

Be realistic when looking through window of opportunity

This article is provided by local Realtors and the Ontario Real Estate Association (OREA) for the benefit of consumers in the real estate market.

Have you always longed for a home of your own, but were afraid to take the plunge, or previously lacked the means to do so? Do you find yourself looking wistfully at "for sale" signs?

Without a doubt, buying a home is something that requires careful planning and, of course, adequate financing. It's the biggest and most important purchase you're likely to make in your lifetime - not to mention one of the smartest long-term investments.

Many consumers are finding the current housing market is affording them with a "window of opportunity" to become first-time homeowners.

BE REALISTIC

If you're thinking about purchasing your first home, it is essential to be realistic. Most first-time buyers want their dream home right away, complete with a white picket fence, large shade trees, rolling lawn and several thousand square feet of living space. In most cases, this is simply not feasible.

Before you get carried away, sit down and identify your needs. How much of a down payment can you afford? What types of monthly payments can you cope with, based on your current income? What are your basic requirements in a home? What are your time parameters?

Remember that in addition to

your down payment, you will have to pay legal fees, mortgage fees, land transfer tax and closing costs. So be sure to factor these into your calculations.

CALCULATE ON PAPER

Before you start looking at homes, it's highly advisable to calculate your gross debt service (GDS) ratio. To do this, take your total monthly gross income and multiply it times 30 per cent. The resulting figure will give you the amount available for mortgage payments and property taxes.

You should also calculate your total debt service (TDS) ratio. Take your total monthly gross income and multiply it by 40 per cent. The resulting figure will give you the amount available for mortgage payments, property taxes and fixed monthly payments, such as loans and credit cards.

These ratios are used by lending institutions to qualify borrowers for mortgages. The most common type of mortgage is "conventional," where lenders will loan up to 75 per cent of the appraised value (estimated market value) of the property or purchase price - whichever is lower. The remaining 25 per cent is the amount the purchaser contributes as a down payment.

By figuring out these equations, you will gain a much more realistic idea of what you can afford. A realtor can help you with the calculations.

Keep in mind that, in assessing you as a loan risk, lending institutions will also take a look at your overall credit rating, number of

years at your present job and other factors.

Once you have a good grasp of your financial situation and know exactly what you can afford, it's time to start scouting around for your first home. Your first major decision will be location. Where do you want to live?

This is where a realtor is invaluable. He or she will be able to show you homes within your range of affordability, identify

your preferences and help you find the home that is best suited to your lifestyle.

He or she will compare your needs, wants and budget with what is available on the market and make recommendations that will save you time and money.

When conveying your needs to a realtor, remember that there are many types of housing to choose from in today's market - new homes, resale homes,

townhouses and condominiums. If this is your first home, a detached home with a good-sized yard may not be within your financial reach. Be prepared to be flexible in your choices and keep an open mind. Many semi-detached homes, for instance, provide ample space and tend to be more reasonably priced.

Keep your future needs in mind as well, when looking for a house; don't buy simply for the moment.



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