

# OREA offers tips to match the home you buy to what you can afford

**S**o, you've decided to take the big leap and purchase your first home. Before setting off to view properties you likely can't afford, step back and take a reality check.

Your "dream home" can easily become a nightmare when most of your money goes to pay the mortgage and there's little left for anything else.

Smart home buying means knowing what you can afford and being practical about it. Most first-time buyers, in particular, lack the funds needed to buy a home without assistance from a bank or financial

institution.

To match the home you buy to your pocketbook, you have to realistically assess your needs, determine what you can afford and, usually, lower your expectations. Here are some ways to determine how much you can afford.

#### Set a maximum price range

To determine your "affordability" price range, you must calculate two amounts: the amount of cash you can afford to put towards the purchase (downpayment) and the maximum amount of the loan (mortgage) you can comfortably carry. Household expenses should not exceed 35 per

cent of your gross income.

#### Put down as much as you can

The key to getting started for most first-time buyers in the initial downpayment. This is the part of the purchase price you have to put down as cash. You may be able to buy a home for as little as five per cent down. But remember that the larger the downpayment, the easier it will be to manage the other expenses (mortgage, utilities, and property taxes).

An ideal downpayment is 25 per cent of the purchase price. Keep some cash in reserve though for unexpected expenses related to a home purchase and typical expenses

such as land transfer tax, legal fees and moving expenses.

#### Know how much to borrow

To establish your maximum mortgage limit, a financial institution will determine the monthly payment you can afford by calculating your debt-service ratio. List all your loans (car, personal loans, monthly credit card balances). The sum of these and your mortgage payment, including principal, interest and taxes, should not exceed about 40 per cent of your gross income.

The mortgage payment and taxes should not exceed about 30 per cent of your gross income.

#### Understand interest rates

The size of the mortgage you can arrange, based on payments you can afford, depends on interest rates. The lower the rates, the larger the possible mortgage and the more affordable home buying will be.

However, there are other variables to consider: how open is the mortgage? Is it portable? Would prepayment be allowed? Discuss your mortgage options with your realtor, banker or financial advisor. Decide what's best for you, establish a limit and stick to it.

—Ontario Real Estate Association

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### THINKING OF SELLING? WONDERING WHAT YOUR HOME IS WORTH?

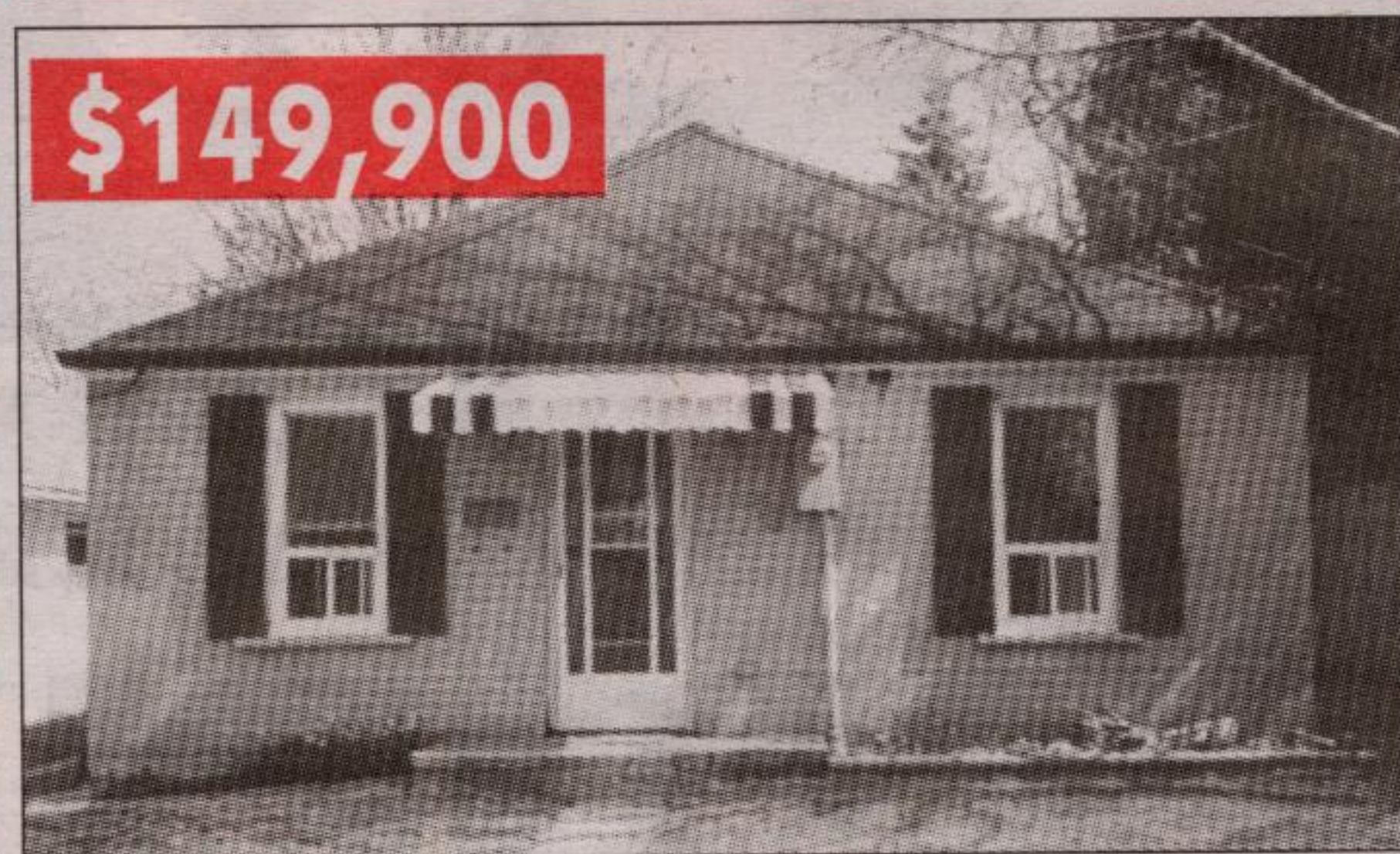
Call or e-mail Kathleen\* for a FREE Market Evaluation.

**905-877-5211**

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### WHY PAY RENT?

**\$149,900**



You can own this home for approx. \$1000 per month. Large fenced yard. Floors, windows, furnace, plumbing and electrical have all been upgraded. Finished basement. Includes all appliances.

### COME TO THE COUNTRY

**\$349,900**



- Large country kitchen combined with family room
- 4 pc ensuite with stand alone shower
- Finished basement with walkout
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- Gorgeous 1.7 acre lot

**Kathleen Walsh** \*Sales Rep.

**877-5211 or 1-800-834-5516**

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