FROM LAURIE AND LINDA

THINKING OF BUYING?

If you're in the market to purchase some real estate, here are 6 steps to help you estimate just how much home you can afford. The first step is finding out how much mortgage you could qualify for. Then add the amount of a cash downpayment to the bank to determine the price range you should be looking at. It's heartbreaking to fall in love with a home that is out of your price range!

STEP 1: For a rough estimate of your buying power, you should find out what the current loan interest rates are.

STEP 2: Calculate your gross monthly income from all sources. Add your spouse's in there too, if any.

STEP 3: Multiply that income amount by 36%. This is called the "debt ratio." Some banks may use 33% with a 5% downpayment, or 38% with a 20% downpayment.

STEP 4: Subtract from that figure all your long-term monthly expenses. These could be payments on car loans, personal loans, alimony or child support, credit card debt, etc. You do not have to include payments on your primary home loan.

STEP 5: Estimate what the average monthly real estate taxes might be in your area for a similar home, plus the monthly cost of home insurance.

STEP 6: Subtract that monthly tax and insurance from the figure you arrived at in Step 4. The result is the ball park monthly mortgage payment you can comfortably afford.

These steps will give you a general idea of your buying power, but it is important that you consult with your loan officer or mortgage broker to obtain a more accurate figure. They will also run a credit check which will be an important part of the process. And........when you want to get started, please give us a call so we can assist you in finding your dream home!

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