

Buying A Home In Today's Market:

Why Homeownership Is Still A Smart Long-term Decision

by David Bach

You've heard news reports saying that the housing market is in turmoil, and that home prices are stalling, if not falling, in many areas. And it is tougher to get home financing. So does this mean it's game over – is it just too late to buy a house?

Well, before you write another rent check, or write off the opportunity to buy another property, consider the following seven things you need to know when it comes to homeownership.

1 HOMEOWNERSHIP IS A SOLID LONG-TERM INVESTMENT. In fact, it is still one of the best long-term investments you can make. That's because homeownership has proven to be a critical contributor of financial well-being for American families for decades. While residential real-estate did especially well between 1998 and 2005, I'm not thinking of just that period. Instead, housing has been making consistently solid gains since at least the 1950s. It's simple – long-term homeownership generates wealth, renting your home does not.

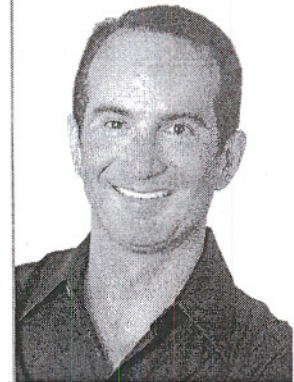
2 THE IRS GIVES BIG ADVANTAGES TO HOMEOWNERS. The federal government provides tax breaks for homeowners – from allowing you to deduct your mortgage interest, mortgage insurance and property taxes to exempting capital gains taxes on your primary residence, within limits (be sure to check with a tax professional to see how these may apply to you). In some cases, you may find that your after-tax mortgage payment is comparable to, and perhaps lower than, your current rent payment!

3 HISTORICALLY, HOME PRICES RISE. During the past year, home prices across the country fell 3.1%, according to government statistics on properties that were sold. And we'll probably see declines for the next few quarters as we work our way through a challenging 2008.

But this downturn shouldn't obscure the terrific record residential real estate has built up over the years. Since 1990, when this particular data series began, we had sixteen years of consecutive quarters of year-over-growth, and now two quarters of decline. Since 1990, and through recessions and expansions, the average annual appreciation rate for the typical home that's sold is 4.6%. If you plan to remain in your home for at least a few years, history is on your side.

4. WHAT THE MARKET IS DOING NATIONALLY IS IRRELEVANT TO YOU. The media likes to refer to a "nationwide housing slump". But don't be misled. Real estate isn't national, it's local! The only market you need to be concerned about is your local market. Some areas throughout the country are indeed struggling. On a state-by-state basis, six states recorded price declines of at least 2%, with the 10.6% decline in California being the weakest performance. But at the same time, nine states posted increases of at least 4%, with Wyoming's 6.3% appreciation outperforming all other states.

Meanwhile, about 2 of every 3 of the nation's largest 292 metropolitan markets showed home price increases over the year ending in the first quarter of 2008.



David Bach is a financial coach and #1 bestselling author of seven books, including *The Automatic Millionaire Homeowner™*, *The Automatic Millionaire™* and *Start Late, Finish Rich™*.

Homeownership is the smartest investment you will ever make during your lifetime.

5 BUYING OPPORTUNITIES HAVE IMPROVED. In most of the country, the number of homes on the market has risen steadily, making this largely a buyers' market. Sellers may be more willing to make concessions on price or even pay part of the closing costs. Mortgage rates remain low by historic standards.

6 YOU DON'T HAVE TO WORRY ABOUT TIMING THE MARKET. Ideally, you'd snap up a new home when the price is at its lowest, and see it start to appreciate right away. It's nice to dream, but don't let that keep you from getting into the market. Remember it's not timing the market, it's time in the market. If you're making a long-term purchase, you're usually better served just getting in.

7 SMART HOME FINANCING OPTIONS ARE STILL AVAILABLE. There's a wide array of mortgage products out there, filling various needs for borrowers in certain situations. Be sure you understand what you're getting. Will the rate change? If so, how soon? How high could it go? Can you handle bigger monthly mortgage payments? Are you paying down the loan's outstanding balance?

These are just some of the questions you need to consider. The mortgage that's right for you depends on your situation and your preferences, and some financing options available to you may harm, not help, your financial security. That's why it's critical to work with a lender who takes the time to understand your financial circumstances and preferences, and helps you understand your choices.

Again, the main point is: Homeownership is an important way American families move ahead financially, and waiting for the current concerns to fade away can cost you. Don't simply assume that this is a bad time to buy real estate. Go beyond the headlines, and make yours a well-informed decision.

Contact your local Wells Fargo Home Mortgage consultant for more information!

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