

Chapter 6: Homeownership

Savings and Mortgage Strategies for Your First Home

Over the last decade and a half, perhaps no topic has been more popular to our readership than homeownership. Homeownership has remained a great long-term financial investment, offering the opportunity for stable housing costs over a 30-year period, annual tax deductions, and slow but steady capital appreciation as you pay off your mortgage. That's even been true following the 2008 – 2009 housing crisis, believe it or not.

This chapter of EQUITY will focus on the nuts and bolts of homeownership and the opportunities and strategies to buy that first home. This is also the longest chapter because, well, a home is likely the largest purchase anyone will ever make, and purchasing one can get a bit complicated. Even for folks without disabilities who have fabulous credit and plenty of money in the bank, buying a home can be a lengthy process.

Think of it as kind of a marathon. It takes a lot of consistent effort, planning, and savings to buy your first home. But it's entirely worth it as a means to establish independence and build up equity. So, read this chapter, make a plan, and you'll be well on your way to making homeownership a reality!

OK, so first, let's dispel one big myth: that disability is a barrier to homeownership. You may have heard that myth through the grapevine or in the media, and it could be stuck in your head.

But hear this! The truth is that disability, in and of itself, is not a barrier. Not even those dreaded benefits asset limits can stop you from becoming a homeowner. Most people don't know it, but SSI and Medicaid both allow for folks on benefits to own their own home! Of course, your options will increase given the money and cash flow you can generate, but there are options for almost everyone. Just build the right team, then save money, manage your debts, tap into special programs, and be flexible.

So long as you are focused, patient, and willing to be realistic, you can achieve your goals. And it's true that maybe you won't be able to afford a mini-mansion, but who wants the electric bill to power a mansion anyway?

Advantages to Homeownership

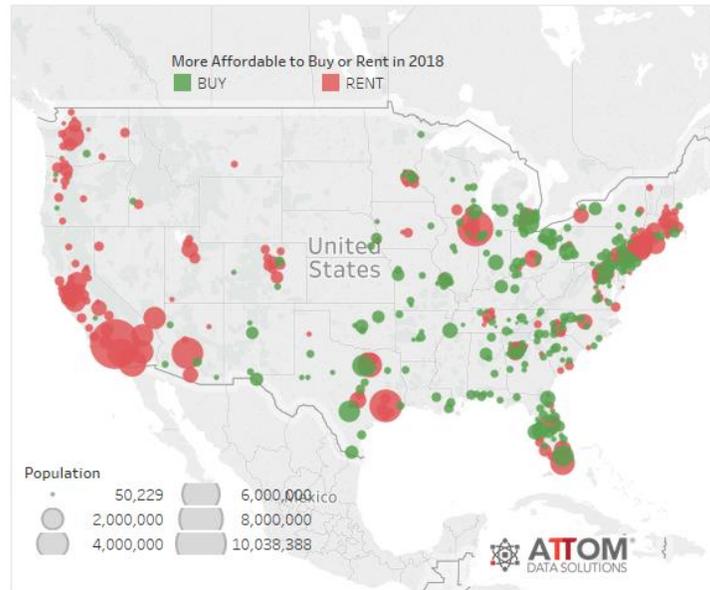
Remember, homeownership is not a get-rich-quick scheme. Instead, it is a build-wealth-slowly plan. The first and probably biggest advantage to owning your home is that, generally speaking, your monthly mortgage payment will never increase. We very strongly urge people to only consider a home mortgage with a fixed rate over the term of the loan — or what is called a fixed-rate mortgage. This means that your payment in year number 1 will be the same as your payment in year 5 and even year 30. Just think about that. How would you like the security of knowing that your housing costs today will be the same in 25 years? And, on the other hand, do you think that rent will increase or decrease over the next 25 years? Just compare those stable mortgage

payments to the recent inflation of rents all across America. Since 2010, median rents have risen faster than inflation, for a 21% jump at the national level (13% to 43% depending on location). Compared to non-housing goods, this is 11% on average and up to 29% in some areas. So, in the long term, owning a home is the way to go!

But wait, there's even more good news! While a fixed-rate mortgage will never go up, there is the possibility that through refinancing, your mortgage could even go down! Here's how refinancing works. Over the last decade, interest rates have dropped, offering homeowners huge savings. For example, in 2006, someone with good credit could acquire a 30-year mortgage at a 7% interest rate. On a loan amount of \$200,000, that would result in a monthly payment of about \$1,337. However, interest rates declined over the next few years, so by early 2009, that same \$200,000 mortgage could be obtained with an interest rate of just 5.5%, resulting in a monthly mortgage payment of \$1,136. Interest rates have declined even more in recent years, and since 2012, people with good credit have been able to secure an interest rate of around 4%, resulting in a monthly payment of only \$958 for that same \$200,000 mortgage. Thus, a home buyer with good credit who bought her home in 2006 for \$200,000 and refinanced in 2012 would have been able to reduce her mortgage payment by approximately \$400 per month.

Choosing to buy or rent a home depends on your personal situation, as well as where you live. According to a [2018 report](#) from ATTOM Data Solutions, "Buying a median-priced home is more affordable than renting a 3-bedroom property in 240 of 447 U.S. counties analyzed for the report — 54 percent." In the 39 most populous counties (over 1 million people), it is more affordable to purchase in 9 and to rent in 30, although renting can still be expensive. There are a couple key points to notice, though. The first is that rents almost always continue to rise, and there's no way that you can control them. And, on the flipside, any time mortgage options get better (usually due to low interest rates), homeowners can refinance and take advantage of new, cheaper mortgages. Better yet, you can even refinance if your credit rating improves significantly, showing that personal financial responsibility has many, many benefits!

Buy or Rent in 2018?



Want to see how different interest rates will change a monthly payment over the life of a mortgage? Check out this awesome [mortgage calculator](#), which lets you put in everything from the loan amount to the interest rate, and even things like property taxes! You can even see how much you will have paid in interest over the life of the loan. Pretty cool stuff, right?!

Another advantage to homeownership is that there are significant tax advantages. Some of these changed as a result of the 2017 tax reform, but many remain in one way or another. First, the mortgage interest for up to \$750,000 of a home's mortgage is deductible against income taxes. Before the tax reform, all state and local property taxes were also generally deductible against federal income taxes. Now, the federal government allows for up to \$10,000 per year in all state and local taxes combined (property tax, state income tax, etc.). For high-earners, this may eliminate the previous benefits of property tax deductions. But depending on your level of income and your local or state property tax, this may still mean that some or all of property taxes are deductible. When you are researching a home and budgeting for your mortgage, taxes, and other costs, this can be an important factor to look into. In the end, it can provide substantial financial savings for some people with employment income.

Lastly, homeownership also provides an unparalleled opportunity for personal autonomy and the ability to put down roots in a community. Now, we don't know about you, but we rather like autonomy, and this is why. When you own a home, no one can tell you what color to paint your walls or force you to move. So, do you want a pink dining room? You can do that! Want to have teddy bear wallpaper in the kitchen? You can do that! Want a run for your service dog? A yard for your kids? A wall-mounted big screen TV for your bathroom? (Why would you want that anyway... oh, never mind. It's your house. Go for it!) Owning a home also makes you part of the community. You'll become someone with a stake in the town, someone who knows the people in

their neighborhood, and an equal property tax payer! In the end, having a home isn't just about changing where you live; it's also about changing how you live.

How It Really Works

OK, so enough with the cheerleading! Here's how home purchasing works. Let's say that you want to buy a home; you get that it's a good long-term investment, a nice tax deduction, helps you put down roots in a community, and has the happy additional benefit of actually giving you a place to live.

Now, let's say that the home's purchase price is \$200,000 (for easy math, this was right around the median home value in the U.S. in early 2018). Seems like a lot of money, but here's how it actually works. First, you will need to save a down payment, which is a certain percentage of the purchase price, and then a bank will loan you the rest of the purchase price in the form of a mortgage. Then, there are the yearly property taxes, homeowners insurance, and the one-time cost of closing costs. Some buyers may also have to pay mortgage insurance and a homeowners association fee.

So, check out this example:

Home's purchase price: \$200,000

10% down payment: \$20,000 (or 10% of the purchase price)

Remaining mortgage amount: \$180,000 (\$200,000 purchase price minus the \$20,000 down payment)

So, this leftover mortgage amount, or the "principle," is what your monthly mortgage payment will be based on. The bank will take that principle and loan it to you at a certain interest rate over the 30-year mortgage. But here's the catch! Instead of that mortgage going up every month with inflation, the bank will break it into even payments every month, over the entire life of the mortgage. This is called a fixed-rate mortgage, and it's the kind we recommend.

At today's interest rates, which are historically low, a 30-year mortgage for \$180,000 at 4% means a monthly mortgage payment of principle and interest of only \$859. Most people don't know this, but some of the interest on your loan is deductible from your federal taxes. So, paying that \$859 per month could actually reduce your tax burden — yet another benefit of owning a home!

Great news (well, depending on how you feel about taxes)! Once you buy a home, you also get to pay property taxes every year, usually about 1.25% of the purchase price. In this case, 1.25% of the value of the home is \$2,500; so broken down across the year, you'd be paying \$208 per month. But just like the interest on your mortgage, some or all of your property taxes may be deductible from your federal taxes, depending on your income and other state and local taxes.

Now, since the bank has loaned you all that money to make your homeownership dream come true, they will require you to annually show that you have homeowners insurance, generally estimated at about \$900 per year or \$75 per month.

So, adding it all up, we can purchase this \$200,000 house with a down payment of \$20,000 and a full monthly payment of \$1,142. That's the \$859 mortgage payment plus \$208 in property taxes plus \$75 for homeowners insurance. That's not too bad, right?

Now, that \$20,000 represents a 10% down payment. But when the down payment is less than 20%, there is an additional expense called private mortgage insurance. This insurance protects the bank (not you) in the event that you can no longer make your payments. It is generally estimated at about 0.5% of the mortgage amount. So, in this example, it will be about \$1,000 per year or \$83 per month added to your regular mortgage payment.

Think about it, though. When you put in a smaller down payment, you're already going to have higher monthly payments because there's more left on the loan. A smaller down payment often also comes with a higher interest rate, which will bump the monthly payment up even more. And finally, the bank will tack on private mortgage insurance. So, by doing a smaller down payment, you'll be paying well over \$100 more per month — definitely not worth it if you can find a way to make that 20% instead!

Condo or HOA Fees

There's another expense for those who want to buy a condo or a home in a planned community. These developments often include homeowner association (HOA) fees in addition to all the above expenses. These HOA fees cover things like shared grounds maintenance, upkeep of shared building space, such as rooves or other common areas, and extra amenities, such as a fitness center or swimming pool. Be sure to ask your realtor or your lender about these fees — and be aware that sometimes, they can be quite significant.

Closing Costs and Upfront Cash

Lastly, there are closing costs. These are expenses associated with buying a home that are not included in the price, such as the appraisal, home inspections, loan fees, title/escrow fees, and taxes. You should expect the total amount of these closing costs to be anywhere from 2% to 4% of the price of a home. So, if you buy a \$200,000 home, closing costs will likely be between \$4,000 and \$8,000.

Now, these fees are usually paid by the buyer, but banks are now offering an option where they give you cash up-front and just raise your interest rate to offset the costs. That cash can be used for closing costs, but you could also spend it on other things, such as a moving truck or some initial home maintenance. Because moving into a new home has more costs than just the mortgage, these options can be a great way for cash-strapped buyers to cover all the costs of getting settled.

For example, a friend who recently purchased a home had the choice between the three following mortgage scenarios. For all three, she purchased a \$325,000 home with a 20% or \$65,000 down payment, which left her with a \$260,000 loan. Closing costs were \$4,875 — not bad for a \$325,000 house!

Option #1:

\$260,000 loan with a 4% interest rate, and the bank provides \$325. This would be \$1,241.28 per month on a 30-year mortgage. It wouldn't give too much toward closing costs, but that extra \$325 could help round things out.

Option #2:

\$260,000 loan with a 4.125% interest rate, and the bank provides \$2,600. This would be \$1,260.09 per month over 30 years and cover just over half of the closing costs. It ends up being \$18.81 extra per month compared to the 4% loan, which adds up to \$6,771.60 over the 30-year mortgage.

Option #3:

\$260,000 loan with a 4.25% interest rate, and the bank provides \$4,875. This would be \$1,279.04 per month over 30 years and cover all the closing costs. It ends up being \$37.76 extra per month compared to the 4% loan, which adds up to \$13,593.60 over 30 years.

Now, getting more upfront cash ends up costing you more money in the long term, but it isn't all that much more per month. And for a lot of people, the decision is worth it if they would otherwise have a hard time with upfront costs. So, always keep in mind closing and moving costs and check out those mortgage options if they might work for you!

One final note is that upfront cash might be useful for accessibility modifications, such as installing a ramp or a roll-in shower. So, if that's something that you need and would rather roll into your mortgage than take out a whole other loan for, check in with your mortgage provider to see if it's a possibility.

Saving Up

OK, I know what you're thinking, and it goes a little something like this: "How the hell am I supposed to save upwards of \$20,000 or more to buy my first home?"

Well, we won't sugarcoat it. It's not easy. It takes determination, hard work, living below one's means, and coming up with a plan. However, there are lots of first-time buyer programs that make it doable for just about anyone with reasonable credit and the commitment to see the process through. Remember, as someone once said: "Anything worth having is worth working for." It also takes some solid planning and follow-through. We've thrown together some great savings strategies in our chapter on budgeting, so check that out to start planning!

One important thing to remember about saving money: All money you have saved must be documented. That means it must be in a bank account somewhere or in some other documentable fund, such as an investment portfolio (that can be cashed out for the down payment and fees) for

at least six months. Bottom line: You cannot use hidden or found cash for your home purchase expenses when getting a mortgage loan. So, empty those piggy banks and mattresses long before you begin the mortgage process!

Down Payment Strategies and Opportunities

We get it; saving money has been tricky for people with disabilities who rely on benefits that have asset limits attached to them. For example, folks on Medicaid can't have more than \$2,000 in the bank without losing their benefits while people on SSI can't have more than \$3,000. But there are actually two great ways to get around those asset limits: ABLE accounts and federally funded Individual Development Accounts (IDAs).

CELEBRATE THE SAVINGS!



Achieving a Better Life Experience (ABLE) Act

Here's the deal on ABLE accounts. These are the coolest things ever — seriously — ever! Talk about autonomy and independence! These accounts are the bomb! See, in 2014 Congress passed the ABLE Act, which allows some people with disabilities to save significant amounts of money in special ABLE accounts and still keep their benefits up to \$100,000 and still keep SSI and \$300,000 or more and still keep Medicaid and put in up to \$15,000 per year (or more, if you earn money from a job). These ABLE accounts, which are open to people who acquired a disability before age 26, can be used for certain disability-related expenses, including housing — be it

down payments, closing costs, mortgage payments, or even housing modifications like bathroom remodels. So, now, millions more people with disabilities can save up for a new home!

Individual Development Accounts

OK, so these aren't as available as much as they used to be, but they are still really cool in their own right. Some nonprofit agencies in some communities offer savings plans for people with low incomes, specifically to be used toward homeownership, which are protected from the asset limits discussed above. These plans, called Individual Development Accounts (IDAs), are "sheltered." A special bank account is set up, and all the money that is deposited into the account does not count towards the \$2,000 or \$3,000 asset limit.

And here's where IDAs get really cool! For folks who have trouble saving money, IDAs have a response. "Well," says the IDA program, "What if we paid you to save?" That's because, for most of these special savings plans, the nonprofit agency will match your contribution! For example, if you put in \$25 per month, they would contribute \$25 under a 1:1 match setup or sometimes even \$50 under a 2:1 match.

"Thanks, IDA!"



So, check out this little chart. It shows how much money you could have after one year of monthly IDA contributions, under both a 1:1 match and a 2:1 match. If you contribute \$25 per month (\$300 per year), after one year, you'll have \$600 using a 1:1 match and \$900 with a 2:1 match. Contributing \$50 per month (\$600 per year) gives you \$1,200 with a 1:1 match after one year and \$1,800 with a 2:1 match. And if you put in \$100 per month (\$1,200 per year), after one year, you'll have \$2,400 with a 1:1 match and a whopping \$3,600 with a 2:1 match!

One year later...



IDAs are a fantastic way to save because not only are the funds protected, but you basically get “free money” as you go along!

Typically, there are some limitations with IDAs. Usually, the maximum savings are limited to only a few thousand dollars, but that can be enough to get rolling with a down payment. There is also generally a period of time that monthly contributions are required — often 12 months and longer — before the money can be used for homeownership. Finally, participants are often required to take classes on financial education, specifically geared toward homeownership. IDAs are a fantastic additional resource for first-time home buyers, give folks a huge advantage in how they go about homeownership, and result in super high success rates for IDA participants.

Down Payment Assistance Programs

Some cities, especially cities in larger and more urban areas, offer help to buyers on their down payments. With these “municipal assistance programs,” you may be able to reduce your portion of the down payment to as little as 1% of the home’s price. These are pretty cool, and they are kind of like grants with a little tweak. See, down payment assistance funds do not require monthly payments, but instead require the borrower to pay back the “down payment assistance” amount when they sell the house and/or share some of their profits from the sale. So, you get the money upfront, save plenty on your monthly mortgage, and you might even avoid things like mortgage insurance premiums, which can save you even more. Cities use down payment assistance programs to help people settle down and have more stable finances, and they are great (and highly underutilized) option to check out.

There are also some lenders who have in-house programs that can help qualified buyers, so you might be able to reduce your portion of the down payment to as little as 0.5% of the home’s price. Sometimes these programs are simple interest loans; sometimes they are an actual grant that you never have to pay back. These programs change all the time, so get together with a realtor who knows the area or simply Google the city where you wish to live, followed by “down payment assistant programs” or “first-time buyer programs.” Then, see what comes up and do your homework on what program will work best for you.

Finally, you may be able to get help from family or friends to assist with the down payment. Gifted funds are allowed on most types of loans and can also help you secure a loan if you have limited funds in your savings. It's important to note that there are tax implications for the person providing the gifted funds, but the amount of the gift is usually not limited.

As a quick note, Medicaid may require that an individual's savings or assets be used to recoup medical costs after that person passes away. So, if you've bought a home, and it's sold after you pass away, some of the proceeds (but usually, not all) might be transferred to Medicaid. This is an important thing to consider if you are viewing a purchased home as an asset to gift to your children. If this is something that matters to you, talk to a local benefits counselor to understand the implications and how you can navigate them to do what's best for your family.

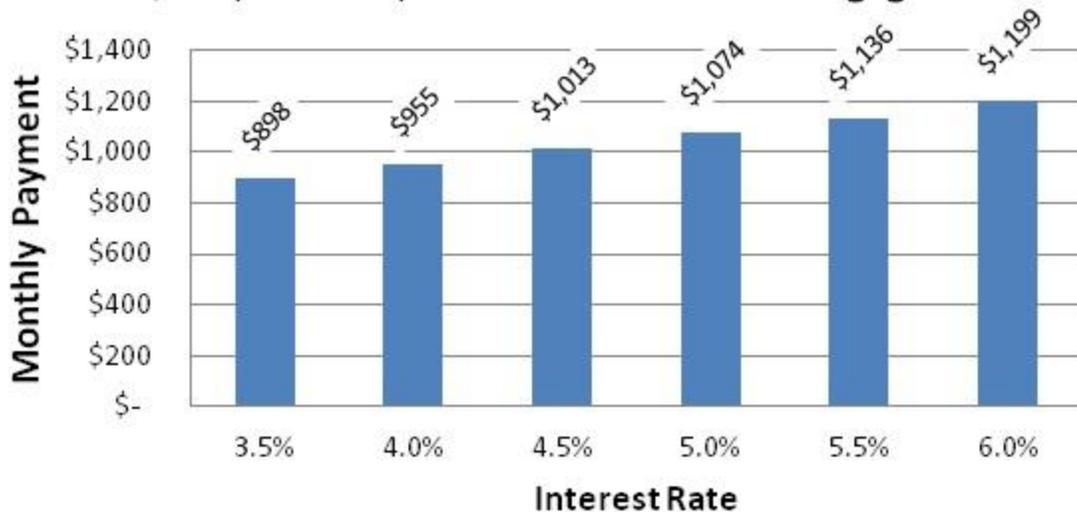
Credit Scores

You've probably heard about credit scores, and you might be asking yourself, "What is this thing, and what does it mean if I'm buying a home?" Well, a credit score is a measure of how likely banks think you are to pay money back. The higher it is, the more they trust you to pay the money back. If you have a higher score, you get lower interest rates on your loan, which means smaller monthly payments. We actually have a whole chapter on credit, so if you want to know about it in-depth, head on over that way!

Here's the important part when it comes to buying a home. If you have a low score, your mortgage will cost more per month. But if you have a good score, you can save thousands! So, how important is your credit score when getting a mortgage? Well, it can be pretty darn important. To demonstrate, check out this little example.

Once upon a time, there were two home buyers, both of whom had a \$200,000 mortgage. Buyer number one had a really good credit score and qualified for a great 30-year fixed-rate mortgage at 3.5% interest. That resulted in a monthly payment of \$898.09. Buyer number two, who had a lower credit score and only qualified for a mortgage at 5% interest, had a monthly payment of \$1,073.64. They might even be neighbors, living in the same area, in similarly sized houses, but buyer number one is paying \$175.55 less per month! So, let's think about that. Over \$175.55 saved each month, every month, over the length of the 30-year mortgage. So, by the end of the mortgage term, buyer number two will have paid \$63,198 more for the home than buyer number one (\$386,510 instead of \$323,312)!

Monthly Mortgage Payments \$200,000 Loan, 30-Year Fixed-Rate Mortgage



This graph shows how important a good interest rate can be, and how much money it can save you. The columns show monthly mortgage payments for different interest rates from 3.5% to 6.0%, with a \$200,000 loan on a 30-year fixed-rate mortgage. A person who borrows at 3.5% interest has a monthly payment of \$898; someone at 4.0% pays \$955; someone at 4.5% pays \$1,013; at 5.0%, it is \$1,074; at 5.5%, it is \$1,136; and someone at 6.0% pays \$1,199. As you can see, every 1% jump in interest adds a good \$120 onto the monthly payment, which adds up to over \$40,000 over the course of the loan. That’s a whole lot of money!

“Prepaying,” a Great Mortgage Savings Strategy

Many mortgage loans provide the opportunity to “prepay” your mortgage ahead of schedule by making increased monthly or other additional payments. This strategy can significantly reduce the length of your mortgage.

The [DailyWorth](#) gives a great overview and this example:

“If you borrowed \$100,000 on a 30-year loan at 4%, your monthly payment would be \$477. If you make 13 payments a year instead of 12, you would save over \$10,000 in interest over the life of the loan and reduce your total loan term by four years.”

A Thought on Realtors

Generally speaking, a realtor will be your main point person for arranging the logistics and details of your home purchase. Your realtor should be able to connect you with the appropriate lender and/or loan program and insurance for your situation, help you find the right contractors for repairs or accessibility modifications, and be able to answer any other questions you may have around the process. People with disabilities may have particular or unique needs when

buying a home, and they should be able to communicate these needs to their realtor. For example, someone might need a home that is close to public transportation and shopping and has a roll-in shower and a ramped or stair-free entry. Remember, your realtor works for you, so find someone with whom you are comfortable and don't be shy about getting your needs met. Check with friends, independent living centers, and local real estate professionals to find the best agent for you.

Getting the Mortgage

For you to get a loan, your maximum monthly total housing costs cannot be greater than 45% of your adjusted income — 31% or less is much better for securing favorable mortgage terms. Lenders use your gross (pre-tax) income to determine how much they will lend you and at what interest rate. The higher your income, the better the mortgage terms you can get. So, as an example, if you had \$1,000 in pre-tax income per month, and your projected maximum monthly total housing costs were \$310 per month, you would be in good shape. Alternatively, if your projected maximum monthly total housing costs were \$500 per month — over 45% of your gross income — it is unlikely that you could qualify for a mortgage. It is also important to note that banks will consider other monthly debt obligations you may have. So, if you have a car payment or credit card debt, it may make it more difficult to qualify for a loan.

One piece of good news: Because SSI and SSDI aren't taxed, lenders “gross up” that income to make it equivalent to earnings from work that would give the same take-home pay. So, people on SSI and SSDI get their income adjusted to a higher amount for home loan purposes. People renting through Section 8 (S8) can purchase a home using the Section 8 Housing Choice Voucher Homeownership Program. This gives them below-market rate mortgage options, so they don't need as high of an income to qualify. We cover that a bit more later on in this chapter.

The Three Main Loan Options

As of 2018, there are basically three main home loan options available in the marketplace. First, there are so-called conventional loans. These are offered by banks and mortgage lenders and typically require the borrower to provide a down payment of at least 10% of the purchase price. Second, there are Federal Housing Administration (FHA) loans. These are loans offered by the very same banks and mortgage lenders but are insured by the federal government. These loans are very popular because they allow buyers to provide much smaller down payments — usually 3.5% of the price — and they are typically available for people with lower credit scores. Under the FHA loan menu, there is even a program known as the 208 loan, which allows purchasers to borrow up to 120% of the home's value to cover the costs of accessibility modifications, so you can do that bathroom remodel without having to scramble for money elsewhere! Finally, there are Veterans Administration (VA) loans. VA loans are only available to veterans, but many veterans have disabilities. Amazingly, VA loans can sometimes provide 100% financing. That means no down payment is required by the borrower at all!

Shrinking Your Down Payment

If you know how to do it right, you can really shrink your out-of-pocket down payment and sometimes get rid of it entirely! Here's a simple scenario that works from time to time. You get an FHA loan that only requires 3.5% down. You combine that with a city program that will pay 2.5% of that, and then you get a gift from a family member for 1% of the home's price. Your down payment is 0%!!!

But what about those pesky closing costs? You may recall that you need 2% to 5% of the price of the property for closing costs. Well, sometimes you can use some of those same city-based programs to pay for them — or even use some of those family gifts. And sometimes, it's possible to negotiate with the seller of the property to pay all or a portion of them for you (so make sure you're friendly throughout your negotiations)! And as we mentioned earlier, sometimes the lender will refund enough money to the buyer to cover the closing costs, in exchange for a slightly higher interest rate.

Section 8 Homeownership

So far, we've talked about ways to buy a home with low income and limited savings. However, there's a special program that offers a whole different homeownership pathway that is (generally speaking) available to people who already get subsidized rent through Section 8 benefits. It's called the Section 8 Homeownership program, and it is a great way for people with disabilities getting subsidized rent to move toward homeownership.

Let's start by understanding subsidized rent. The federal Department of Housing and Urban Development (HUD) helps people with very low incomes to rent property in two main ways. One is by providing subsidized housing directly. If you qualify, you can live in buildings that are run by HUD, and you can pay below market rent.

The other way that HUD helps people with rent is under the Section 8 (S8) Voucher program. In this program, a qualified person with a low income receives an S8 Voucher for covering part of their rent for a regular apartment or house. When they rent a place, the S8 Voucher covers most of the rent, and they only pay a small portion, usually about a 1/3 of the market value. This gives people a bit more freedom to find a rental spot that works for them, and plenty of people with disabilities use the voucher program.

Alright, so this is where homeownership comes in, and it's a pretty cool setup. Starting a few years ago, HUD started allowing qualified applicants to use their voucher to buy a house, instead of renting a place. HUD still provides an S8 Voucher, but instead of HUD writing a check to a landlord each month, it writes the check to a mortgage holder, such as a bank or other lending institution. The voucher is the same amount as the rental voucher was, and the voucher holder just has to make up the rest of the mortgage payment.

Here's the super awesome part about all this. While HUD is writing a check for part of the mortgage payment, they actually have no ownership interest in the mortgage or the house. And when the loan is paid off, the property is owned "free and clear" by the S8 Voucher holder! It's

actually a win-win because at that point, HUD also doesn't have to pay a monthly voucher, so they save money. How about that for a good setup?

Of course, there are a few things to consider. First off, it takes some work to get on the voucher program, and the process from start to finish can sometimes take several years (but it's worth it in the end). It can also be difficult to find a desirable home in a nice location, given the size of the voucher. And since vouchers vary from person to person, some people will have an easier time than others. And finally, the voucher holder has to pay their portion of the mortgage for the lifetime of the loan so, as with other homeownership pathways, there's a commitment involved. Still, it's almost always worth it in the end since (as we've shown) owning a home is a great way to build financial stability. So, if you are on Section 8, check with your local HUD office and ask them about options in your area!

Affordability: Looking at the Numbers

OK, so we've covered lots of the issues and strategies for buying a home when you have a disability, and that was tons of fun, wasn't it? (I mean, especially if you like graphs like I do...) But sometimes it's better to see some good examples that show how important these strategies are. So, let's look at some numbers in a couple of realistic scenarios that have helped real people with disabilities buy their first homes.

A few points of interest as you follow these examples. First, note that programs and options change all the time and vary by area. Check with your local lender and realtor about what options are available in your location and in consideration of your circumstances — and do some of your own research to make sure you're getting the best deal. Second, these examples use the \$200,000 home at 4.5% interest plus assumptions for other terms (such as down payment assistance programs) that were realistic in 2018. Don't, however, assume that numbers will be just like these when you end up looking to buy a home. So, when the time comes, go and research what's out there to crunch the numbers yourself. And remember, there are a ton of great options out there, so search for all of them to get the best deal possible!

Alright, here we go. It's example time!

Scenario #1: Overview

Home buyer number one gets an FHA loan with a 4% grant. This scenario is similar to the one that we mentioned in the first overview section. In this case, the borrower buys a \$200,000 home and gets a federally insured FHA loan, which tends to have lower down payment requirements with a 10% down payment at 4.5% interest. The 10% down payment is \$20,000, but he is also able to obtain a 4% grant (for \$8,000) from the lender plus a \$10,000 gift from family. That leaves him with \$2,000 he has to pay out-of-pocket, which is exactly what he was aiming for since he has been concerned about staying under his Medicaid and SSI asset limits. It took a few more conversations with his folks to up that family gift, but it ended up working out just right. After covering the \$20,000 (10%) down payment, the rest of the loan is \$180,000.

Scenario #1: Breakdown of Financing

EXAMPLE PURCHASE PRICE: \$200,000

4% Grant from Lender for Down Payment: \$8,000

Gift from Family: \$10,000

Borrower's Own Funds: \$2,000

Total Down Payment: \$20,000

Down Payment Percent: 10%

LOAN AMOUNT: \$180,000

OK, so the borrower has \$180,000 left on the loan, and this is where he figures out the total monthly costs. On a 30-year mortgage, \$180,000 at 4.5% interest works out to a flat-rate monthly payment of \$912. Property taxes (estimated at 1.25% of the purchase price or \$2,500 per year) are \$208 per month, and hazard (fire) insurance (estimated at \$800 per year) is \$67 per month. There's one more thing to consider. Because his down payment is less than 20% of the home price, he also has a mortgage insurance premium (estimated at 0.5% of the purchase price or \$1,000 per year), which comes out to \$83 per month. So, \$912 plus \$208 plus \$67 plus \$83 equals a total monthly payment of \$1,270. That's what home buyer number one will have to pay going forward.

Scenario #1: Breakdown of Monthly Payments

Principal and Interest (\$180,000 loan at 4.5% interest): \$912

Property Taxes (Estimated at 1.25% of the purchase price or \$2,500, per year): \$208

Hazard (Fire) Insurance (Estimated at \$800 per year): \$67

Mortgage Insurance Premium (0.5% of purchase price per year because the down payment is under 20% of the purchase price): \$83

TOTAL MONTHLY PAYMENT: \$1,270

Scenario #2: Overview

Home buyer number two gets a conventional loan combined with a city-based down payment assistance program. In this scenario, the borrower gets a regular nongovernment-insured mortgage for \$200,000 with a 30% down payment (or \$60,000) and 4.5% interest. To help with the down payment, she researched for a while and found a \$30,000 municipal assistance program contribution from her city and got that same \$10,000 gift from family. But the down payment is \$60,000, which means she still has to come up with another \$20,000.

Now, remember how that first borrower was worried about asset limits? Well, instead of staying under \$2,000 in the bank, the person in scenario #2 opened an ABLÉ account a couple years before securing the mortgage, worked hard, and started putting away some money to save up \$20,000. Since housing is something that can be paid for through ABLÉ accounts, the second borrower puts that money toward the \$60,000 down payment. After covering the full down payment, the rest of the loan is \$140,000.

Scenario #2: Breakdown of Financing

EXAMPLE PURCHASE PRICE: \$200,000

City Down Payment Assistance: \$30,000

Gift from Family: \$10,000

Borrower's Own Funds: \$20,000

Total Down Payment: \$60,000

Down Payment Percent: 30%

LOAN AMOUNT: \$140,000

Now, let's look at the breakdown of monthly payments. Since the principal on the loan is \$140,000 instead of \$180,000, the monthly payment is much smaller at \$709 per month. Property taxes and hazard insurance stay the same no matter the loan conditions, so they are still \$208 and \$67, respectively. And remember that \$83 mortgage insurance premium from the first example? Well, that goes away if the down payment is 20% or more of the purchase price, so the mortgage insurance premium is a big fat zero. The total monthly payment, then, is \$984 or \$284 less per month than in scenario #1.

Scenario #2: Breakdown of Monthly Payments

Principal and Interest (\$140,000 loan at 4.5% interest): \$709

Property Taxes (Estimated at 1.25% of the purchase price or \$2,500 per year): \$208

Hazard (Fire) Insurance (Estimated at \$800 per year): \$67

Mortgage Insurance Premium (In scenario #1, it was \$83, but it has been reduced to \$0 because the down payment is 20% or more of the purchase price): \$0

TOTAL MONTHLY PAYMENT: \$984

Check out the difference in monthly payments between the \$20,000 down payment and the \$60,000 down payment. The \$984 per month with the \$60,000 down payment is just around 3/4 of the \$1,270 per month with the \$20,000 down payment! And spread out over the course of the year, it's a full \$3,408 difference — that could be a nice vacation or two or just more money to be saved away for your future.

So, what made that difference happen? First off, the second borrower did some more research and found a municipal assistance program that helped her cover part of the down payment — and most people don't know about these programs, so it was an extra step she took that lots of people wouldn't have taken. Second, and most importantly, the second borrower worked and saved money ahead of time and did it in a way that would not jeopardize her benefits (in this case by using an ABLÉ account). Those two decisions cut down the remainder of the loan, which lowered the monthly payments and also, got rid of the \$83 per month mortgage insurance premium since the down payment was over 20%. And just like that, two smart steps saved her almost \$300 per month!

Both of these scenarios result in a monthly payment that is competitive with what people pay to rent apartments and houses in most areas — and actually far less in many situations (especially with the higher down payment). Plus, as we’ve already discussed, homeownership is in many regards the better choice for how that monthly housing cost is spent each month, especially because you are building equity through your home as a tangible asset!

A Great Asset-Building Path

For people with disabilities, homeownership is a great choice to build up assets and create financial stability by giving you a reliable housing payment and more. Owning a home gives you a tangible, valuable asset that increases your wealth in a way that few other options can, opening the door to the classic American Dream. It also has benefits unique to people with disabilities. For example, homeownership gives you the freedom to modify your home and truly invest in it. So, you can pay for a ramp or roll-in shower in a way that benefits your own property and makes your home that much more accessible.

Actually, getting the home you want takes a few steps, such as navigating savings and government benefits or using financial assistance to make a down payment. It’s also a long-term commitment. So, if you choose to take that step, it’s important to make sure the choice — and the actual home — are right for you. But in the end, taking that step is a great choice to build up your financial future!



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