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Q: What qualifies as deductible mortgage interest?
A: Mortgage interest is the amount of interest paid to your mortgage lender on your loan during the year. The loan has to be for a primary or secondary residence in order to qualify as a deduction. The interest amount is based on the rate you received from the lender and the principal amount you borrowed to purchase the house.

Q: What limitations are there on deductible mortgage interest?
A: For primary and secondary homes you are limited to the interest deduction of up to $750,000 on the principal mortgage balance. However, if your mortgage was financed prior to December 15, 2017 the limit is grandfathered in at $1,000,000 of total principal on primary and secondary houses.

Q: What tax advantages are there to purchasing a home versus renting a home?
A: If you purchase a home with a mortgage, the interest paid may qualify as a deduction on your tax return unlike rental payments. To receive a benefit, your itemized deductions must exceed your standard deduction. The real estate taxes associated with your home purchase may also qualify as an additional deduction.

Q: Are there first-time homeowner's programs?
A: Yes, there are many first-time homeowner's mortgages that allow individuals to purchase a home with as little as 3.5% down in comparison to the conventional 20% down payment. However, this type of loan requires PMI (private mortgage insurance) which is an added monthly expense that is not tax deductible, nor does it go towards the equity in your home. Although there is this added expense, the benefits of owning a home far exceeds the cost of PMI. To remove PMI, you must have at least 20% equity in the home and you may be required to refinance.

Q: How can I figure out what I can afford and plan for a down payment?
A: A financial plan would be helpful in creating a strategy to save for a home purchase within your budget. It is a process of minimizing expenses and putting money into a savings account. It is also important to purchase a home within a reasonable price range based upon your income level. One way to pay for a down payment is through a retirement plan. First-time homeowners are able to take out $10,000 from their IRA accounts penalty free. However, this income will be subject to income tax.
You can consult a financial planner or mortgage broker for more information on programs available to help you with your real estate goals.