

Episode 10

Nadeska Alexis: [00:00:00] Hey, I'm Nadeska Alexis, and this is Beginner to Buyer. Beginner to Buyer is powered by Chase Home Lending. Get more great tools and helpful information to help you buy your first home by visiting BeginnertoBuyer.com.

Throughout this series, you've gotten a lot of essential home buying tips and information from experts across the real estate industry. On our previous episode, we talked through that intimidating final step, which is closing, but we're still not done yet. There are a few things you need to plan for after you get those keys that'll really set you up for lifelong homeownership success. When I closed on my first apartment, I was so relieved that the buying process was over. I was just excited to get started with decorating, but then of course, reality hit. I realized there were a few other essential things I needed to prioritize, like changing the locks on the doors and managing my budget for some repairs.

Amaya Gunasekera: [00:00:51] My name is Amaya. I live in Greenville, South Carolina, and I'm a speech language pathologist,

Nadeska Alexis: [00:00:57] Congratulations. You bought your first home last year. How does it actually feel to be a homeowner? Did you celebrate once you got your keys?

Amaya Gunasekera: [00:01:05] I felt like it was a long time coming, but it also happened so fast and it happened during 2020, which was a whole nother thing, you know. It feels good to finally be here and be kind of settled in. You know, there are still honestly some boxes that have not opened yet. So it's still a work in progress, but it feels great to be here.

Nadeska Alexis: [00:01:26] Hey no rush. You're supposed to take your time and slowly unpack so you don't stress yourself out. So like you mentioned, buying last year was just, it was a crazy time in the world. So when did you actually first start thinking about buying your first home?

Amaya Gunasekera: [00:01:39] So I got a job, it was in the area, the setting that I wanted, it was the city that I wanted. And so I thought, "okay, well let me start looking for a house now". And of course, the world turned upside down in March of 2020, and I actually have underlying lung issues and I'm on medication that suppresses my immune system and I was working in a hospital.

Nadeska Alexis: [00:02:00] Wow.

Amaya Gunasekera: [00:02:01] And so I thought, "well, maybe I should take some time off". When I came back to work, I started looking more seriously and got in touch with a mortgage lender and a real estate agent. And really started looking into things.

Nadeska Alexis: [00:02:15] Hm. Well, you know, you could have also made the decision to rent for a bit longer. So what was it that actually really attracted you to home ownership? What would you say that home ownership means to you?

Amaya Gunasekera: [00:02:26] To me, home ownership is independence. Just a sign that I had reached like that comfort in life where I felt like I could move forward and take care of things on my own and be more financially independent and secure.

Nadeska Alexis: [00:02:40] That's really awesome. So in that planning, were you prepared, you know, just thinking about home ownership long-term so not just the initial purchase price, but anything that could come up after closing like repairs or any additional costs, for example.

Amaya Gunasekera: [00:02:55] Yeah. When I was kind of budgeting and trying to figure out how much money I could afford to spend, I was also looking at my savings to see like how much money I have in there to kind of put away and just save for a rainy day, you know, and just not be attached to that money at all. And just be like, "this is for the house. If something happens then it's for the house", you know. My real estate agent and my lender definitely helped me navigate some of that and I think, you know, problem solve through that.

Nadeska Alexis: [00:03:27] Once you went out and started looking around, did you have a list of, you know, must-haves, the things that were non-negotiable for you? And also things that you were willing to be flexible on to make sure that you stayed within your budget?

Amaya Gunasekera: [00:03:38] My location was important. I wanted to at least have like a two bedroom, two bath, and I've always been drawn to those smaller, older houses with character. So that's really what I was looking for. So when I started looking at houses, I was surprised at how quickly I made a decision and pulled the trigger. It's an older house, it's like maybe 60 years old. When I walked into it, it just felt like home. It was bright and airy and open floor plan, but still had like that old character and the original hardwood so you can see, like, little scuffs where something may have happened, you know, things like that.

Nadeska Alexis: [00:04:17] So once you went in to do the inspection, what was that like for you? Did it go smoothly? Did any repairs come up that you were concerned about?

Amaya Gunasekera: [00:04:24] They were just very small things that needed to be done. But after I moved in, there was a, a major issue that popped up later that wasn't caught on the home inspection.

Nadeska Alexis: [00:04:34] And what was that?

Amaya Gunasekera: [00:04:35] I wanted to get a doorbell put in and then also the water line and the electrical for the dishwasher. So I had an electrician come in and install those things. And he said that basically the voltage and the electricity that the house was capable of bearing was not the same that was coming into the house. He was like, "I would recommend that this get fixed, because if you were to overload this, there's a chance of fire, electrical issues. That would be major, you know?" And so I was like, "well, shoot, here we go. Day three of owning a house".

Nadeska Alexis: [00:05:08] Oh, day three. oh man. Yeah. And a security issue, a safety hazard, that's something, right, that you, you have to prioritize.

Amaya Gunasekera: [00:05:15] Right. I was telling my mom, I was like, "do you really think I need to do this? The house seems fine". And she was like, "Amaya, are you insane? This is," like you said, "like a safety issue. Anything safety that comes up, you have to fix it. No matter what. This is part of that money that you are not connected to that's for the house that you have to just be able to let go of, you know?" But it ended up being like several thousand dollars. And I just said, "all right, well, I guess we got to do this". So I did it, and I have a dishwasher and a doorbell and good electricity now.

Nadeska Alexis: [00:05:51] So in the end it worked out. I think that's, especially for first-time homebuyers, you know, I've been through this as well, there's always some surprise that you didn't see coming. And so there's always that moment that your heart sinks, but, you know, it's great that you were planning and budgeting. So, did that put a big dent in that repair budget that you had set aside? Or did you plan that you still have a good enough amount left for anything else that could come up?

Amaya Gunasekera: [00:06:14] Yeah. I mean, it did put a dent in it, but I'm trying to, like every month kind of put a little bit of money into it to kind of rebuild it. I'm hoping that something like that doesn't happen anytime soon.

Nadeska Alexis: [00:06:25] Well, so now that we have the big electrical issue settled, dishwasher, we've got our doorbell, do you have any other big concerns or, you know, any questions that I could take to our experts for you?

Amaya Gunasekera: [00:06:37] One of my questions is, you know, how I can build equity in the house. Where do I invest my time, effort and money to get the most bang for my buck? I guess.

Nadeska Alexis: [00:06:48] That's a great question cause you're right. Like you said, you have your like emergency funds set aside. You don't want to go a little bit too crazy, you want to prioritize the right thing. So Amaya, thank you so much for sharing your story with us. You know, I hope you get to those boxes sometime in the next few months.

Amaya was really smart to plan ahead for expected and unexpected expenses. Those things just happen and being prepared will really give you an advantage. Now, I know it can be pretty hard to put aside that cash, especially when you're already saving up to actually purchase your first home. But I promise you, your future self will be very grateful that you did. Earlier on in the series, we talked a lot about preparing financially to buy a home, and now I think it's important to hear more about budgeting to own a home because there is a difference. So I reached out to our favorite budgeting expert, Arielle Figueroa, once again. She's a certified financial planner and she's all about helping people learn sustainable home ownership skills.

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Arielle, thank you so much for joining us again. Earlier in the series you gave us really, really great advice on planning to buy a home, and now we're at the point where we've closed, we

finally have our keys, and we've moved in, but we still have some big, important financial decisions to consider. So at this point, after closing, why is a homeowner's budget still so important?

Arielle Figueroa: [00:08:14] Oh boy, what a great question. And thank you so much for having me back Nadeska. I really appreciate it. Why is a budget so important? A budget is important for your entire life, from the time you start your first job all the way through retirement. I know people hate to hear this, but budgeting is never going to lose its importance.

So, like we talked about, even after you buy a home, there are still expenses that are going to come up unexpectedly. If you have cushioned your savings, if you continue to save for those inevitable repairs, you should be pretty well off financially in terms of covering them without having to stress. But it is all too common that when somebody buys a home for the first time, they do go a little outside of their planned budget, especially for things like furnishings. I hate to say it, but take your budget for that and double it because it's probably going to be way more than you think it's going to be. But having that budget will really give you the framework for your overall financial life. As a homeowner, as a renter, it doesn't really matter, but budgeting is so important to make sure that you are continuing to cover all of your expenses and meet your financial goals. Staying on track with all of those things is super important.

Nadeska Alexis: [00:09:26] Absolutely. And look, I think there are a lot of creative ways and options for budgeting right now, as companies try to make it a lot more fun. There are websites and apps, or you can write it in your little notebook if you're more traditional, like I am. So you have a lot of options, but just generally speaking, how should you approach creating your budget once you're a new homeowner?

Arielle Figueroa: [00:09:47] Ideally, you already have your budget and it'll just be as simple as making an update, but if you don't already have a budget, a budget can be a really simple and easy exercise to take care of. It's just a matter of taking your income, itemizing out all the sources if there are multiples, and ideally there will be, adding everything together, and then subtracting out your expenses in the specific order. I like to look at primary living expenses first, the most important non-negotiable things. Then I like to look at minimum debt payments. So the things that are, really you have to pay them or you're going to have an issue with your creditors. And then after that, we start to look at things like saving for long term goals, paying extra towards your debt payments to pay them down faster, and discretionary spending, things like going out to eat, getting your hair and nails done, shopping, and all the fun things that people like to do that make their lives worth living.

Nadeska Alexis: [00:10:41] Okay. And what are some of those very routine expenses you should always expect as a first-time homeowner, including things just like regular maintenance, for example?

Arielle Figueroa: [00:10:50] Absolutely. The regular maintenance things like annual repairs on your home, especially if you live in a colder climate where you get snow and ice that can really wear and tear on the outside of your home. But there's also other bigger expenses

that come up and they're not as uncommon as people like to think they are. And that's things like pipes bursting, having a leak with your washing machine, or potentially an issue with your other appliances, things like your garage door opener not working, repairing the driveway, like there's tons and tons of things that can come up. We don't necessarily know what they will be, but if we can prepare and save a little bit of extra money for them, when they do arise, then you'll be in a good place to handle them.

Nadeska Alexis: [00:11:35] Okay. One day when my garage opener stops working, I'm definitely going to think of you and I'm going to laugh instead of being annoyed or stressed, you know, I've had some fun surprises before, like pipes bursting, and you know, when you call for repair, they're like, "yeah sorry, you're not the only one, demand is high". I'm like, "it's cool, I'll just hang out here and freeze in 20 degree weather". So again, it's all part of the fun. You can laugh about it down the line. Now one type of expense that is uniform, this is something that none of us can get away from, property taxes. How do property taxes work?

Arielle Figueroa: [00:12:05] Property taxes will be dependent on your location. And in fact, it's funny you bring that up because I used to live in a very high property tax state, which is New Jersey. And I lived in Bergen County, which is the highest, or perhaps the second highest, property tax location in the entire United States, aside from maybe California. So it's just one of those things that you really have to pay for. How they work typically is that the town or city or county that you're in will assess the value of your property that you own, and it will use a formula to take a percentage of that, and that will be what your property tax payment will be.

Now, usually that assessed value is different than the market value of your home. It's usually a lot lower. So if you were to go and sell your home on the market, you might get \$300,000 for it. That doesn't mean your assessor's going to say \$300,000 is the number they're looking at. They might look at \$200,000. But that's typically how property taxes are calculated. And depending on where you live, the taxes might be used for things like repairing roads, funding the school system, doing public service, all of those things that are really, really important.

Nadeska Alexis: [00:13:15] Absolutely. And is that something that you can expect to pay all at once every year? Or can you split those payments throughout the year? How does that typically work?

Arielle Figueroa: [00:13:23] That again is very dependent on where you live. So again, going back to my example of where I used to live in New Jersey, property taxes were paid quarterly. Every year, January, April, July, and October, you would get a bill or your mortgage company would take care of that for you and pay those taxes on a quarterly basis. Where I live now in Arizona, property taxes are paid annually, so it'll really just depend.

But the thing that makes it a little bit easier to manage and also kind of spreads out the payment is if you do what's called escrowing, meaning you elect for your mortgage company to collect your property tax payment as part of your mortgage. And then they take the responsibility of actually making the payment to your tax assessor or your tax recorder's office.

And if you do that way, then typically it's just whatever your annual tax is divided by twelve, and that amount is added to your regular monthly payment, unless there's a situation where they run out of money because taxes went up or there was a new assessment on your property and they had to dip into your reserve for that. And in that case, they'll just slightly increase or even sometimes it does, it does happen, believe it or not, if they've taken a little too much money the prior year, they might decrease the amount that's assessed for that property tax portion.

Nadeska Alexis: [00:14:40] Oh, wow. That's good to know. And I guess that's a great option if you're the kind of person who does not want to be surprised every few months that you have to hand over such a big check, just have them take it out monthly. So Arielle, another term that we see come up a lot once you are purchasing your first home is HOA. What does that mean?

Arielle Figueroa: [00:14:57] Yes, I'm so happy you said that. HOA is homeowner's association and sometimes it's called maintenance, but they're basically the same thing. If you live in a condo or a co-op, or even if, like me, you live in a single family home, but you're part of a planned community, you might have HOA fees or maintenance fees that you have to pay in addition to your insurance, property taxes and your mortgage payment. And just like with property taxes, those HOA fees cover usually maintenance of common areas of the community, where you live. For us, it covers landscaping and parks. If you live in a condo, it might cover common gym or shared area where people can congregate together. So it does cover important things, but it is an extra expense to consider when looking at whether you're going to buy in a community or outside of a community.

Nadeska Alexis: [00:15:49] Absolutely. You mentioned already some things that are, you have to take care of as you're moving in. Things like changing the locks on the house. That's important. Now, I think as a first-time homeowner, especially if you're not moving into a brand new property, you probably have like a list of things that you need to do, some repairs, et cetera, but what should you prioritize? Just so you're not going over budget immediately.

Arielle Figueroa: [00:16:11] I would say anything that's going to cost more money in the long term if you avoid repairing it. Anything that involves a leak or an electrical issue, a safety hazard, mold. Oh, that's the worst. And anything that would be hard to do after you've moved in all your furniture, because access will be a problem. That will be things like painting or if you're going to be doing major renovations, knocking down walls, things like that, all of those are things that I would take care of sooner versus later. That way, once you've gotten yourself, actually moved in, you brought in all your furniture, your clothes are in the closet, everything's set up and ready to go, you know that you don't have to have the stress on your mind of having to move everything around again, do all the repairs, and then put it all back together.

Nadeska Alexis: [00:16:57] Absolutely also learned that from experience, not fun. Sometimes you just need to get it done immediately and get that over with. And besides sort of those like immediate, but also very important things, are there any long-term plans that you think people should start thinking about early? It could be anything from refinancing to

maybe taking out home equity loans or sort of rich renovations would really benefit them in the long run if they did want to sell at some point.

Arielle Figueroa: [00:17:23] Yeah, it'll depend on your home, of course, but I definitely think the things that are common are things like repairing your roof. Again, especially if you live in a colder climate where you're getting snow and ice, that can be a lot of wear and tear and repairing a roof can be in the tens of thousands of dollars. So that's a huge, huge expense that people should start planning for from day one. Things like repairing your water heater or your boiler, even redoing the electrical work, depending on how old your house is. So there's a bunch of big ticket items that you can kind of expect are going to happen over time, that if you can start preparing earlier versus waiting until they actually come up and having to figure out a way to finance them, you'll be in a significantly better position. And that's just honestly, the beauty of having a budget and starting to save is that it just eliminates the need to feel that stress.

Nadeska Alexis: [00:18:13] Budget. Budget is going to be our happy word for this episode. Hey, before we hear more from Arielle, I want to remind you that you can find additional resources at beginnertobuyer.com. Arielle, one of the great things about home ownership is that, you know, instead of paying rent and, you know, necessarily just spending money that you won't ever see again, with a home you build equity. So it's a term that we hear a lot, but can you actually explain what is equity? What does that mean?

Arielle Figueroa: [00:18:33] So equity is simply the difference between how much an asset, in this case at home, is worth, and how much debt you have outstanding on that home. Ideally as time goes on, your mortgage balance will go down and your home value will go up, although that really just depends on market conditions. So over time, ideally your equity position in your home will grow. Even if the value itself doesn't change or doesn't go up dramatically, the fact that you're paying down that debt means that the difference between those two numbers is growing.

Nadeska Alexis: [00:19:07] Okay. And another term that you hear really often is refinancing. So at what point does it actually make sense to refinance your home?

Arielle Figueroa: [00:19:16] So refinancing will make sense if you're saving money in both the short and the long term. If you're planning to move out of the house fairly quickly, then saving in the long term isn't really as important, you really just want to get the most benefit in the short term that you can. If you're planning to stay in the home long term though, then the more that you can save over the life of the loan, the better off you're going to be. So it's a two-pronged consideration and really the best way to determine if it actually makes sense to refinance is to crunch the numbers. And you don't have to do it on your own. You can see all those things with the calculator, but you could also always call up your lender or shop around a little bit to different lenders and see what they would calculate that payment to be. And then you can make those considerations using the data.

Nadeska Alexis: [00:20:02] Yeah, absolutely. It's definitely more fun to have them calculate it for you once you see, once you see that big number of how much you can save over time. You're like, "okay, now I understand why refinancing makes a lot of sense". Arielle, even if

you took the time to really plan and budget and save, right, so you would be in a financially strong position once you purchase a home, sometimes emergencies come up, things that are out of your control. If you do end up in a situation where you're not able to make your monthly payments, how do you advise that a first-time homebuyer would handle that?

Arielle Figueroa: [00:20:32] For first-time homebuyers or for experienced homebuyers, my answer would be the same in that is simply talk to your lender. A lot of people think that by not making the payments and forgetting about it, it will go away. But really the longer you wait, the worst position you put yourself in and the fewer options that you have. Most banks, most mortgage companies have financial plans in place for people who are having trouble affording their payments. And their goal is really to work with you in whatever way they can to make sure that you are able to get back on your feet so that you can continue to make those payments going forward. But the number one best thing that you can do is reach out as soon as you feel like you're going to have trouble making a payment, before you make the late payment or miss a payment altogether, and they can walk you through what all of those options are and help you get guidance throughout that entire process.

Nadeska Alexis: [00:21:27] That's really good to know that you do have options. I can understand being terrified to reach out and thinking that just avoiding it is the right move, but it's good to know that there are solutions. Okay. So, you know, we've gone through this process of like making this huge financial decision, we've moved into our home, and now comes, what I think is the really fun part, which is furnishing your home. But at the same time, we're still considering our budget. So we probably don't want to import luxury textiles from Italy, you know, in our first year of homeownership, what do you advise people can do to furnish their homes on a budget?

Arielle Figueroa: [00:22:00] I think, again, it just boils down to what's most important to you. If you really do want that luxury furnishing from Italy, maybe you can have it, but it might take a little longer for you to get it. So just saving to make sure that that's going to be a financially sound decision versus buying it immediately. If you are okay with waiting, then taking your time to furnish a home is honestly, in my opinion, the best way to make sure that you stay to your budget. When you're buying your home, you're so excited. You're imagining all the beautiful things that you're going to buy to fill it up, and then that's how people start to go crazy and pay way too much money for furnishings that after a couple months, they're not even going to notice it. So if you can wait and just do it slowly, that'll help you buy with intention. Stick within your budget and make sure that the pieces that you're buying are going to be the right fit for your space, they're going to be the right fit for your lifestyle, and that they're going to last you for the long term.

Nadeska Alexis: [00:22:55] Absolutely. So Arielle, last year, random story. I read Michelle Obama's book, and in it she mentioned that her dad was very firm on never wanting the family to be house poor. Can you tell us what this term means and how you can make sure to avoid that? So you can still have enough of your budget to actually go out and enjoy your life in your house.

Arielle Figueroa: [00:23:15] Yes, that is a great book, and Michelle Obama's dad is a smart, smart man. House poor simply means that all of your assets are invested into your house and

you don't have the flexibility to do other things financially because all of your money, all of your assets, all of your budget is really just going towards your house. For some people that might be okay, but I imagine for most people you have other things that you want to do in your life besides pay your mortgage or pay down your house.

Nadeska Alexis: [00:23:45] I hope so.

Arielle Figueroa: [00:23:46] Ideally we'll avoid that. And again, making sure that you stick to that budget, that you have one in the first place, in fact, will really be the key to avoiding that house poor situation.

Nadeska Alexis: [00:23:58] Absolutely. And I think one of those important decisions you also have to make is deciding whether to invest in things that make your house enjoyable. How do you decide when it's the right time to make those investments? Like, should I go on and get the pool installed now? Because it's pretty hot and I've been sweating all week.

Arielle Figueroa: [00:24:14] I hate to use the financial planner answer, but it depends. Right? That's the, that's the key word? It depends. If having a pool is super important to you and it's going to improve your quality of life. Here in Arizona, in my opinion, having a pool is a must. You cannot get through the summer without it, when it gets to 110 degrees and you're dying.

Nadeska Alexis: [00:24:34] I can imagine.

Arielle Figueroa: [00:24:35] It's really great to jump into that pool, but we use our pool pretty much every day. But give yourself that opportunity to really sit with yourself and assess whether it's something that you're going to use for the long-term or if it's going to be something that's just temporary use and then you're going to forget about it and wonder why you even spent the money in the first place.

Nadeska Alexis: [00:24:54] That's great. Yeah, if you're using something really often, then it actually makes sense to go ahead and invest in it. Now, some people, you know, depending on the property that you acquire, you may be able to rent a portion of it to have a tenant. Do you think that renting to someone is a good way to create additional income? And are there any associated costs with that that you might want to consider before getting into that.

Arielle Figueroa: [00:25:17] In my opinion, renting to other people is not as glamorous as it might seem on the surface. When you're a landlord, you essentially own a business. Your house is your asset. You have to make sure that you're maintaining it beyond perhaps what you would otherwise do just for yourself. And you also have to make sure that you're collecting income from your renters, you have to make sure that you're facilitating repairs if you don't have a property management company doing it for you. You're the one who has to get up at 2:00 AM and call the plumber or go down and do it yourself and fix it. So I would say that renting can be a good way to offset the cost of homeownership. But it's definitely not for everybody. Know yourself, you know yourself best. If people would be bothering you at all hours of the day, maybe you can consider getting a property management company, but then you have to look at the additional cost and determine whether that makes sense as well. So there's a lot of considerations.

Nadeska Alexis: [00:26:14] Well said. Arielle, thank you again for giving us so much amazing information. But I'm wondering if there's one thing you'd like a first-time homebuyer to take away from this conversation, what would it be?

Arielle Figueroa: [00:26:24] If there's one thing that I could have a first-time homebuyer take away from this conversation, it would be to save. Save extra, save way more than you think that you actually need. You will never be upset with yourself for having too much money saved, because if you don't use it for your home purchase, if you don't use it for repairs, then it's just extra money that you can use towards something else fun and enjoyable that you would like. So save, save, save. Go back to the ABCs. And make sure that you have fun with the process.

Nadeska Alexis: [00:26:57] The ABCs we're never, ever gonna forget. Thank you so much Arielle.

Arielle Figueroa: [00:27:00] Thank you so much Nadeska, I appreciate it.

Nadeska Alexis: [00:27:05] Arielle gave us some invaluable advice there. Like she said, it's very important to think ahead. Make sure you keep that homeowner's budget going, be strategic about which renovations you prioritize, but also remember to enjoy your home. And finally, stay in touch with your lender so you can be proactive if any issues come up that you might need help with.

Now I want to dig a bit deeper into a couple of the terms we touched on, equity and refinancing. Both are very important terms to learn because your relationship with your lender continues well beyond that closing date. So I sat down with Amy Bonitatibus. Amy is the CMO at Chase Home Lending, which means she has lots of experience communicating with the new generation of homebuyers.

Amy, when you're buying a home for the first time, there's so much to wrap your head around that it's even hard to see past the closing date. But of course, at some point moving day is going to come and you're probably still going to have a lot of questions. So what does a homebuyer's relationship look like with their home lending advisor after they've purchased?

Amy Bonitatibus: [00:28:07] For sure. There's a lot to think about when you're going through the home buying process, but you're right. It is important to think about, what does this mean after I close on that home, because for some homeowners and for many homeowners, actually, they're going to have that mortgage for 30 years. And so it's such an important part of the process that often people forget about. The relationship with the home lending advisor is one of the most important, because at Chase, we really value our customers' relationships and we look at them as being lifelong relationships. The reason for that is, again, over a 30 year period, the rate environment is going to change dramatically. And hopefully, and what we've seen in recent years, is that rates have dipped quite a bit and almost everyone has been in the money for a lower rate savings and therefore a lower monthly payment. Which, who doesn't want a lower monthly payment? So that relationship with the home lending advisor is critical. Call them up, ask them what are the current rates

right now? Should I refinance? I would do that every couple of years as you're watching the market and where you see a lot of coverage in a, you know, low rate environment, such as this one.

Nadeska Alexis: [00:29:18] So, like you mentioned, most people are taking on a mortgage for 30 years and over that period of time, they're going to have a lot of questions. You know, I've spoken to a lot of first-time homebuyers while recording this podcast, and one of the biggest questions I keep getting is how they can go about building equity in their home. So I know there's a few different options here. I'd love to start with how you approach your down payment. Some of our buyers, for example, qualified for down payments as low as 3%, but what would your advice be if they're concerned about, you know, having some great equity right from the beginning?

Amy Bonitatibus: [00:29:49] Well, look, every single person's situation is very different. So if you have the means to put more down, of course, that's better because you can get a lower payment by doing so, but for some, and particularly first-time homebuyers, they don't have that big down payment to apply, like someone who's selling their home to buy a new home would have. Everyone should look at their own personal financial situation, and for first-time homebuyers, another important tip is, you know what, even if you have that 5 or 10% to put down, put down, you know, 3 to 5%, and then keep that extra money for things that are going to come up. And things always come up with buying a home. Inevitably, you're going to have that pipe that is faulty and on the verge of rupturing, and so let's address that quickly. You're going to have that, you know, bathroom that you were fine with when you walked through the house, but now that you're living in it every day, you want to gut. So keep some cash on hand for those, you know, surprises that you may or may not have anticipated.

Nadeska Alexis: [00:30:55] So you make a good point, right? Buying a home for the first time is a huge expense. Maybe you don't want to put up too much on a down payment, if you want to save for all of the pleasant and unpleasant surprises that can come up at some point with ownership. So another option could be paying a little bit extra on your mortgage, right? And I'm sure there's multiple different ways you can approach that. What would your advice be in that situation?

Amy Bonitatibus: [00:31:15] If you can make additional payments to your mortgage, I would definitely recommend doing so. It's always great, when you do that, to be able to see how many months or years you can actually cut off on the back end of your mortgage terms. So for example, if you have a 30 year mortgage and you're making an additional \$100 a month, you can shave off several years over time and pay down that mortgage even faster. So Chase MyHome is a great website and tool where people can go in and play with their personalized settings that have all the custom information on their home right in front of them.

Nadeska Alexis: [00:31:51] That's really nice because sometimes it might feel like that extra a hundred dollars a month is really going nowhere, but when you can see the amount of years that it's shaving off of a loan, that's a completely different story. So you also mentioned, you know, a lot of our homeowners have been really good about budgeting for surprise repairs, but a lot of them also want to increase the property value through strategic repairs. Now, of course, you know, you're not going to recoup all of the money you make on every

improvement. So what would you recommend that they really focus on to build equity over time?

Amy Bonitatibus: [00:32:20] Yeah, it's a great question. And home renovations is one where I've always thought about it certainly in the sense of, "hey, can this increase the value of my home?" But more importantly, do things that are going to make you happier. It depends on the market, in a market like this, you'll probably get the whole thing back plus some, and in a normal market, you may not. But if it makes you happier to have a kitchen that's renovated or to have a bathroom that's renovated and you have the means to do so, make those small improvements. More times than not, you will get that money back in the long run. Now there are certain projects, like I love outdoor living space, and right now that is attractive. But for the most part, people have always said, installing a pool and all the expenses that come with are hard to recoup when you go and sell it. But if you're in that home for 30 years and your kids have all their friends over and they're swimming, those are things that you might want to do anyway, just for that pleasure of living and using the space. So I say, when it comes to renovations, do what makes you happy, and of course do it in a way that hopefully others would find it attractive if you look to sell that home.

But getting back to the, you know, how do I build equity, certainly making improvements is one way. It's also great because if you're making that extra \$100 a month payment and 20 years from now you want to help your child pay for college education, well now suddenly all of that money, you can do a cash out refinance, take it out and help your child pay for college.

Nadeska Alexis: [00:33:52] Alright so that's good to know, because we definitely have a lot of young families who are buying. They have young kids, you know, they want to pass on the home to them. But before that you're right. Things like university is going to come up. You know, there's a lot of terms that you hear during the process of buying your first home, that reading it on paper, it just doesn't register as much as going through the process and now having ingrained in your mind what that means. And for me, the concept of refinancing just was not on my radar during my very first purchase. So can you explain what it means to refinance?

Amy Bonitatibus: [00:34:20] So the refinance is simply changing the terms of your mortgage, locking in at a new rate, and therefore a new payment, and it's that simple. In the case of a cash out refi, which I know is a term many people have heard and may not truly appreciate what it means, the cash out refi means you're taking advantage of a new rate, but you're also taking cash out, which is the equity we have been talking about. So you're able to take some of that cash out in the equity that you've built up to use for things like home improvements or, you know, I use the example of college tuition.

Nadeska Alexis: [00:34:52] So Amy, how does someone actually know when it's the right time for them to refinance?

Amy Bonitatibus: [00:34:56] It's a great question, and here's the good news. One of the things that we've been focused on at Chase is, how do we make it really easy for our customers to take advantage of lower interest rates and in turn lower monthly payments? So

we'll tell you when is a great time to refinance. Of course, you can always call your home lending advisor and ask them, "hey, have rates dropped? Is there a big savings from when I first bought this home 5 or 10 years ago?"

Nadeska Alexis: [00:35:22] Well, you know, so after weeks and weeks of reading about how the rates last year were historically and amazingly low, I finally decided to go ahead with a refinance. And like you said, it's much simpler than I expected. And again, I learned a lot of things. For example, when I was deciding how to refinance, I had to decide between going with another 30 year loan or a 15 year loan. What advice would you give in terms of choosing between those two?

Amy Bonitatibus: [00:35:47] Well, as I said, every customer situation is different. You have some that, you know, they might have bought and sold a couple of times and they really are trying to pay down or pay off that mortgage. And they might have so much equity built up that when they refinance, they say, "you know what, we're going to refinance in a 15 year mortgage term because we really want to pay off that mortgage in a shorter period of time", that's fantastic. For first-time homebuyers, I say, go with a 30 year. It spreads out your payment over 30 years, which means lower monthly payment. And for first-time homebuyers, the greatest barrier to actually taking that leap and buying that home is, one, coming up with the down payment, and two, getting to a monthly mortgage payment that's affordable for them long-term. A 30 year mortgage is the perfect and best way to get there.

Nadeska Alexis: [00:36:37] Amy, thank you so much for all of this advice. I think it's going to be really great for our first-time homebuyers, to know that after the process, once you collect those keys, you know, there's still some help and support if you need it.

It can be hard to know when to reach out to your lender, but in general, it's a great idea to stay in contact with them as the market changes and as you keep building equity in your home. Ideally your lender will actually make it easy for you to stay up to date on things like your home's value, the current interest rates, refinancing, and more.

We've covered a ton of ground over the last 10 episodes, so if you've been wondering whether homeownership is right for you, I hope that now you're feeling more confident and ready to take this next big step in your life. Like Cerita said in our very first episode, a changed outlook equals a changed life.

So keep educating yourselves. And as always, you can find even more information and resources at BeginnertoBuyer.com. Beginner to Buyer was created by Magnet Media and Chase Home Lending. Our executive producers are Keosha Burns and Akash Vaswani. Our lead producer is Anna McClain, our editor is Will Watts, and Kelly Drake is our production assistant.