

# Live With Plum Interview: Buying Your First Home

*by Annie Margarita Yang*

**Justine:** Let's start. Welcome, everyone. I am Justine from Live With Plum. Today we're super, super excited to have our guest, Annie Margarita Yang. She is a really established expert on personal finance and she currently is looking to purchase a place. In today's conversation, we'll be talking about her thought process of how she has gone about thinking about renting, how she has gone about choosing apartments so far. Why she's currently thinking about moving from a renting situation to becoming a homeowner. So I'll leave it to Annie to talk a little bit more about her background.

**Annie:** Well, I am 25 years old and I'm looking to buy my first home this year within the next three to six months. I also run a YouTube channel where I talk about personal finances a lot, and how you can budget your money and make your money go further. So get more for your dollar, how to comparison shop and save your money because truly, the philosophy of money that I have is that money is a resource and it's a tool, right? I don't get very emotional about it. I think about it very logically. It's a tool that you can use to accomplish the goals that you have. One of the big goals that many people have is to own their own home. Coming from an immigrant family like mine, my parents don't own any real estate and that has been a goal of mine to own my own property. I try my best to budget the money that I've gotten from my job or any other sort of income so that I can save that money to buy a home. That's truly what I'm trying to get at here with my channel.

**Justine:** Oh, that's great. That's really interesting too, because you bring up something that is a question that I get a lot, which is why are you so interested to purchase a place? What I always tell people is that for me, I actually got it more from like a family background. My parents actually owned real estate all their life, and I saw it as being a way to build wealth. I find it so interesting that you said it's because your parents did not have real estate.

That seems like it has triggered you to, because at 25 it's relatively young. I personally know many people way beyond that age who haven't purchased a place. I also always want to be really clear that owning real estate might not be everyone's goal. But if it's your goal, then this is the conversation we'll be having. But what do you feel like it's your trigger? Is it really because your parents don't own real estate or were there other things that made you to decide this is what I want to do?

**Annie:** Well, the thing is I also work in the real estate industry as an accountant. When I first moved to

Boston two years ago, I got a job as an accountant for a jewelry place. That didn't work out for me, but then the job after that, it was for a real estate brokerage firm. Seeing these agents hustle and work their butt off, Justine, motivated me so much. The top agents in that firm owned real estate and they were investors and my three bosses at that company we're always flipping real estate or buying more rental property. I saw how they grew their wealth and I wanted that for myself. At first, I didn't think it was possible for me. It was just never on the radar because if I don't see my parents owning real estate, like you do, it's just a normal thing in life for you. I don't think it's possible for me, especially coming from New York City where real estate is very expensive. How am I going to be able to afford something that expensive? It's just not in my mind. But once I saw the people around me buying real estate and it was just like a normal thing, I was like, I can do it too, so that's really what triggered me.

**Justine:** Yeah, I love that. I love us having this conversation so that we can hopefully be an example to others. That you don't have to buy real estate of a certain amount because I currently also live in New York City. One question I always get is how do you buy what you do? But majority of my properties are like under \$400,000.

**Annie:** Really? Where?

**Justine:** I live in the South Bronx right now. If you move up to the Bronx, it's totally doable. Or you really have to compromise on either size or location, but it's possible.

**Annie:** I think it's because the Bronx gets a bad rap. I don't know what the reputation of the Bronx is today in 2020, but growing up, it was always like, oh, that person's from the Bronx or I came from the Bronx today. As if it was a dangerous place. I've never been there honestly, but that's just the impression that I've gotten and maybe that's why.

**Justine:** For sure. I have places in multiple locations, Manhattan, the Bronx, even Jersey City. Personally, I've chosen to stay in the South Bronx and it's all the reputation thing. Most people that I know they try to trek up here to check it out for themselves. So that's really unfortunate. I have not, fortunately, been in any incident. It's totally, totally fine. I actually feel relatively safe here. But going back to the notion of how it's impossible, I think it's really important for us to continue to dispel what a real estate homeowner or real estate investor looks like.

**Annie:** It is possible. If I never left my New York City bubble, I was really sad to leave New York City when I did, because I had to be where my husband was for school in Texas. But honestly, if I never left that bubble, I would still continue believing that it was impossible. But when I went to Texas, I saw how cheap the real estate was. I was like, even if you make \$10 an hour there, you can own real estate. You only need to save up \$5,000 where I was and that was enough to buy a \$100,000 property. That's a single family home, like a two bedroom, three bedroom home that's nice. It was also like just based on your geographic location. In a place like that, wow! Low income you can still own a home.

**Justine:** I would love to talk a little bit more about your cost calculation. How are you thinking about how much to you save up before you purchase a place? Let's say you spend \$1,000 right now on rent. Do you anticipate to spend the same amount of money when you're a homeowner?

**Annie:** Well, my thought process has changed a bit in the last two weeks, actually. Can I go over what I thought last year when I was making about those numbers? My rent right now is \$1,825. Actually, when I moved in, it was only \$1,750. They just keep raising the rent on me here by \$100 a year.

**Justine:** That happens.

**Annie:** That was around 30% of our income, so it was like a really good number. We still saved 25 to 30% of our income. I thought maybe if I saved \$20,000, it'd be enough for me to get us into a condo. But then I got a better job so I was like, okay, well the real estate market here is very hot. It's very competitive here.

**Justine:** Which state specifically are you in?

**Annie:** I'm in Boston. We compete with a lot of cash buyers and investors internationally. We just swoop in and buy stuff up. As a first time home buyer, I feel like I have to do more to make myself more attractive. After I got a better job last year, I started saving more and going like, okay, my husband and I, we need to increase our target. Right now, we have \$32,000 saved up and I'm still planning to put down like \$20,000.

**Justine:** What percentage would that be?

**Annie:** That would be 5% of a \$400,000 condo.

**Justine:** Got it. Do you have a conventional loan with PMI?

**Annie:** Huh?

**Justine:** Are you intending on picking out a conventional mortgage with PMI?

**Annie:** Conventional mortgage as in?

**Justine:** Just a regular mortgage. Do you qualify for like FHA or DA or USDA?

**Annie:** I qualify for FHA, but over here in Massachusetts, there is a program for first time home buyers where you can put 3% down just like the FHA. On top of that, they also have this down payment assistance program where if you can't even make enough for that down payment saved up, they can literally give you the money for the down payment. You have to pay it back. They will give you I think it was like either 5% or \$15,000. Whichever was less.

**Justine:** They give you a loan also to qualify for the down payment percentage is what you're saying.

**Annie:** Yeah, they will loan you the down payment. That second loan, which is the down payment is 15

years and it's only 2%. When I saw this, I was like, you'd have to be stupid not to take this loan because 2% is like the rate of inflation.

**Justine:** Just so everyone knows, 2% is definitely a really low rate.

**Annie:** They're like not even making money on it.

**Justine:** Probably. It's definitely like an assistance program. They're not making money.

**Annie:** I do qualify for that. I have to find out more about exactly how it works. Like does it apply to your PNS deposit? I'm not really sure.

**Justine:** When you say qualify, can you maybe tell everyone what the criteria that they generally look for and did you find out this was a Boston specific program or is this something that [inaudible]?

**Annie:** It's a Massachusetts specific programs so it depends on which county you plan on buying in. Every county for this program has different income limits.

**Justine:** Got it.

**Annie:** Because some places are cheaper than others. The county where I'm looking at, the people you're planning to buy with for this mortgage, so me and my husband, has to be less than \$140,000 in income per year. In other places, it's only \$110,000 but I live in a more expensive place. That's the qualification and then I think you have to have really good credit. So credit above \$680. That's it.

**Justine:** I think the takeaway here is that there are commonly specific first time homeowner programs. Some of it is really state specific. Some of it's probably even city specific, but the takeaway for the audience should be before you go buy a place, it definitely makes sense to look into where you live and then see if there are any such grants available to you. Because like Annie is saying this program, at least from the details that I'm hearing sounds amazing.

**Annie:** It is amazing.

**Justine:** Because it is basically giving you a really low interest rates for cash so that you can put towards your down payment. I do want to be clear about one more thing also. Some people feel more comfortable making a certain percentage down payment. Some people feel more comfortable with making a certain lower percentage of down payment. That is like a really personal choice. But Annie, you were mentioning that you said you were planning to do 5% including this loan for the down payment, right?

**Annie:** I would like to get that loan. Maybe it can be on top of what I can contribute so it's even bigger to make it more attractive, but I really have to speak to my loan officer with how it works. Can I combine it with what I have already and how much can I contribute to my own down payment? We need to really flush out the details. That's something that I still need to find out.

**Justine:** That makes sense. What about the closing cost in all of that?

**Annie:** Closing costs, so he gave me an estimate based on what kind of neighborhood I'm looking in and the price range I'm looking at. He said it's around \$4,900.

**Justine:** When you speak here you mean the loan officer?

**Annie:** The loan officer yeah.

**Justine:** All right. You're just adding that loan to how much that you also need to save, because that's [inaudible].

**Annie:** Then on top of that closing cost, he said I would need to put maybe \$2,000 into an escrow.

**Justine:** Can you explain what that means?

**Annie:** The escrow account is for property taxes and insurance, stuff like that, that I would need to have in there to start with. So that's \$2,000 and I didn't hear this from him. I heard this from my coworker who is a real estate agent. She told me that before all of this pandemic, you only needed two months of reserves. As in two months of mortgage payments saved up on top of all the stuff you have to pay to get this.

**Justine:** No one is creating the reserve. It's just you choosing to do the reserve for yourself.

**Annie:** Huh?

**Justine:** It's not a requirement by anyone. It's just you creating your own reserve.

**Annie:** No, the mortgage broker wants to see that you have the money. What's the point if you spent all your money to get this place, and if you just lost your job today, you won't even really be able to pay up for two months? That's an issue, so that's what they like to see two months of reserves, but due to this pandemic, they want to see four months.

**Justine:** There are a couple of things for the audience that's good to know. You bring up a really valid point.

I've seen multiple variations of this, but basically what Annie is saying is that because of COVID-19, the requirements for getting a mortgage has gone up and this is along multiple fronts. One, we've seen certain banks actually increase their credit score requirements. So if you don't meet a certain credit score, they are not going to give it to you. Secondly, like Annie has mentioned, some of them actually want to see more higher levels of reserves that you have post-closed. They can measure it typically by expenses and then something else that I've also seen is that they actually do more checks. Typically, if they used to check that you were employed during the mortgage origination, now they also do another check. They may write. Some banks may do another check when you close.

**Annie:** Like to check again that you're still employed or what?

**Justine:** Absolutely, when you close. Typically, they didn't used to do that because nobody was losing their job at the rate that people are doing so right now. What I've heard on the street also is that's another check they're doing, but overall it's how to get a mortgage right now?

**Annie:** Unless you are already an ideal buyer.

**Justine:** Correct. Absolutely.

**Annie:** Even regardless of the times you would have never had problem getting a mortgage because you were already ideal.

**Justine:** I think for me, the takeaway here is that the ideal buyer is made up of so many different things. The ideal client needs to have a certain kind of down payment, the ideal buyer needs to be at a certain kind of credit score. Some things have a longer time horizon to plan for. Let's say someone is buying a home in three years, which is a long time away, so you're definitely saving up for it. But what I personally have seen many people not do as diligently is to take care of their credit score so that they can also be the ideal buyer.

I think most people don't understand that a credit score is something you actually have to put a lot of time and effort to nurture. It's kind of like a plant. If you don't take care of it, it just dies. People assume but I'm making my credit card payments every single month, but they're not enough. I don't think they care about. It can be a really expensive mistake because you know, even a score of 20, 30 points can bump you up into a different next tier. You get a lower credit score and unless you refinance, we're talking about things that just keeps on accumulating and the cost of your home just increases. I definitely think that's something I want viewers to know about.

**Annie:** Oh my God. In the past two years, because my husband is financially savvy, but not as savvy as me. So we have some joint money where it's shared for the two of us, but we also have our own separate money. He spends his money and I spend mine. He has his own credit card. I have my own credit card too, in addition to the joint. There was a summer where he racked up I think \$1,000 or \$2,000 and I was like, dude, what are you doing? We're saving for a home. You can't do this whole \$35, \$50 minimum payment thing a month. I was like, just let me pay that shit off. Let me pay it off. I don't care. Let me give you the money so we can have excellent cut. He's like, no, we'll have it all handled. Then what do you know? Two weeks ago, the mortgage officer ran our credit. The way they're doing this is they take the middle score of both of us and they'll take the lower score of either of us. I had better credit than him. They took his middle score, which was \$745 and I'm just like, you just made it.

**Justine:** Don't mess anything up. Don't change anything. That's really interesting. I would love to understand from a looking point of view. You said you have identified a location. Could you talk a little bit more? What are the criterias you're thinking about when you're choosing to purchase a place?

**Annie:** What was important to me is it has to be a walkable place. I don't know because I'm a Brooklyn

girl. I grew up walking everywhere and a place where you just need a car to get around is not for, so that's important to me. It has to have public transport because we only have one car. So that means that one of us will drive to work and the other will take public transport. It cannot be like a two car kind of place. The next one is pricing. I don't want to overpay for property obviously. I like to get good value.

**Justine:** What do you mean by overpay? How do you [inaudible]?

**Annie:** The amount of space you're getting versus how much you're paying. Like where I live now in Boston, \$400,000 might get you like 400 square feet.

**Justine:** I get it.

**Annie:** Where I'm looking \$400,000 might get me 800 square feet or 1,000 square feet.

**Justine:** Then it means dollar per square foot.

**Annie:** We would like a bit more space. I would like space to do my YouTube channel.

**Justine:** I understand.

**Annie:** That's important. Then the fourth criteria is access to grocery store so that's very important because we cook everything. We rarely eat out so we need access to a very good grocery store. In particular, in my mind I want access to an Asian grocery store because I eat mostly gluten free nowadays. That means I'm mostly eating rice dishes and I'm limited to Asian cuisine.

**Justine:** Got it. You've said right now you pay around the range of \$1,800 for rent. What do you anticipate home ownership to cost you on a monthly basis?

**Annie:** Based on the numbers I'm giving my loan officer \$400,000, 5% down and stuff like that, condo fee is \$300 a month. He's telling me that based on that information, my monthly payment is going to be around \$2,100 to \$2,300.

**Justine:** What does that include? What does that not include?

**Annie:** That's everything.

**Justine:** That's your transport, that's your interest, taxes, insurance.

**Annie:** That includes the condo fee. The whole housing expense is \$2,100 to \$2,300, which is going to be my next lease cycle. My lease actually ends in September. I renewed for a few more months so I can get time to search. My next lease cycle is actually \$1,950.

**Justine:** You see your rent going up anyway and even with the home ownership right now, eventually you'll catch up is what you're thinking.

**Annie:** Eventually I'll catch up to \$2,100 at this rate. It's only going to be like \$200, \$300 more, but honestly, if I can get a little bit more space for what I'm looking at and if I manage to get a two

bedroom, I will rent out the second bedroom. I will rent out for \$800 to \$900 a month for sure. People on my YouTube channel have commented. Like why would you want to rent out a room while you are married? Don't you want your privacy? But honestly, me and my husband, we both think like it's a short term sacrifice. If we do this for just five years, we're going to collect tens of thousands of dollars from rent. From that \$10,000, I would invest it. I would make so much more. I would invest that money in more real estate honestly. It's a really short term sacrifice. It's not a big deal.

**Justine:** What you bring up is really the concept of like house hacking/apartment.

**Annie:** I'm not going to pay my home mortgage.

**Justine:** No, not to that extent, but it pays a part of it and there are many ways that someone can do it. If you live in a more urban city like you and I do, people rent out rooms.

If you live in a suburban area where you basically have a house or you can even purchase a duplex, people rent out the other side of the duplex. But that's kind of what you're bringing up where you collect income on the property, but on the property itself, you get to utilize all these benefits as a primary homeowner, including tax deductions, including a low mortgage interest rate that helped you to purchase a rental property. I think that makes a lot of sense. The last part about my train of thought, you mentioned right from the go, you said this is a way for you to build wealth, build equity. How are you looking at your home purchase as an investment? What are the things that you care about to consider it a good investment also?

**Annie:** I don't think the place I live in is an investment. That's just the home. Some people think their own home is an investment. If it's not generating money for you, I don't think it's an investment. Honestly, I think it's a sinkhole, especially if you're the kind of person to keep making home improvements. Like unnecessary improvements, that's what I mean. I would think properties that I investing to rent out is more of an investment, but obviously I would not buy in Boston. The property taxes are too high here.

**Justine:** For you really, this home is your primary residence and your home for you to live, it gives you that peace of mind and you really enjoy being a homeowner still building equity, but like not as an income.

**Annie:** I'm building equity by a house hack. I can take that money and I will invest it in rental properties in other states.

**Justine:** That makes sense. Before we end off our conversation, I wanted to ask you, since you are in the process yourself for anyone that's early in the process, what do you feel like you wish you would have known at the start?

**Annie:** What I wish I would have known. I can't really answer that question because I work in a real estate industry. I meet the right people all the time. I get the information immediately. I have access to

all the resources I need. Like if I need to sublease out my apartment, because I buy before my lease ends, I can get help really easily. Maybe that's my advice. You have to start networking and meeting the right people because that influences how you think.

**Justine:** I agree. I think what you're saying is the notion of networking, but also really the notion of educating yourself.

**Annie:** Research, educate, get the right information. Because honestly, I would have never heard about the down payment assistance program for first time home buyers, if I was not working at my previous job because every week my boss would bring in a presenter who worked for a different business, but also in real estate and they would come in and give us information. I would always take notes. One of the ones I came across was the down payment assistance program.

**Justine:** That's great. That's really good advice. For me, my advice is always research, educate yourself, watching your channel, watching my channel, just learning what you can soak in. Then after that, applying it when you finally want to start the process. But anyway, thank you so much, Annie. We really enjoyed having you on our channel. Can you please tell us where the audience can find you again?

**Annie:** Guys can find me on YouTube. That's really my main social media. Just search Annie Margarita Yang. Margarita is spelled just like the drink.

**Justine:** Cool. Thank you so much.

**Annie:** Thank you. Have a great day, Justine.

**Justine:** Thank you. You too.

**Annie:** How can I make my offer more attractive? I don't really know. I've been told to put 5% down instead of three, but other than I don't know.

**Justine:** We're in a competitive market right now so I would be surprised unless your local market is still really competitive.

**Annie:** It's still really competitive.

**Justine:** Maybe wait a couple of months because in general it's not that competitive a market anymore. It really isn't. Like New York has kind of deflated overall or maybe go for that fixer upper because typically those units are also not very popular. From my financial point of view, putting down 5% in the Boston area is tough. Many people will still try and hit the 20% mark, especially in a more competitive market. That's just something you have to deal with. Because it's something you want to wait the time to get to 20%, which is fine, but maybe you have to consider it.

**Annie:** This just keeps going up. I just felt like the price of the property here value goes up faster than I can save for that percent down payment.

**Justine:** Maybe even if you're looking at this tier property, you might want to go down a little bit lower, look for something that might not be the most ideal for you right now. Then you can be the most competitive buyer so to speak within that range instead of being a middle level of competitiveness within the price bracket that you want to go for.

**Annie:** Is it really recommended to look in the fall? That was my original plan. No?

**Justine:** I don't think the timing makes a difference. For me, the thing that makes a difference is always the level of the mortgage rates. Mortgage rates are just low right now, which is probably what's making it a little bit more competitive.

**Annie:** 2.5% yesterday.

**Justine:** I know because you are in a suburban area, I believe so maybe people fleeing Boston are buying in your area. That's the other trend that we are seeing right now.

**Annie:** They want their own laundry in unit.

**Justine:** They want their own backyard and all of that. So that's what's really driving some of the momentary demand probably in suburban areas. If I were you, I'd wait either a little bit or I would go down one tier of pricing and then start looking also in those areas.

**Annie:** But if I go down one tier and I have to fix it up myself, the bank is not going to pay me to fix it up. I would need extra cash in hand to.

**Justine:** Now, what you can do is if you don't fix it up immediately, you can get a HELOC, but they will require equity. Look, it depends on what fixing up means. Some of it can be very cosmetic changes. You can do quite a lot with maybe \$5,000 or \$10,000, which is still money for sure. But that might be within your saving horizon or like you mentioned, if you want to do 5% down, you can use that down payment assistance for that 5% and then keep some of your cash.

**Annie:** Oh yeah. I could do that too. That's true.

**Justine:** From a cosmetic point of view, \$10,000, can give you quite a lot. You can repaint the entire place. You can probably refinish your flooring. You can definitely change up a lot of fixtures. You won't be able to do your kitchen, but even the kitchen, you might be able to repaint your cabinets and all that. Those things go a long way. If you are willing to be creative, those are the things I would start to think about.

**Annie:** Could that be done in a month like all of that? No?

**Justine:** I don't know how long this stuff takes. It's very hard to say unless I know exactly what you're doing.

**Annie:** I see.

**Justine:** But a month is generally quite an aggressive schedule. You can repaint in three days, for example. But I don't really know what else you're doing so it's very hard to say, but if you have access to contractors, which it sounds like you do, you can look to do a walk-through before you buy a place and see how long do you think it's going to take and how much do you think it's going to cost?

**Annie:** That's true. My boss can help me with that.

**Justine:** Nicely. The level of access that you have really helps you and that may be something that I would consider if I were you. Go down one tranche in terms of price level and then be willing to do a little bit more work.

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