HINTS FOR HOMEOWNERS

Building Wealth Through Home Ownership

(NAPSA)—Purchasing a home can be a significant step toward financial security. However, analysts say it's the equity you build in a home—not the house itself—that drives your prosperity.

Home equity can be used to fund significant life events such as retirement, a wedding or college costs. Equity is determined by the value of your home, less the balance of your mortgage. If your home is worth $100,000 and your mortgage is $85,000, you have $15,000 of equity, or 15 percent ownership. "Investing in a home is a time-tested way of building wealth," said Lee Farkas, Chairman of Taylor, Bean and Whitaker Mortgage Corp., a leading national wholesale mortgage lender. "What borrowers need to understand is that it's really important to choose a loan that helps them build equity."

Loans Are Not Created Equal

Some mortgages may offer low initial rates, but the lower payment is often achieved by deferring principal repayment—meaning you may not build equity for several years.

For example, five years after taking out a $100,000 mortgage, a borrower who deferred the principal and part of the interest would not only have no equity, but also would owe about $10,000 more than the amount originally borrowed. A borrower who made interest-only payments would have no equity and would still owe the full loan amount. However, a borrower with a 30-year fixed-rate mortgage (FRM) whose payment includes interest and principal would have reduced the loan balance and built up equity of more than $6,000.

Finding Safer Bets

With mortgage insurance, buyers with a down payment of 3 percent or less can qualify for a traditional 30-year FRM that will build equity at a faster rate than nontraditional loans. Mortgage insurance lets borrowers with a less than 20 percent down payment purchase a home by providing lender coverage against borrower default.

Mortgage insurance lets buyers offer down payments as small as 3 percent or less of a home's value.

"Mortgage insurance means you can get the loan for the house you want, despite a low down payment. It's a great tool to help you get into a home and start building personal wealth today," said Steve Smith, President and CEO of PMI Mortgage Insurance Co.

Unlike nontraditional mortgages, payments on a 30-year FRM with mortgage insurance will be the same each month, so borrowers can budget and plan for the future. Mortgage insurance will be canceled automatically when your loan balance reaches 78 percent of the home's original value, or you can request cancelation when you reach 20 percent equity or ownership.

For more information, visit www.pmigroup.com.