



THINKING OF PURCHASING A VACATION HOME OR INVESTMENT PROPERTY?

Mortgage Brokers Association Offer Consumers Tips to Consider

With the summer season upon us, people may now be considering the purchase of a vacation home or investment property. The Florida Association of Mortgage Brokers (FAMB) notes that the simple difference between the two types of properties is whether or not the property will be rented out. If a property is rented for any period of time during the year, then it is considered an investment property. If it is for the sole use of the owner, then it is considered a vacation home.

The FAMB offers consumers the following points to consider with regard to purchasing these types of homes:

- The interest paid on a vacation home is tax deductible, just like the interest paid on a primary residence.
- The interest rates for vacation homes are more favorable than those for investment properties.
- If a consumer plans to use equity from their primary residence for either a down payment or purchase of a vacation home or investment property, the FAMB encourages them to talk with their accountant to discuss the benefits and drawbacks of this strategy.
- To be considered a vacation home, the residence must be located within a set distance from one's primary residence and consumers should check with their mortgage professional.
- With regard to renting the property, it may be rented on an intermittent basis not with a timeshare pool. Also, the owner may not enter into a long term rental agreement.
- Talk to your accountant about the tax implications of earning rental income on an investment property.

- The mortgage programs offered are the same as an owner occupied primary residence. The individual circumstances of the consumer will determine which loan program best serves their needs.

According to the FAMB the most popular loan programs currently are:

- **30-Year Fixed Rate** – The monthly payment and interest rate are the same for 30 years.
- **15-Year Fixed Rate** – The monthly payment and interest rate are the same for 15 years. Although payments are higher, the savings in interest over the term of the loan is substantial.
- **3/1-Year Adjustable Rate** – The monthly payment and interest rate are the same for three years. Beginning in the fourth year, the monthly payment and interest rate may change every year for the rest of the loan period.
- **5-Year Balloon Mortgage** – The monthly payment and interest rate are the same for five years. At the end of the fifth year, the loan is due in full, which means the borrower must refinance into a new loan program if they are staying in the home, or sell the home and pay the loan balance in full.
- **Interest Only Mortgage** – Consumer only pays interest for a fixed period of time instead of making payment towards principal which keeps monthly mortgage payments low.

The Florida Association of Mortgage Brokers is the oldest state trade mortgage association in the nation whose members strive to attain the highest degree of excellence and customer service available. FAMB members also subscribe to a strict code of ethics. For more information or to find a mortgage broker in your area, visit the consumer information page on the FAMB web site at www.famb.org.