

Insights

I never realized how much the Down Payment would influence the price of the house I could purchase. The House Affordability Calculator was a very useful resource to understand the relationship between my income, the down payment, the mortgage payments and the property tax.

Even if my parents helped me with the Down Payment I am concerned about taking on payments (mortgage, insurance and property tax) that are too high relative to my income. That is why I decided to go for the Safe Debt to Income ratio of 28%.

But I bet when we start looking for houses we will find we don't like any of the \$375,000 houses we find. I already know the typical house price in Manhattan Beach, where I initially wanted to live, is \$1M.

We have multiple choices. First, there may be fixer-uppers in Manhattan Beach for \$375,000 and we use the money we save from not going for the \$500,000 house to invest in that house over the next five years. They say there are three important things in real estate: location, location and location. Buying a small fixer-upper in a very desirable location may be a good strategy. Second, we could move further away and go for a \$500,000 house that is already completely done. Then at some point we trade up on location. Third, we could find some strategy in-between those two.