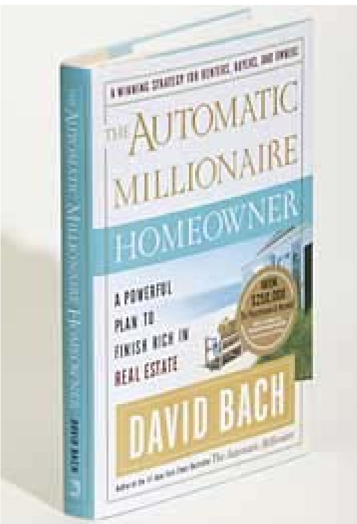
Buying a home can make you rich slowly

By Kerry Hannon, Special for USA TODAY

To say that David Bach's latest book, *The Automatic Millionaire Homeowner*, eighth in his FinishRich Series, is a quick read is an understatement.

He means for it to be read in just an hour or two, so you can get cracking.



"The Automatic Millionaire Homeowner", By David Bach, Broadway Books, 254 pages, $19.95

Yes, the ubiquitous best-selling author is back with his cheery, can-do message. This time he is talking directly to home buyers. (**Excerpt:** Chapter One: Meeting the Automatic Millionaire Homeowner)

Buying a home is the smartest investment you can make during your lifetime, according to Bach.

"According to the National Association of Realtors, the median home price in America hit $220,000 in August 2005 — a more than 55% increase in less than five years," he writes.

And while experts warn that the real estate market might be overheated, he dismisses naysayers. It doesn't matter if prices are up or down right now. Over time, they will likely go up steadily, he says.

U.S. real estate values have been going up steadily for nearly four decades — an average of 6.3% a year since 1968, according to the National Association of Realtors.

But let's be clear: There's nothing "automatic" about becoming a millionaire by purchasing a home. Bach does not fantasize about getting rich overnight in real estate. Neither should you.

This is about investing in real estate over the long haul. In Bach's scenario, you live in the house or rent it out for a period of time, possibly years. You're not buying a house just to flip it and make a quick buck.

"Being an Automatic Millionaire homeowner isn't about timing the market. It's about time in the market," he writes.

"It's when you're NOT trying to get rich quick that you get rich slowly."

Investing in real estate has been Bach's mantra. In *Start Late, Finish Rich*, he said one-third of your assets should be in real estate, one-third in stocks and one-third in bonds.

In his newest book, his formulaic, action-oriented approach cuts through the intimidating challenge of buying a house for the first-timer.

He covers all the bases, including the tax advantages of homeownership, ways to save for a down payment, figuring out what type of house to buy, finding a real estate agent and a mortgage broker, shopping for a mortgage, understanding and negotiating closing fees and costs.

For those who have gone through the Byzantine process of buying a home, much of Bach's guidance is old hat, but for a newcomer, it's fundamental reading, albeit generic.

You'll find sources for additional information on where to get your credit report, government lending programs, websites for mortgage shopping and sites that allow you to compare what properties are selling for in your local market, such as HomeSmartReports, which charges $25.

Bach is adamant about paying down the principal of your mortgage as quickly as possible. He advises making automatic payments, adding 10% to your regular mortgage check each month applied to principal, or making one extra payment at the end of the year, again applied to principal.

But his true love is the biweekly mortgage, when you pay off your mortgage years early and save tens of thousands of dollars in interest.

Here's what might be a little confusing for readers. In the beginning, Bach explains the Philosophy Behind the Automatic Millionaire Homeowner: You can't get rich renting; you don't need a lot of money for a down payment on a home; you don't need good credit to buy a home; you should buy a home even if you have credit card debt; you can build a fortune by buying just a few homes over the course of a lifetime.

That opening message might get potential homeowners hepped up about buying, even if they think they don't have a chance in the world of ever having enough for a down payment, or being able to qualify for a mortgage. He gleefully explains all the ways in which lenders are willing to lend money to risky borrowers these days and urges readers to take advantage of that opportunity.

But later, he seems to backpedal. He devotes a chapter to discussing the downside of real estate and the danger of downturns in the market for those who buy above their means.

To protect yourself from a real estate meltdown: "Make sure you can afford your mortgage," he writes.

Other tips to "bubble-proof" your real estate plan include locking into a fixed-rate mortgage for 30 or 15 years, tapping into home equity only for home improvements and other housing-related investments and not to pay down credit card bills, pay for a vacation or buy a new car.

"Be realistic about your situation," Bach advises. "Don't pretend you're in better shape than you really are. Don't borrow more than you can handle."

After all, if your financial situation takes a turn for the worse and/or your local real estate market takes a dive, you might not be able to afford your home if you put nothing down or took out an interest-only mortgage.