



Have you been thinking about buying a vacation home in the Pelican Rapids or surrounding area? Do long summer days lead to daydreams of owning a second home in the Northwoods or on a Northland lake? Would you feel more comfortable investing in a second home than in stocks? You're not alone.

Diversifying investments, the desire to have a vacation home and gaining tax benefits are a few of the reasons consumers purchase vacation homes, according to a recent survey by the National Association of Realtors. In fact, the report revealed that second homes, which include vacation homes and rental investment properties, accounted for 36 percent of all homes sold during the reporting period.

Surveys show that second homes continue to be an attractive choice for consumers who are exploring their investment options or thinking about retirement. In the long-term, a second home can grow in value while providing a place to get away for weekends and longer vacations. And later, the home can become a permanent retirement residence.

The National Association of Realtors' survey reports that the typical age of a vacation-home buyer was 44 years old; the median income was $\text{id=mce_marker02,200}$; and the national median price of a second home was \$200,000. The median price has decreased two percent from a year earlier – an indication that buyers are taking advantage of the high inventory and are buying at negotiated discounts.

Current low mortgage interest rates play an important role when it comes to buying a second home. They increase affordability by lowering the monthly payment – often allowing homeowners to get more home for their money.

Getting a mortgage for a second home is similar to the process and costs of financing a first home.

If you are considering buying a second home or a vacation home, mortgage consultants recommend that you consider the following:

1. **Down payment.** For a second home, the down payment generally ranges between 10 and 30 percent, depending on the lender. Loan products vary, so homeowners should shop around to find the option that best meets their individual financial needs.
2. **Rental income.** If the home is being purchased as a rental property, potential rental income on the home can not be used to qualify for a mortgage loan.
3. **Tax benefits.** Ask your tax advisor about mortgage interest and property taxes on a second home. In some cases, the interest and taxes are deductible. If you use funds from a home equity loan to purchase the second home you may realize additional tax benefits. You also may be allowed to deduct the mortgage interest and property taxes on a second home that is rented for part of the year.

In addition to taxes, interest rates and other financial details, there are other factors to consider when investing in a second home. One of the financing guidelines the mortgage industry follows regarding vacation or second homes is that a home must be suitable for year-round occupancy — meaning it must be weatherized and have adequate heating and cooling.

As with any major purchase, it's important to do your "home" work before you buy. Then, when you're lounging on the porch, watching the water lap at the shoreline, you'll have peace of mind that you've made the right choice for today and for your future.

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