

# Home ownership as life-changing as graduations, weddings

**T**his is the season . . . for graduations and weddings, that is. The start of new lives and careers. Forks in the road of life. A colleague of mine is leaving this weekend to travel with her son, a new University of Tennessee graduate, to Texas. There, they will see his new place of employment, and they will accompany him on a house hunt. Another friend has a son who is getting married in early June, and the couple plans to live and work here in the Knoxville area. They are in search of a place of their own.

A report from the National Association of Realtors says 50 percent of home sales in March were linked to first-time buyers. The combination of low interest rates, and the first-time homebuyer tax credit have spurred activity among this demographic. With home prices down, buyers can also get more house for their money.

According to mynewplace.com, a rental Web site, the average rent



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Homework

for a two-bedroom apartment in the Knoxville area this past February was \$765. A quick calculation using my loan calculator shows that the same money (without including taxes and insurance) would buy a home priced at approximately \$150,000 assuming an FHA loan with a 3.5 percent down payment, an interest rate of 4.8 percent, and a 30-year term.

To qualify for an FHA loan, a buyer has to have a credit score of at least 620. A 3.5 percent down payment is all that's required, and that down payment can be savings, a gift or a combination of the two.

Additionally, first-time homebuyers, defined as those who have not owned a principal residence in the past three years, may qualify for up to \$8,000 as a tax credit (or 10 percent of purchase price up to \$8,000). This

means that when the homebuyer completes their 2009 tax return and finds that they owe \$3,000 in taxes, instead of paying the IRS \$3,000, they would receive a check back from the IRS for \$5,000, assuming they qualified for the full \$8,000 credit. Gift, income, credit and home-sales restrictions apply, so contact a mortgage lender to get the details.

In Knox County alone, 1,377 homes on the market are priced at \$150,000 or less. That price range also covers 481 available condos. With an FHA loan, the property has to pass the test of an FHA appraiser, and condos must be on the FHA-approved list, but with this many choices, buyers can be choosy.

Let's say my child is getting married or is graduating, and I am considering an appropriate gift to celebrate the occasion. While certainly nothing's wrong with the traditional gifts that accompany these life-changing events, a monetary gift to help with a down payment on a home would allow my son to begin his new life as an investor.

If he buys a \$150,000 house that, over four years, increases in value by just 3 percent a year, then that house may be worth \$164,000 if he sells in four years. In those four years, he has paid \$765 per month, and has gained almost \$14,000 in equity, which will put him that much further ahead when he wants to purchase a larger home.

These numbers are not exact and will certainly vary with each circumstance. However, first-time homebuyers have many things going for them that make this an extraordinary time to buy. As friends and family members graduate or tie the knot, as they face these life-changing events, why not investigate the details and consider giving them a gift that is truly life-changing?

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