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Tips For Adjusting To A New Mortgage Payment

by Michele Dawson

As a new homeowner, you may think the days of big spending -- primarily for your down payment and closing costs -- are over. But what many homeowners find is that the house itself is just the beginning. There are home improvements, maintenance projects, furnishings, decorating, property taxes, insurance -- the list goes on. But with proper budgeting and patience, most homeowners can make their mortgage payments and take care of all the extras.

"In the first twelve months after purchasing a newly built home, owners spend an average of $8,900 to furnish, decorate and improve their homes -- more than twice the $4,000 spent by non-movers," the National Association of Homebuilders says in its report, "Housing: The Key to Economic Recovery."

Where does that money go? The report says about 77 percent of it goes toward furnishings and changes to the property. The rest is spent on appliances.

Those who buy existing homes spend $3,766 more than non-moving homeowners in the year after they buy a home.

As a new homeowner, it's sometimes easy to get lost on spending sprees and ultimately increase your debt and potentially reach the point at which you get behind in your mortgage payments.

"Most homebuyers can find unlimited furniture, appliances, and remodeling projects that quickly exhaust the incomes of even the rich and famous," says Eric Tyson and Ray Brown in their book, *Homebuying for Dummies* (Hungry Minds Inc., 2001). "Because of these spending temptations, more than a few homebuyers end up not saving any of their hard-earned incomes."

The authors say it's important to remember your financial goals like retirement and to pace the household purchases and projects.

The National Foundation for Credit Counseling, a nonprofit credit counseling service, also has a few suggestions to stay on financial track, including:

- Keep your budget updated. After you buy your house and move in, budget for new bills, including homeowners insurance, property taxes, utilities, and repairs that will come up over time.

- Look for utility savings. Contact your local utility company to schedule an energy efficient home audit to get advice on how to improve your energy efficiency. You may also want to ask about a fixed utility payment -- equal payments spread out over a year as opposed to month-to-month payments that reflect how much energy you used the month before.

- Save and plan for your furnishings. After you buy your new house, you'll likely be anxious to start planning for new furniture, window treatments and appliances. As a new homeowner, you'll likely be bombarded with credit card offers. Resist the temptation to over-extend yourself. Instead, plan on spending a specific amount each month for these furnishings. If you must use credit, use just one or two credit card balances and try to pay off the balance in full to avoid interest charges.

- See if you qualify for income-tax credits. Many first-time homeowners qualify for tax credits or exemptions sponsored by state and local governments. All homeowners reap the benefits of mortgage interest and tax credit from the federal government. For more information visit Homeownership Information.

Also, to avoid late payments and the late fees that go with them -- some penalties are as much as 5 percent of your payment -- consider electronic mortgage payments. Once these are implemented, your bank or financial institution will automatically take the payment from your checking account on the same day each month.

Finally, regardless of when you bought your home, keep your eye on interest rates. If they drop at least one percentage point lower than your rate, consider refinancing.

"The key item to calculate is how many months it will take you to recoup the costs of refinancing (loan fees, title insurance, and the like)," the *Dummies* book says.

Generally, the longer you plan on staying in your house, the more financially beneficial refinancing will be.
