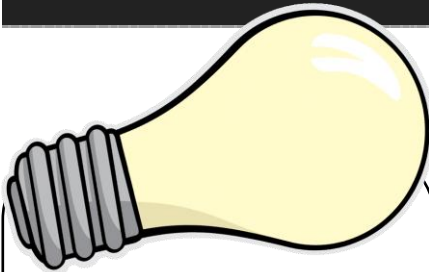




Harry's

HOME FINDER NEWSLETTER



Here's A Quick Way To Figure Out – How Much House Can You Afford?

The stock answer given to this question is – if you rent and have cash for a down payment, you can purchase a home. But what if you don't rent? Then, here's the simplified version of what a mortgage broker would do with you.

Step One: Annual salary ÷ 12

What is your gross monthly income from all sources? If your annual salary is \$75,000, divide this by 12 and you'll see that your monthly income is \$6,250.

Step Two: Monthly salary x percent you want to spend

Brokers and financial planners will recommend that you spend anywhere between 25% and 36% of your monthly income on household expenses. We're going to use 36%.

$$\$6,250 \times .36 = \$2,250$$

How Do Sellers Price Their Homes And How Much Should I Offer?



We're often asked by our clients, "How much under the listing price should we offer?" This is an excellent question. The answer is difficult. There are four basic ways that sellers price their homes.

1. Ridiculously Overpriced!

These sellers have listened to a real estate consultant over-inflate the value of their home in an effort to obtain the listing. There's a natural tendency on the part of sellers to list with the real estate consultant who gives them the highest promise. Some real estate agents give the seller a high "value" in an effort to obtain the listing.

These homes can be 10 to 20% overpriced. These sellers may need a "dose of reality" for a few months

before they begin to realize that their home is way overpriced as compared to others in the area.

The longer an overpriced home is for sale, the more likely we can get the seller to face reality and sell at a fair price.

2. A Little Overpriced...

Perhaps 75% of all homes for sale are priced in this range. These sellers fall into two categories:

- Those who feel their home is worth every penny of their asking price.
- Those who want to leave a little "negotiating" room. These homes can be four to 10% overpriced.

Step Three: Calculate your debt

Add up your current monthly debt. This includes things like a car loan, insurance, school loans, credit cards, and any other personal debt you may have. All of this added together gives you your total debt. Just a guess, but let's say that these add up to \$750 a month.

Step Four: Amount you want to spend – total debt

Now, take that total debt and subtract it from the amount that you were willing to spend per month to get your maximum monthly payment: $\$2,250 - \$750 = \$1,500$

Step Five: Monthly payment x12

Multiply that house payment by 12 months, and you have \$18,000 to spend each year.

Step Six: Annual payment ÷ interest rate

Divide this annual amount by the current interest rate (I'm using 10%, because it's a nice, round number, and a good average). So, $\$18,000 \div .10$ leaves you with \$180,000 available for a mortgage!

Step 7: Mortgage + down payment

Now, take the amount you've calculated that you can afford to pay for a mortgage, add the amount of cash you have on hand to make a down payment, and you get your purchase price!

So, using the current example: The mortgage was \$180,000 plus you have \$20,000 on hand for a down payment, then you can afford to purchase a home for \$200,000.

3. Priced At Fair Market Value...

These sellers have carefully and realistically studied other homes for sale. They've priced their homes very competitively. These homes usually sell within four weeks at or very near the listed price.

In an active market, timing is everything.

In the good old days, you might have the luxury of viewing a home several times – even dragging your relatives to see it – before you actually made an offer.

"He/she who hesitates is lost" aptly explains buyers who dally when making a buying decision today.

4. Priced Below Fair Market Value...

These homes are priced below value. Perhaps the seller wants a fast sale.

Perhaps the real estate consultant recommended too low a price.

These homes usually sell within seven to 10 days, at or above the listed price.

There usually are competing offers in this situation, and you may need to make your first offer your best offer.



"I found happiness in my own back yard, but my neighbor claims it's on his side of the property line."

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