Residents and fellows in their final year of training have many big life decisions coming up quickly. Among them is deciding whether their first year in full-time practice is the right time to buy a home.

That decision is highly personal and is certainly not one to be taken lightly. Tal Frank, president of PhysicianLoans—a preferred home-loan provider for AMA members—offers young physicians a few key factors to consider.

Market conditions

Speaking generally, the real estate market has been hot over the past year, despite the pandemic. That can make buying a home a bit more difficult.

“For first-time home-buyers, the two main challenges are available inventory—some markets are tougher than others—and the fact that homes, despite the pandemic, have been on a multiyear trend of appreciation in value,” Frank said. “In most markets, the initial buy-in price point has steadily increased. The saving grace is that rates are low enough that it’s really making it as affordable—if not more affordable—in some of those markets.”

How much to factor interest rates

Historically low interest rates, largely a result of the economic downturn during the pandemic, are creating an enticing opportunity for home buyers. That said, Frank believes low interest rates shouldn’t be the motivating factor in opting to buy a home.
“My take is that I never advise a doctor at any stage of their career to buy solely because of the interest rate,” Frank said. “Just like a good professional would tell somebody: Don’t try to time the market, for the stock market. You can’t do that in the real estate market as well. Nobody would have predicted home values would be where they are today, a year ago. My general advice, year and year out, is: If you want to buy, you should explore it—regardless of the interest-rate market. You then buy what you can afford based on current market values and current rates.”

Putting down roots

Frank doesn’t advise looking at home-buying as a wealth-building strategy, because the market has a measure of volatility. Still, for physicians who plan on staying in a location for a long period of time, it is a good time to buy.

“For doctors who want to buy a home and plan to be there for a while, now is a good time for that,” Frank said. “A year or two ago, you had a slowdown in new builds and fewer people moving. That was adding to the lack of inventory out there. The building industry has since resumed. You have more movement and relocation out there, coupled with the fact that they can get a fixed-rate loan” at a low rate.

Getting started

There are two key professional relationships that can help physicians looking to buy a home get the process rolling, Frank said.

“They should reach out to a loan officer as early as possible if they have the time,” Frank said. “Confirm what they qualify for—what the financing and budget look like. There’s no charge to go through that process.

“The other professional they need to connect with is a real estate agent, especially in markets that lean toward a seller’s market. If you are a resident who is wrapping up training in July, starting to track the market five or six months in advance of moving is not a bad idea.”

PhysicianLoans is the AMA’s preferred provider of home loans and real-estate agent match services. The company offers financing with less money down, no private mortgage insurance and expanded underwriting guidelines when compared with standard loans. AMA members who buy a home using either a PhysicianLoans home loan or the DRS Agent match service will receive three free months of a home warranty plan.