

M4s: Know the do's and don'ts for homebuying during residency

FEB 19, 2021

Brendan Murphy

News Writer

Residency marks a big change in life—from medical student to resident physician. Does that giant shift mean that it's time to invest in a home? Many four-year medical students preparing for the transition to residency may be asking themselves that question.

The answer 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 soon-to-be residents a few words of wisdom on housing options during residency.

Do: Take time to do the advance work

Heading into the Match, you may have narrowed your options down to a few geographic locations. If that's the case, you can increase your knowledge about those markets by working with real estate professionals. A real estate agent will do the research for the doctor, they will start as early as desired, they will track the market and provide updates along the way—and there is no charge for that service.

“If a resident has it narrowed down to two or three markets, it is perfectly OK, even advisable, to track those markets,” Frank said. “If you only start tracking the market 30 days before you physically look at properties, as a buyer you are at a disadvantage. It's advisable to connect with a real estate agent to start tracking the market together rather than attempt to do it alone. A real estate agent is an expert who knows the market, but if you want to feel like a partner in the decision-making process you want to start sooner than a month or two out.”

Learn about three housing options to consider for residency.

Don't: Rush it

There's nothing wrong with waiting a year, or even the duration of your residency, to buy a home.

"What I tell doctors is whether they buy or rent for the next couple years will have zero impact on when they retire or how wealthy they get," Frank said. "They shouldn't feel that buying a home is a key to financial health down the line. Certainly, if you were relocating and just setting roots and your finances are not totally set, it's perfectly OK to rent something. Ideally, you'll do it for less than you pay to buy."

Prepare for the challenges of moving during the pandemic.

Do: Take a conservative approach to your debt

The borrower's debt-to-income ratio is a key factor in getting a favorable mortgage. Many medical students will enter residency with significant student-loan debt. If that's the case, it may not make sense to take on additional debt in the form of a mortgage.

"From a mortgage standpoint, their total debt to include their housing payment can't exceed 45–50% of monthly gross income," Frank said. "A resident who maintains that level will come through residency financially OK. If they try to exceed that, they are going to find themselves hurt. There will be a lot of fixing and catching up to do when they finish."

During residency, start your loan-repayment checklist with these items.

Don't: Buy solely based on interest rates

Historically low interest rates are creating an enticing opportunity for homebuyers. That said, Frank believes low interest rates shouldn't be the motivating factor in opting to buy a home.

"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," he noted. "My general advice, year in 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." 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.