

## Costs and Considerations when Buying a Home

*"Home is an invention on which no one has yet improved."*

- Ann Douglas

In the excitement of beginning a search for a home, many people jump right in without considering all of the elements that make a home truly right for them. It is a complicated and personal process. An unsuitable choice can be costly in many ways - you could lose money, waste time and effort relocating, or even put your family's health in danger. The following are some things to consider when identifying your ideal home and planning a successful purchase.

### Choosing a Neighbourhood

Remember that you can renovate a house but neighbourhoods take years to change and there's no guarantee they'll change for the better! On the other hand, if you really love a certain part of town but it's out of your price range you may want to consider buying a less-than-perfect home then doing renovations. They can be quite expensive so try to make improvements that will be reflected in the value when you sell. These renovations have been found to have the greatest payback: kitchen 70%, bathroom 68%, interior painting 65%, exterior painting 62%.

Tips on choosing a suitable neighbourhood:

- When you find a locale you like, walk around it. See what it's like from street level.
- Are the people friendly?
- Are there stores and recreation facilities nearby?
- Contact the local school board if you have children. Do local schools provide good education opportunities? If applicable are there private/religious schools?

### Figure out what you can afford:

Consider how much you currently need to live on and how much you actually have leftover every month. People have a tendency to create budgets that look nothing like reality - when we should have \$400 left over, for some reason we only have half that.

Consider these basic costs of buying a new home:

- Most homes require a down payment of several thousand dollars.
- Monthly mortgage payments can be 1/3 of the average person's annual net income.
- You may want to pay for a home inspection. Consider more than just the structure. Ask the inspector to check for asbestos, radon, animal infestation and lead.
- Moving costs can be from a couple hundred to several thousand dollars depending on the distance of your move and the quantity of belongings.

### Financing

The sort of home you can afford depends on several things:

- How much you have saved
- How much you earn
- Past earnings
- Your credit rating

The past has a way of haunting new homebuyers. If you are concerned about your credit rating you can usually get a free copy of your rating report from your local credit bureau. Normally all that's required is a couple pieces of photo identification. Remember, a few late payments or disputed bills can besmirch your record. Try to pay everything on time and don't have more than two credit cards. A bad rating can spell trouble getting a mortgage or you end up paying more for your mortgage as a form of insurance to the lender.

### Pre-Qualification

This refers to documents from a bank or other lender indicating that you have the financing to back up your offer on a house. Pre-qualification is free and most lenders are happy to sit down with prospective buyers and figure how much they can afford. Having an accurate idea of price range will save time in the bidding process. If there are several people making offers on your dream home, being pre-qualified can make your offer more attractive since financing is not in

question. It is important to note, however, that lending institutions will base their final decision about a mortgage on ability of the buyer to service the debt as well as the property. Most lenders state that the two components go hand in hand - the buyer with the ability to repay a mortgage and the property as security in the event of default on payment.

By taking all these points into consideration, you can worry less about the process of buying and get busy finding your ideal home!

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