

## State Department Federal Credit Union Topics of Interest

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### Are you Buying a House or a Home?

As you read and study about buying real estate, you will often find the words "house" and "home" used interchangeably. There is a huge difference between a house and a home.

A house can be a place to eat, sleep, park your car, and put all your "stuff" (including other family members). It is a material possession and an investment. A home is where you feel comfortable, warm, safe, and protected.

A home is where you live.

A house is something you buy logically. A home is an emotional purchase. When buying real estate you have to balance your emotional wants and your logical needs because there will almost certainly be a time when the two conflict.

### Example

For example, you may want a house with a view, but the payment is higher than you feel comfortable with on a thirty-year fixed rate mortgage.

What do you do?

Purchase the house anyway and budget more carefully for the next few years? Buy the same house without the view and get it cheaper? Make a larger down payment by borrowing from your 401K or family members, so you get a lower payment? Get an adjustable rate mortgage with a smaller payment instead of a fixed rate loan? Or buy a smaller house and still get the view?

When viewing the house, most people look at it emotionally and envision it as a safe, happy, comfortable home. Later, when making the offer or filling out a mortgage application, your logic may begin to kick in, instead. That's when "buyer's remorse" may come up, but...that's a different article.

### Balancing Act

The trick in buying real estate is to view all decisions with both a logical perspective and an emotional perspective. If a situation presents itself that requires a trade-off, decide on whether there is a huge conflict or a small one. Logic should win the big conflicts, but emotion should always be a factor, even winning the small ones.

You will find yourself owning a warm, happy, safe home – and an investment for the future at a price you are willing to pay.