



Thinking About Buying Your First Home?

With interest rates low and the \$8,000 tax credit available to first time home buyers, many renters are starting to think about purchasing a home of their own. While simple rental cost vs. mortgage cost comparisons can be very attractive, buying a home is a serious commitment, and there are many factors to consider.

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? People tend to remain in homes longer than they initially intend. It is worth considering 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? 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. It is important to stay within your comfort zone. Purchasing a house involves many up-front and ongoing costs that you will want to be prepared for. To determine how much home you can afford, talk to a lender. In today's home mortgage market, lenders are making loans customized to a particular person's situation. It is important for you to know all of your options.

Where the money for the transaction will come from.

Typically, homebuyers 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 for 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 townhouse, a monthly homeowner's association or maintenance fee will 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.

How long you plan to live in the home.

Selling a home costs money. The length of time that it will take to cover those costs depends on various economic factors. Average appreciation tends to sit at around 5% 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 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.