Home association fees, utilities, heat, property taxes, repairs, insurance, services such as trash or snow removal, landscaping and replacement of appliances are some of the more common costs incurred. Check the actual expenses of the previous owners and make sure you know how much you are willing and able to spend on such items.

Once you've determined a price range and location, you're ready to look at individual homes. Remember that much of a home's value is derived from the values of those surrounding it. In addition to "comparables," consider the neighborhood, schools and other qualities that may be attractive to future buyers as well as those attractive to you. The more research you do today, the better your decision will look in the years to come.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. This article was prepared by DST Systems Inc. The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. We suggest that you discuss your specific situation with a qualified tax or legal advisor. Please consult me if you have any questions. LPL Financial Representatives offer access to

Trust Services through The Private Trust Company N.A., an affiliate of LPL Financial. Because of the possibility of human or mechanical error by DST Systems Inc. or its sources, neither Wealth Management Systems Inc. nor its sources guarantees the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. In no event shall DST Systems Inc. be liable for any indirect, special or consequential damages in connection with subscribers' or others' use of the content. To the extent you are receiving investment advice from a separately registered independent investment advisor, please note that LPL Financial LLC is not an affiliate of and makes no representation with respect to such entity. Securities offered through LPL Financial, member FINRA/SIPC. Investment advice offered through Flynn Zito Capital Management, LLC, a Registered Investment Advisor and separate entity from LPL Financial.

Tracking #1-558154