

Be practical and realistic when purchasing a home

Your dream home becomes a nightmare when you end up "house poor" with most of your money going to pay for the mortgage and little left over for enjoyment.

When buying a home, you need to be practical and realistic. Over-extending yourself financially is the quickest way to destroy the excitement of owning your own home. A real estate professional can help you find the home of your dreams; a realtor can also assist you in evaluating mortgage options and obtaining

financing at the most attractive prevailing rate. In the meantime, here are some ways to determine your "affordability quotient."

Setting a maximum price range is more important than simply establishing an upper price limit because unanticipated costs could push you into the "house poor" danger zone. To determine your affordability price range, you must calculate two amounts, the amount of cash you can afford to put towards the purchase (the down payment) and the maximum

amount of loan (mortgage) you can comfortably carry.

A mortgage covers the difference between the purchase price and your down payment. The larger the down payment, the less you have to borrow, the smaller your monthly mortgage payment and the lower your cost of interest over the term of the mortgage. So it probably makes sense to put down as much of your own money as possible.

You should keep a cash reserve for unexpected expenses and such typical "post purchase" expenses as land transfer tax, legal fees, mortgage arrangements, moving expenses, new furnishings and appliances.

The first step towards establishing a maximum mortgage limit is to calculate a monthly payment you can afford. Financial institutions do this by calculating your debt-service ratio.

To calculate your debt-service ratio, list all your loans (car, personal loans, monthly credit

card balances). The sum of these loan payments and your mortgage payment (including principal, interest and taxes) should not exceed approximately 40 per cent of your gross income. The mortgage payment and taxes should not exceed approximately 30 per cent of your gross income.

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 the housing is.

But there are other mortgage terms to consider as well. How open is the mortgage? Would prepayment be allowed? Is the mortgage "affordable"? The usual source of mortgage funds is a lending institution that determines the maximum loan allowed. But there are other sources of funding, too and a realtor can help you choose the best lender at the best rate and terms.

What do they mean?

Chattels and Fixtures

If you are thinking of selling your home, you're probably wondering whether you should take the custom-made window coverings with you - or whether that entertainment unit you had specially made for your family room should really be sold with the house.

Undoubtedly, these items may be hard to part with. On the other hand, they will probably make your home much more attractive to potential purchasers if you include them in the sale.

In fact, it's quite common for vendors to include some items that would normally be considered as "chattels" - such as drapes and appliances - in the sale of their home, as an extra incentive to buyers.

Fixtures - Fixtures, on the other hand, are a different matter altogether and are basically things that are attached to the property - like light sockets, a hot tub or electric wall heaters.

The law is not always crystal clear about what constitutes a fixture - but your realtor will guide you through the listing process and help you decide and clarify what you want to include in the sale of your home.

Special Circumstances - There may be special circumstances where something that might ordinarily be considered as a fixture is not to be included in the sale - like the antique crystal chandelier you had imported from France.

Make sure this is clearly stated in the listing agreement - and more importantly - in the agreement of purchase and sale.

If stated in the listing, realtors will point out the various various items that are not included

in the sale to prospective buyers before an offer to purchase is made.

Remove from sight - If you are absolutely certain you want to keep certain items - like the bookcase you had made to blend with the unique woodwork in your home - you may even want to remove these items from your home before you put it up for sale. That way, no potential purchasers will see them, fall in love with them and insist that they be included in the sale.

Some items on the property such as water heaters or water softeners are often provided on a rental basis. If this is the case, you should exclude the items from the purchase price and the purchaser should be asked to assume the rental.

Describe items to be included - Items that are to be included should be described along with their location in or on the property.



JOYCE SCOTT
BROKER-OWNER
878-1526

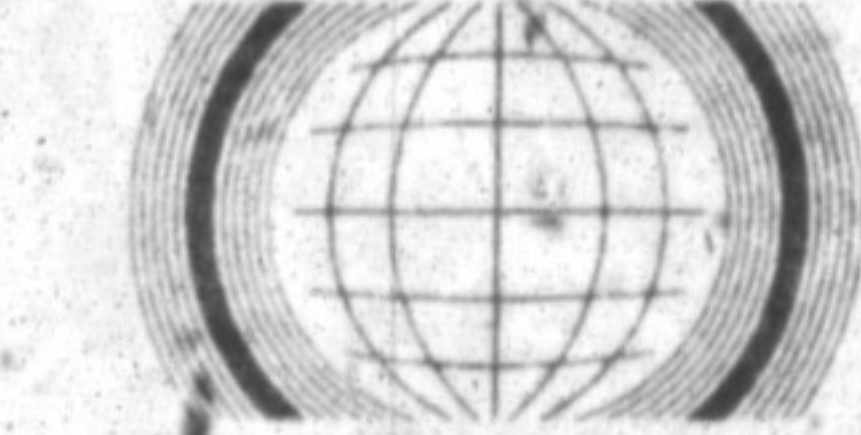


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