

## Buying Your First Home

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### Thinking About Buying Your First Home?

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How long you plan to live in the home?

If you purchase a home and get a job transfer or decide to move after only a short time, you may end up paying money in order to sell it. The value of your home may not have appreciated enough to cover the costs that you paid to buy the home and the costs that it would take you to sell your home.

The length of time that it will take to cover those costs depends on various economic factors in the area of the home. Most parts of the country have an average of 5% appreciation per year. In this case, you should plan to stay in your home at least 3-4 years to cover buying and selling costs. If the area you buy your home in experiences an economic up turn, the length of the time to cover these costs could be shortened, and the opposite is also true.

How long the home will meet your needs?

What features do you require in a home to satisfy your lifestyle now? Five years from now? Depending on how long you plan to stay in your home, you'll need to ensure that the home has the amenities that you'll need. For example, a two-bedroom dwelling may be perfect for a young couple with no children. However, if they start a family, they could quickly outgrow the space. Therefore, they should consider a home with room to grow. Could the basement be turned into a den and extra bedrooms? Could the attic be turned into a master suite? Having an idea of what you'll need will help you find a home that will satisfy you for years to come.

Your financial health - your credit and home affordability.

Is now the right time financially for you to buy a home? Would you rate your financial picture as healthy? Is your credit good? While you can always find a lender to lend you money, solid lenders are more skeptical if your credit history is not good. Generally, a couple of blemishes on a credit report will make you a good credit risk and could qualify you for

the lowest interest rates. If you have more than a couple of blemishes on your report, lenders like Quicken Loans may still provide you with a loan, but you may just have to pay a higher interest rate and fees.

Some say that you should refrain from borrowing as much as you qualify for because it is wiser not to stretch your financial boundaries. The other school of thought says you should stretch to buy as much home as you can afford, because with regular pay raises and increased earning potential, the big payment today will seem like less of a payment tomorrow. This is a decision only you can make. Are you in a position where you expect to make more money soon? Would you rather be conservative and fairly certain that you can make your payment without stretching financially? Make sure that whatever you do, it's within your comfort zone.

To determine how much home you can afford, talk to a lender or go online and use a "home affordability" calculator. Good calculators will give you a range of what you may qualify for. Then call a lender. While some may say that the "28/36" rule applies, in today's home mortgage market, lenders are making loans customized to a particular person's situation. The "28/36" rule means that your monthly housing costs can't exceed 28 percent of your income and your total debt load can't exceed 36 percent of your total monthly income. Depending on your assets, credit history, job potential and other factors, lenders can push the ratios up to 40-60% or higher. While we're not advocating you purchase a home utilizing the higher ratios, it's important for you to know your options.

Where the money for the transaction will be from.

Typically home buyers will need some money for a down payment and closing costs. However, with today's broad range of loan options, having a lot of money saved for a down payment is not always necessary - if you can prove that you are a good financial risk to a lender. If your credit isn't stellar but you have managed to save 10-20% for a down payment, you will still appear to be a very good financial risk to a lender.

The ongoing costs of home ownership.

Maintenance, improvements, taxes and insurance are all costs that are added to a monthly house payment. If you buy a condominium or a town home, in certain communities a monthly homeowner's association fee might be required. If these additional costs are a concern, you can make choices to lower or avoid these fees. Be sure to make your realtor and your lender aware of your desire to limit these costs.

If you are still unsure if you should buy a home after making these considerations, you may want to consult with an accountant or financial planner to help you assess how a home purchase fits into your overall financial goals.