

## **THINKING ABOUT BUYING YOUR FIRST HOME?**

You've probably wondered many times if you can afford to buy a home. Did you know that continuing to make rental payments may be more expensive in the long-run?

When you make rental payments, the money is gone forever. When you make mortgage payments, however, you build equity in your home. The longer you own your own home, the larger your equity becomes. Your home may also appreciate in value, usually at a rate faster than the rate of inflation. In addition, property taxes and mortgage interest paid on your personal residence are usually 100% tax deductible. There are numerous advantages to owning a home. Here are some things to consider when buying your first home.

### **Obtain Your Credit Report**

Get a copy of your credit report from the three major credit bureaus (Experian, Equifax, Trans Union) and review the information. Most lenders will get a credit report for you and review it with you as part of their pre-approval process. The sooner you do this the better. If your credit report contain items which need correcting, it's easier to attend to them well before you make an offer.

Don't assume you can't buy a home because your credit isn't perfect. There are numerous lenders and loan programs designed for people with less-than-perfect credit. Contact several lenders to discuss your options. In the unlikely event you don't qualify for a loan, determine what steps to take to improve your credit standing and qualify in the future.

### **Determine How Much Home You Can Afford**

Many web sites offer calculators that help you determine how much home you can afford. A good calculator will give you a range of affordability. Many of these calculators use standard debt ratios of 28/36. This means that your housing payments cannot exceed 28 percent of your gross income and that your total debt cannot exceed 36 percent of your gross income. However, there are a wide range of programs. Depending on your assets, credit history and earning potential, you may be able to qualify for more than what the standard debt ratio calculations would indicate. Contact a lender to determine of how much you can afford.

### **Understand The Cost Of Home Ownership**

In addition to your mortgage payment, you will also pay for property taxes and home owners insurance. If you buy a condominium or townhouse you'll likely pay a monthly homeowner's association fee. It is important that you understand the full cost of owning a home in addition to the tax benefits. Many real estate agents and lenders can help you analyze the cost of owning a home. You may also want to consult with an accountant or a financial planner to determine how purchasing a home will help meet your financial goals.

### **Determine How Much Money You Will Need**

Most loan programs require cash to pay for the down payment and closing costs. Many loan programs allow 100 percent financing. In today's market most lenders offer a variety of programs and down payment options. Even if you have less-than-perfect credit, you may be able to buy a home with a limited down payment. Many home buyers mistakenly assume they need to save 10 or 20 percent the purchase price before they can buy a home.

### **Determine How Long Your Home Will Meet Your Needs**

What home features do you require today? When and in what way might your requirements change? Will you have a larger or smaller family in the near future? Will you some day need a home-office or work area? A two-bedroom home, for example, may serve the needs of a couple, but may not be roomy enough for a growing family. What will be required to convert the garage or basement into additional work or living space? Consider how your needs may change before you buy.