

Buying your first home requires careful planning

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, it 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.

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.

Scouting Around

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 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.

Also make sure you tell the realtor if there are any amenities or services that you would like to be close to - such as shopping areas, parks, local transit, schools or hospitals.

You may also want to live within a short driving or walking distance to work. Don't be afraid to ask questions.

It's not a good idea to rush headlong into the purchase of a home. Think the matter over very carefully, and try to view the property more than once. Will it suit your needs? Are you prepared to make sacrifices to support the additional costs of paying for, and maintaining a home?

If you answered yes, then you are ready to join the ranks of thousands of proud homeowners throughout the province.

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

Buying home compares favourably with renting

If you're fed up with renting and have always wanted a home you could call your own - but thought the chance was just beyond your grasp due to economic factors - you should know that the time has never been better to make your dream come true.

A combination of low interest rates and a return to more affordable prices is helping to make it possible for countless Canadians to enter the exciting world of home ownership.

Surprisingly as it may sound, you'll find that the costs of owning a home, in many cases, can be substantially lower or comparable to those of renting.

And, if you start looking now, you and your family will probably be able to move in the spring and enjoy your home both indoors and out during the summer months.

If you're eager to buy, but have concerns about the stability of your job, a job loss mortgage insurance program called ALWAYS HOME is available to help give you an extra boost of confidence.

Attractively priced and extremely comprehensive, this insurance will take care of your mortgage and property tax payments in the event that you involuntarily lose your job. In the meantime, you can get your finances in order and focus on finding another job.

Realtors of Ontario worked with Pafco Insurance Company and Thompson, Thompson & Associates Ltd. Insurance Brokers to develop ALWAYS HOME last fall - and many buyers are taking advantage of it.

When buying a home you should also consider the equity you'll be building in your property as time goes by - and once the mortgage is paid off, all you'll really have to concern yourself with are taxes, maintenance and utilities - not a bad return on your investment. You'll also have to decide where you want to live and the type of house that's best for you. This is where a realtor's services prove invaluable.

After all, there are plenty of housing options available in the marketplace - new homes, resale homes, townhouses and condominiums and a realtor can help you choose one that best suits your current and projected lifestyle.

So if you're ready to leap into the world of home ownership, what are you waiting for? It's one of the smartest investments you'll ever make and you certainly won't regret it.

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