



11 Ways First-Time Homebuyers *Can Bridge the Gap*

BETWEEN RENT AND A
MORTGAGE PAYMENT

A practical guide with real-world examples, helpful visuals and simple strategies to make homeownership feel more possible.



Includes
2 California
buyer examples

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— HOME LOANS —

*Homeownership is the gateway to
building long term wealth.*

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Start Here: Understanding the Affordability Gap

The payment difference between rent and owning is only part of the story.

Many first-time buyers compare rent to a mortgage payment and stop there. This guide shows how to look at the bigger financial picture, including tax savings, principal paydown and practical ways to close the gap.



EXAMPLE 1 | Single Buyer

Income:	\$100,000
Purchase Price:	\$400,000
Down Payment (3.5%):	\$14,000
Base FHA Loan:	\$386,000
Financed Upfront MIP (1.75%):	\$6,755
Total FHA Loan:	\$392,755
Interest Rate:	6.625%

Estimated Monthly Tax Benefit: **\$594**

Estimated Monthly Principal Paydown: **\$357**

Combined Monthly Financial Benefit: **≈ \$951**

EXAMPLE 2 | Married Couple

Combined Income:	\$160,000
Purchase Price:	\$525,000
Down Payment (3.5%):	\$18,375
Base FHA Loan:	\$506,625
Financed Upfront MIP (1.75%):	\$8,866
Total FHA Loan:	\$515,491
Interest Rate:	6.625%

Estimated Monthly Tax Benefit: **\$482**

Estimated Monthly Principal Paydown: **\$469**

Combined Monthly Financial Benefit: **≈ \$951**

Why This Matters

A mortgage payment is not just an expense. Part of it may create tax savings and part of it builds equity.



Important Notes

These are illustrative California examples only. Assumptions include FHA financing, a 30-year fixed rate, and California property taxes estimated at 1.25% of the purchase price. Tax benefits vary by borrower and tax law. Buyers should consult a tax professional.

4 Ways to Bridge the Gap

Right Now

SIMPLE STRATEGIES THAT CAN CREATE ROOM IN YOUR MONTHLY SPENDING PLAN.



1



Temporarily Reduce Retirement Contributions

- If you are contributing above your employer match, consider temporarily lowering that contribution while you adjust to homeownership.
- **Example:** On a \$100,000 income, reducing a 401(k) contribution from 10% to 5% frees about \$417 per month before taxes.
- **Important:** Not all employers offer a match. If yours does, think carefully before contributing below the full match.

2



Use Homeownership Tax Savings

- Mortgage interest, eligible property taxes and FHA mortgage insurance when deductible under current law may reduce the effective cost of owning.
- In our California examples, estimated tax savings were about \$482 to \$594 per month.
- Tax results vary based on income, filing status, deductions and current tax law.

3



Recognize Principal Paydown

- Part of every mortgage payment reduces what you owe.
- In our examples, first-year principal paydown was about \$357 to \$469 per month.
- This is not spendable cash, but it changes the rent-versus-own comparison because it builds equity.

4



Rent Out a Spare Bedroom

- A furnished room may rent for about \$1,000 to \$1,500 per month depending on your area, amenities and demand.
- Even two 13-week stays per year could generate about \$6,000 to \$9,000 annually.
- Averaged across the year, that is about \$500 to \$750 per month. Consider monthly-rental platforms such as [FurnishedFinder.com](https://www.furnishedfinder.com) for traveling professionals.



Quick Takeaway

You do not always need one big solution. Several small strategies can work together to close the gap.



4 More Ways to Make the Payment Work

Practical ways to create flexibility in your spending plan.



5



Buy with Family or Use Multigenerational Living

- Sharing housing costs with parents, adult children, siblings or other family members can make homeownership more affordable.
- Cost sharing may help close the payment gap and make a larger home possible.
- Be clear about expectations, expenses and ownership responsibilities.



Different generations.
A brighter future.



6



Eliminate or Reduce Other Monthly Debt

- Paying off a car payment, personal loan or credit-card minimums can free up monthly cash flow.
- **Example:** A \$450 car payment plus \$150 in card minimums creates \$600 per month of room.
- A lower debt load may also improve borrowing power.



7



Reduce Another Recurring Expense

- Owning may help reduce other costs such as storage, commuting, parking, separate office space or extra subscriptions.
- Look for expenses that may change when your housing situation changes.
- Smaller savings still matter when added together.



8



Plan for Future Income Increases

- Qualify based on today's income, not hoped-for income.
- But remember that many buyers receive raises, promotions or bonuses over time.
- A payment that feels tighter in year one may feel more comfortable later.



Amy's Reminder

A spending plan is more powerful than a budget because it helps you decide where your money will go with intention.



SMART CHOICES

ADD UP

TO BIGGER OPPORTUNITIES

Closing the gap often happens by stacking several good decisions together.



The Gap Can Shrink Over Time

Some benefits show up later, but they still matter.

9 Consider Future Refinancing Opportunities



- ✓ If rates improve and refinancing makes financial sense, you may be able to lower the payment or change the loan structure.
- ✓ Refinancing is never guaranteed and it has costs.
- ✓ Buy only when today's payment works first.



10 Plan for PMI or MIP Reduction / Removal



- ✓ Mortgage insurance is not always forever.
- ✓ Conventional PMI may be removed as equity grows; FHA MIP may require refinancing depending on the loan and original down payment.
- ✓ Know the milestone you are working toward.



11 Let Time Close the Rent-vs-Own Gap



- ✓ Rent often rises over time.
- ✓ With a fixed-rate mortgage, principal and interest stay the same.
- ✓ Over several years, the difference between renting and owning may narrow.



A Better Way to Look at the Numbers

$$\begin{array}{ccccccc} \text{House Icon} & - & \text{Document Icon} & - & \text{People Icon} & - & \text{Coins Icon} & = & \text{Bar Chart Icon} & \text{A Smaller Real-World Gap} \\ \text{Monthly Payment Gap} & & \text{Estimated Tax Savings} & & \text{Cost Sharing / Room Rental} & & \text{Freed-Up Cash Flow} & & & \end{array}$$

+  Principal Paydown = **Wealth Building**

Amy's Bottom Line

Homeownership still has real costs, and every buyer needs a payment that fits comfortably within their spending plan. But don't compare rent to a mortgage payment and stop there. Look at the whole financial picture.



My Bridge-the-Gap Plan

Use this worksheet to think through your own numbers and next steps.



MY MONTHLY NUMBERS

Fill in your best estimates.



Current Monthly Rent

\$ _____



Estimated New Housing Payment

\$ _____



Difference

\$ _____



Estimated Tax Benefit

\$ _____



Potential Room Rental or Cost Sharing

\$ _____



Retirement Contribution Adjustment

\$ _____



Debt I Can Eliminate or Reduce

\$ _____



Other Monthly Savings

\$ _____



My Realistic Bridge-the-Gap Total

\$ _____



QUESTIONS FOR MY LOAN CONSULTATION



What loan options fit my goals?



How much cash do I need?



What monthly payment feels comfortable?



What strategy makes the most sense for me?



MY NEXT STEPS



Review my spending plan



Estimate my upfront cash needs



Ask my tax professional about likely deductions



Decide whether cost sharing or room rental is realistic



Build my starter-home plan



Don't compare rent to a mortgage payment and stop there. Look at the whole financial picture.



Amy DeBusk
HOME LOANS

Helping you finance your next chapter
with clarity, confidence and certainty.

amydebuskhomeloans.com

