

Home Buying Tips

Securing Your Mortgage With Insurance

Shopping for a new home is never an easy project. Even now during the COVID-19 pandemic when mortgage rates are historically low and the buyer market is as competitive as ever, purchasing a home shouldn't be taken lightly and proper planning put into effect in order to prevent an economic disaster from taking place. Although many homeowners are hesitant to sell their properties during such uncertain times, the market is still great for buyers that know how to look.

Many experts recommend locking in a lower rate through a fixed-rate mortgage, rather than choosing a variable-rate mortgage especially given the current economic environment. This new normal has allowed people dreaming of owning a larger home to fulfill their desires, but securing a lower rate isn't everything when buying a home.

A good rule of thumb is that the price of your new home should be no more than 3x your annual gross income. This is a quick and easy way to scan for affordable housing within an evolving market, and realistically speaking, a sound way to cast a safety net around you in the event of a disaster.

Before you jump into your home search, here are a few things to consider:

Home Insurance

One of the biggest mistakes new homeowners make is choosing the insurance provider their mortgage lender recommends. Many people fail to "shop around" for other options prior to signing on their new properties, while others completely forget to review their policies long after settling in.

As your home value changes, so should your insurance coverage. It's important to review your policies every year and coordinate with your carrier so that you are fully covered throughout your years of ownership. Updating your policy regularly can even help decrease your monthly payments.

Homeowners insurance typically falls into either one of two main categories: property damage and liability. However, there are also other types of policies meant for home rebuilding and personal possessions.

When you purchase a home through a mortgage lender or bank, you're required to purchase insurance that covers at least the lender's collateral and you typically have to pay for a year's worth of insurance up-front. Knowing the best homeowner's insurance providers will help you and your family sleep soundly when moving into your new home.

Coverage

Pay close attention to your policy's limitations, as well as communicating with your insurance agent any concerns you may have prior to signing. The need for a robust coverage policy increases with every dollar you pay against the principal of your mortgage. Accidents happen, and those accidents can leave a gruesome mark when it affects your loved ones.

That said, there are numerous things to consider when choosing your policy. Taking your time, and choosing a provider prior to buying your new home will save you lots of stress and anxiety, and you need all the help you can get.

Hidden costs

Buying a home is an investment, and sometimes the biggest investment you will ever make, so really taking the time to plan and visualize your entire home purchasing plan will save you from a lot of headaches (and heartaches) on your journey!

The cost of maintaining your home can be approximately 1-4% annually. Those numbers add up quickly when purchasing a home above \$500K, so keep that in mind. Also, there are other things that might come into effect as you move in, such as unexpected repairs, natural wear and tear, and disasters that might affect your area.

Paint fades, leaky roofs happen, and the condition of your home changes from the day you bought it. Taking care of your home consistently keeps your home safe and valuable. Over time, as you build equity, your home may become your largest asset, and that's something worth protecting indeed.

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Below are additional links for more information:

<https://money.com/current-mortgage-rates/>

<https://www.cnbc.com/2020/09/10/always-use-the-30-30-3-rule-before-buying-a-home-during-pandemic-says-finance-real-estate-expert.html>