



How To Save For Your Down Payment

Free Mortgage Blog

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How to save your down payment

I am not a fan of down payment assistance programs. Everyone and their uncle is advertising them, especially real estate agents. This fact drives me crazy. The reasons I despise the program are many, but the main reasons are they're expensive, and they're entirely unnecessary.

Most often, first-time homebuyers use the program thinking that they need 20% down. Another reason is they feel they can get a better house if they do. This line of thinking could not be further from the truth. Here are the facts:

- The most popular programs only require 0-3.5% down, not 20%.
- Provided you're properly pre-approved, you're going to get an excellent house, no matter what your down payment is.

Now that you know the facts, let's talk about how we can get you out of that rental.

For most of my clients, their biggest fear about moving from renting to buying is the down payment. They think that there's no possible way they can save it, in any amount, and therefore give up and settle on renting. If you've chosen to rent for personal reasons, that's one thing. But, if you're renting because you think you can't save money to get ready to buy, I'm here to tell you you're wrong.

Everyone spends money they don't realize. EVERYONE. The key to getting control of your finances to save money for your first home is to take a hard look at your spending habits. Once you do that, you'll quickly realize that with a few adjustments, you can easily save your down payment.

Here are four easy ways to save.

Change Cell Phone Carriers

It's not like it used to be back in the day when there were only one or two options for cell phone service. There are now tons of companies to choose from, all having multiple monthly plans. Having cell service has never been more affordable. I switched recently and went from a \$300/month bill to a \$120/month bill.

Potential Savings: \$180 per month - \$2160 per year

Streaming Services

My cable TV bill was \$200 per month. Looking back, it was dumb to not think of this sooner because I don't watch a lot of television. There's a couple of shows I like, but I mostly tend to power-watch things once they go On Demand. I switched to a streaming service called SlingTV. The plan I chose costs \$20/month. Not only am I saving tons of money each month, but I also have more available to watch than I did previously. More choices, less money.

Potential Savings: \$180 per month - \$2160 per year

Fast Food

I spend a good portion of my day reviewing my client's bank statements. More than 75% of them have over \$350/month for fast food purchases. Don't get me wrong, I love fast-food as much as the next gal, but what do you want more? A Big Mac or a house?

Eating out should be a treat, not a daily occurrence. When you go to the grocery store, buy items you can make or quickly heat up for lunch. You can purchase nearly a week's worth of lunch items for the same price you'd pay for one trip to the drive-thru. By the way, you can also purchase all that fancy coffee at the grocery store. Make it at home and bring it with you rather than spending money daily on it.

If you make eating out a treat rather than a habit, you'll save tons of money. Make your fast food budget \$100/month and no more.

Potential Savings: \$250 per month - \$3000 per year

Groceries

Grocery stores can be a dangerous place. The strategic layout of the isles and shelves tempts you into impulse purchases. If you don't walk into the store with a clear plan of what you need, your bill is going to reflect that.

We used to spend about \$150 per week on groceries. When you consider it's only myself and my husband, to this day, I have no idea what we bought with that money. When we started paying attention to it, we realized that most of what we purchased ended up in the garbage. We started meal planning, and I cannot tell you how awesome that has been! We make a plan, make a list, and then only buy the items we need to make the meals we planned. Not only has it saved us money, but also time since we're no longer trying to figure out what to have for dinner. We're now spending about \$200 per month total on groceries.

Savings: \$400 per month - \$4800 per year

As you can see, it doesn't take a calculator to figure that the savings above totals up to a heck of a lot of money in one year.

But we are talking about a down payment for a home here, so let's tally it up. Just with the four tips above, the savings is \$12,120. If you wanted to buy a house for 200k, your down payment for an FHA loan would only be \$7000!

If you did not spend elsewhere what you saved, you'd not only have your down payment but money leftover as well in only 12 months!

What other places in your budget can you save money? Spread the word and let me know your ideas, and I'll add them to my next article!

If you have questions about any part of the mortgage process, feel free to contact us.

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