

buying a home

BY VICKY TAN



IS HOMEOWNERSHIP RIGHT FOR YOU?

You've weighed your options, and now you want to buy a home. Purchasing a home is one of the biggest investments you'll ever make. So before you make an offer, make sure you're ready to take on all the financial and emotional responsibilities that come with owning a home of your own.

To help you make an informed decision, you should ask yourself the following questions before you begin your search for the perfect home:

» **ARE YOU FINANCIALLY READY TO BUY A HOUSE?** To avoid any unpleasant surprises down the road, take the time now to calculate your net worth, current household budget and any monthly debt payments you already make. This information can help you evaluate your current financial situation, decide how much

house you can afford and find out the maximum home price you should be considering. As a general rule, your monthly housing costs (including mortgage principal and interest, taxes and heating) shouldn't add up to more than 32 per cent of your gross household monthly income. In addition, your entire monthly debt load shouldn't be more than 40 per cent of your monthly income.

» **HOW MUCH WILL YOUR HOME ACTUALLY COST?** Once you've figured out the price range you can afford, you still need to take into account all the other costs associated with homeownership. These include up-front costs such as mortgage loan insurance premiums, appraisal and home inspection fees, legal fees, moving expenses and a down payment, as well as such ongoing costs as maintenance and repair expenses, service fees, emergency savings and condo or strata fees.

» **WHAT KIND OF MORTGAGE IS RIGHT FOR YOU?** Depending on the size of your down payment, you may have either a conventional or high-ratio mortgage. You will also need to choose the term and amortization period for your mortgage, work out a payment schedule, decide whether you would prefer a closed or open mortgage, and choose between a fixed, variable or adjustable interest rate. To make all of these decisions easier, it is a good idea to select a lender and get pre-approved for a mortgage before you begin looking for the home of your dreams.



If you have questions or concerns, please feel free to contact Vicky Tan at www.themortgageproviders.ca or vt@themortgageproviders.ca.