



Homeownership for Singles

By Nancy Dunnan

Did you wait to find Ms. or Mr. Right before buying a dustbuster? A bicycle? An SUV? A roundtrip ticket to Paris?

I hope not. And the same goes for home buying. That little house with white shutters and a picket fence is not reserved for marrieds only. True, it costs more than a bike or a car and you don't have the benefit of a dual income, but don't let those things put you off from pursuing the American dream.

Eight reasons to buy

The same positive reasons that drive couples to buy a house should also drive singles. Let's look at the eight key pluses of home ownership:

- You'll put to an end "throwing away money on rent and having nothing to show for it." You'll build up equity. (Equity is simply the current market value of the house minus all mortgage debts.)
- You'll have something to sell, should you ever wish to. And home prices have held up well, even escalated in this slow economy.
- You'll have something to rent out, should you ever wish to. That gives you the flexibility of traveling or taking on a work assignment out of town.
- You'll have something to borrow against, should you ever need to. (Even before you've paid off your mortgage you can borrow against the equity value. And for older homeowners, a reverse mortgage can be a welcome source of cash.)

- You'll be able to take advantage of tax deductions for both real estate taxes and interest payments on your mortgage.
- You'll gain independence. You'll have your own space. So will Fido or Kitty. No more sharing the bath with two or three roommates.
- You'll feel empowered.

\$Tip: If you have a really cheap apartment or any other reason causing you to hesitate, use our "rent versus buy" calculator to determine whether you should stay put or take the plunge.

And, keep in mind that if your income is moderate, you may have to forgo buying a new car, taking an expensive vacation or making other large expenditures, at least until you get a raise or bonus. Most singles, however, find that the benefits more than outweigh the drawbacks.

Before you buy

However, before beginning your search, take an honest look at your current work situation. Buying a house makes no sense if you think you will be moving to another town within a year or two.

If after crunching the numbers it turns out you don't have enough for a downpayment, you might want to read another column on this very topic. It has several tips on how to save money painlessly and where to save it at above-average interest rates.

For the horticulturally challenged

Once you've nailed down how much house you can afford, the next decision involves selecting the type of housing you wish to own. Many singles find the transition from

apartment living a bit easier if they move to a condo or townhouse. These attached units are usually less expensive than single-family houses, have far less upkeep and come with built-in neighbors as well as extra facilities, such as a fitness center, swimming pool, game room or even a library or tennis court.

Whether you opt for a single-family house or a condo, select a neighborhood that is convenient to work, friends and transportation and, even if you don't have kids, in a good school district.

Get pre-approved

Pre-approval enables you to move quickly once you see something you like and adds strength to the offer you make to the seller.

Special financing for first-timers

Several programs are available to help qualified first-time home buyers, including singles, who need financial help to get lower down payments and/or lower interest rates. Ask your real estate broker about those offered in your state. Or, get in touch with your local or state housing finance agency.

If you're a veteran, find out how to qualify for a special VA loan from the Department of Veterans Affairs. In general, you must have been on active duty 90 consecutive days during wartime or 181 days during peacetime, or spent 6 years in the Reserves or National Guard. An often overlooked benefit: An unmarried surviving spouse of a veteran who died on active duty or as the result of a service-connected disability is also eligible for a VA home loan. Some veterans are entitled to borrow up to \$240,000 with no down payment.

The federal government provides a number of programs for home buyers, including singles, who do not have enough saved for a 20 percent down payment through the Department of Housing and Urban Development (HUD). Call 800-483-7342 or visit it online. Navigating this site takes patience, but it's worth it. I recommend you begin by clicking on "Common Questions."

It is located under the heading "Resources" on the left side of the home page. This link will take you to information on special federal mortgages and local home buying programs.

Note: HUD does not arrange mortgages but it does insure loans so that if a buyer is in default, the lenders will get their money back. This insurance encourages lenders to grant mortgages to qualified buyers for as little as 3 percent down rather than the customary 20 percent.

HUD also sells houses it has claimed as a result of failed HUD loans. These houses are sold "as is," which translates into "needs a ton of work." But one might be just right for you.

Other sources

First-time single buyers can also tap into their IRAs for up to \$10,000 for a down payment—without being hit by the 10 percent early-withdrawal penalty. And the majority of 401(k) plans allow participants to borrow a certain percentage or dollar amount. The advantages: a low rate (typically 1 percent or so above prime) and you pay back your own account rather than a bank.

You should also check with your employer to find out if the company grants loans to employees who are buying a primary residence.

A final reminder: If you are a single parent receiving child support payments, remember to count those payments as income when applying for a mortgage.

BOTTOM LINE

Marriage is not a prerequisite to fulfilling the American dream.

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