

## Buying your First Vacation Home

If you tend to vacation in the same spot each year, it may be time to consider purchasing a vacation home.

Many people dream of owning a vacation home but are too intimidated. With the proper analysis of your finances and some research into finding the perfect dream getaway, the experts at Zillow say it's easier than you might think.

Not all vacation homes are located in the country or seaside. Many people vacation in large cities to enjoy the culture, restaurants and nightlife, then return to the comforts of their primary residence. So buying a modest condo in the city qualifies as much as a vacation home as a secluded country locale. Either way, says Zillow, the financing and tax implications are almost the same.

There are three primary uses for vacation property — as a primary residence, second home or investment property. How much time you spend there and your intent play a role in your financial and tax obligations.

According to Zillow, you can buy with as little as 3% down if the home will be your primary residence (if your



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### REAL ESTATE 101

#### Pros and Cons of Buying During the Pandemic

Should you buy a vacation home during the pandemic? Like any investment, there are pros and cons. If your risk tolerance is low, it could be a risky time to buy. On the other hand, for people with income stability, interest rates are low and now is a great time to buy. The experts at Realtor.com consulted industry experts to help answer your questions at [bit.ly/3ebHzom](https://bit.ly/3ebHzom).

loan doesn't exceed \$417,000). You'll also receive significant tax benefits.

If you want to use your property as a second home, there are no restrictions on

how much time you spend there but lenders won't let you rent the home. You can purchase a second home for as little as 20% down, qualifying by using your primary resi-

dence cost plus the cost of the second home. Mortgage rates and tax benefits are the same as primary residences.

The third option, purchasing a home as an investment,

allows you to use the home when it's not being rented. This is the perfect situation for someone who uses the home only a few times a year and would like the rental income to help pay the mortgage and upkeep. But you'll pay more upfront. Down payments start around 30%, says Zillow, but you can use rental income to help you qualify. Tax treatment is less beneficial, but the extra income can help with affordability.

To determine what you can afford, you need to understand the total cost of ownership. Lenders can help you formally analyze the cash available for the down payment, closing costs and reserves, as well as total monthly costs depending on whether you rent it or not.

Naturally, owning a vacation home comes with all the costs of your primary residence. Utilities, furnishings, housewares and property maintenance are all factors lenders use in qualifying calculations.

Whatever your situation, a local real estate agent can help you find the right home clarify local transaction fees, taxes and commissions, as well as advise on local zoning and property rental rules.

With a little research and patience, you may find purchasing and enjoying your first vacation home sooner than you think.





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#### HOMEWISSE GLOSSARY

**Mechanics lien:** A financial claim created to enforce payment for work performed and materials provided on either building, repairing or improving a structure. SOURCE: MLS.com

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