

You've Bought Your House – Now What?

Escrow has closed, the title is in your name, and the hassle of moving is finally over. While you may feel like the home buying process is behind you, it's not. Now the onslaught of mailers, solicitations, and tempting offers geared toward new homeowners, who are typically trying to rebuild their finances. How has your mailbox become a receptacle for these solicitations? Your home purchase is a matter of public record. There are many things you can do - and not do, for that matter - to get back on solid financial ground. There are the obvious things: stay on top of your mortgage payments; try to avoid any major purchases, like a new vehicle; and make sure you have adequate homeowners insurance. In their book, *Home Buying for Dummies* (Hungry Minds, Inc., 1999), Eric Tyson and Ray Brown outline everything a first-time homebuyer would ever want and need to know about buying a home, including how to get your house in financial order.

The following are tips from their "Ten Financial to Do after You Buy" list:

- **Keep saving and restrict spending.** It's hard to resist the temptation to splurge after buying a new home. You'll feel the urge to buy new furniture, replace those outdated fixtures and decorate in your style. You're likely to already feel your budget tightened because of your new mortgage payments, so you'll want to pace you're spending on house-wares and remodeling. Also, try to refrain from using a credit card. This only brings you a high interest payment and financially trapped into trying to pay off your debt. Keep your other financial goals, like retirement, in mind.



- **Consider electronic mortgage payments.** This will ensure that you never pay late, which can tack on an extra 5 percent late payment fee. Late payments will also scar your credit record.
- **Rebuild any emergency reserve you depleted.** If you used your emergency funds to help pay for your down payment, now's the time to start stashing away. You should have at least three months' salary in this fund. Try to stay away from unnecessary spending until you reach this goal.

- **Ignore offers for mortgage insurance.** Some of the solicitations that will be clogging your mailbox will likely be offers for mortgage life and disability insurance. Most of these policies are grossly overpriced and don't provide the right amount of benefits, Tyson and Brown warn.
- **Don't be tempted by offers for faster payoff.** This offer involves turning your 12 monthly payments into 26 biweekly payments, so you'll be making an extra payment every year. One of the problems with this is that there's a price for the service, and it may not be in your best interest. Your extra money may be better off invested or paying off other debt. You also don't want to leave yourself cash poor, the authors say.
- **Review your tax assessment.** If home prices have dropped in your neighborhood since you've moved in, you may want to consider appealing your assessment since the tax is based on your home's value in most communities.
- **Consider refinancing.** If interest rates go down, think about taking out a new loan at the lower rate to replace your original loan. Be sure to consider how much refinancing the loan will cost you. Refinancing won't benefit you unless you plan on staying put for at least five years.
- **Keep your receipts.** If you do any home improvement projects, keep your receipts. You may be eligible to minimize the capital gain that may come your way when you eventually sell. The improvement must be one that permanently increases the value and useful life of the house, like a roof.
- **Ignore solicitations to homestead,** Tyson and Brown say. Some companies may offer to protect your home's equity from lawsuits for a price of \$50 or \$100. This is something you can do yourself if you live in a state where you need to take action to secure your homestead exemption. Call your Recorder's Office to find out how. And lastly, enjoy! Don't be a dummy and get so caught up in working, keeping your house in order, and spending on improvements that you don't have the time or energy to enjoy it!