Buying a First Home?

Learn from my Mistakes

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THE YEAR IS 2006. I'm 22 years old and living in Orlando, Fla., working almost full time as an audit associate for a regional CPA firm while I finish up my undergraduate degree. I'm making money for the first time in my life. As I'm writing my monthly rent check — yes, I'm still writing checks in 2006 — I find myself thinking that I'm throwing money away. I'm paying month in and month out for this apartment, but it's not mine. I have no equity. I'm building equity for someone else.

So I decide to buy a house. Again, it was 2006 — and I was still an undergraduate.

After ignoring several warnings from family and colleagues, I find a cute three-bedroom, two-bath house in a great neighborhood on the east side of Orlando and buy it for $235,000. It seemed the perfectly smart move. Instead of paying rent I'm investing in an asset that could do nothing but increase in value. And I had help, a boyfriend to share ownership and the ongoing costs.

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Here's what I wish I had done differently:

First, about the boyfriend. We were planning to live together, so why not buy the house together? Two paychecks are better than one, right? I had a colleague at the time going through a breakup with someone he owned a house with, and he tried to talk me out of it. But I knew that wouldn't happen to us. Couldn't. Of course, I was wrong. We broke up within a year of living in the house. We still shared the "asset," but when he moved out I had to cover more of the expenses. I should have gone it alone.

Next, I should have saved more money before buying a house. While my mortgage was "manageable" given my salary, a purchase this big was still stretching me. We'd financed 90 percent of the cost, so I was paying for private mortgage insurance (PMI), required with a down payment of less than 20 percent. Had I saved more and waited, I could have avoided the PMI, and had an even more manageable mortgage payment and a few dollars left over for the "unexpected." Of course, if I'd waited a few years, I also would have avoided buying at the top of the bubble, but chalk that up more to fate than naivete.

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I also should have appreciated the joys of renting. If the washing machine or air-conditioning broke, I didn't have to pay for it. It might have been inconvenient to call the leasing office to manage a repair, but it is more inconvenient to wait at home all day for a repair person then have to pay them.

I should have learned about the unexpected expenses that always come with home ownership. I'm a DIYer, and in late 2007 I decided to remodel the guest bathroom. I began the remodeling process, removing the vanity, mirror, toilet, tile and bathroom accessories, leaving only the shower/tub. I was working "full-time" in public accounting at this point — WAY more than 40 hours a week — so it took several months to fix the walls, paint, re-tile, and put in a new vanity, toilet and sink hardware. The only thing I refrained from was the plumbing. By this time, now 2008, I've started dating the man I will marry. He was eager to help, and connected the new sink and installed the toilet. I was finally able to celebrate the completion of my DIY remodel!

A couple hours after we hooked up the plumbing, water started seeping through the wood laminate floors in the kitchen, which is nowhere near the bathroom. We turned the water off at the street and called a plumber who came on a Saturday night (expensive!). He pulled the refrigerator from the wall, cut a hole in the drywall, and discovered that a previous owner had pulled the water line out, folded it in half and duct-taped it to a stud in the wall. Connecting the sink in the guest bathroom had somehow impacted the structural integrity of this duct-taped water line, and there was now water in the kitchen and the floors were buckling. Another lesson learned: count on these kinds of things happening regularly; you need a reserve fund to keep up a house.

I should have considered that life holds big changes for a person in her early 20s. I was making good money, loved my job and the team I worked with, was comfortable and familiar with Orlando after spending my college years there. But in the late spring of 2008, I was on my way to Virginia for a new audit position and to join my husband-to-be. The real estate bubble had burst, the subprime mortgage crisis trashing the economy, and with only 10 percent equity in the house, I was underwater. I thought about renting it out, but my net would be about half the monthly mortgage payment. A real estate attorney recommended I foreclose on the property, but I was concerned about my credit and my co-owner's credit — in hindsight, that might have been the best choice. Instead, my old boyfriend moved back in, and I was still on the hook for part of the monthly payments. I haven't seen the house since, but I'm still on the smaller mortgage. The larger mortgage was refinanced in 2018, but the house is still following me — and my credit — 14 years later.

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On a positive note, I learned a lot from the experience. I was much better prepared for the joys of homeownership when my husband and I bought a house in 2013, much better prepared at 30 than I was at 22. What I should have done was keep renting and put those dollars into my retirement savings program at work. My advice: Talk to an advisor. Work with a financial planner. Get sound advice from a professional who knows more about these things than you do — even if you're prone to think otherwise.

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