

Home Buying

Contributed by admin
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I have heard many of my friends who are renters asking, "The market looks ripe for buying. Can I get a house and still have a reasonable, secure, fixed & steady payment?" Well, if you're credit and job worthy, yes! Let's compare rent averages with housing payment averages! Rent on a 2 BR apartment in a decent section of the city I live near averages: \$1000 - \$1200 Rent on a 3 BR apartment averages: \$1500

One needn't be a math wiz to understand that with a rent payment of \$1500 a month, they are paying their land lord \$18,000 a year! Ever wonder what the land lord does with this money? He or she pays down their mortgage and frees up extra cash to enjoy life's luxuries! Over 3 years, a rent payment of \$1500.00 a month equates to an unfathomable \$54,000.00! That's the value of a third or a quarter of a new house of your own!

"My rent has everything included. What can I expect to be included in a mortgage payment?"

When making a mortgage payment, one can expect to pay principle and interest on the loan itself as well as what is called "escrows", which is the payment of the required property taxes to the town or city and also the hazard or home owner's insurance policy. When lenders make mortgage loans, they almost always require that the taxes and insurance get paid monthly along with the loan payment itself.

This way the lender is protected against claims from the city for non payment of taxes and they also know that the collateral for the mortgage loan, the property itself, is insured against fire and damage. The loan is therefore structured to include these costs right in with the monthly payment. Say for example you want to buy a \$180,000.00 house in the suburbs, where no down payments are required. Say the loan interest rate is 6.5%. The loan payment would be \$1130 a month. But the annual town property taxes on the home are \$3500.00. That's an additional \$290 p/mo. Say the hazard insurance costs \$600.00 p/year. That's an additional \$50.00 p/mo. So the buyer's total mortgage payment would be \$1477.00. Not too bad on a \$180,000.00 mortgage loan!

Take a \$150,000.00 listing for example and let's look at what the payment would be on such a home with the same 30 year fixed rate mortgage loan at 6.5%. Let's use a city home in this case. Except for VA eligible buyers, no 100% financing exists in the city in today's lending environment so the buyer would need a minimum of 2.25% down. So let's use a \$146,000 mortgage loan with the buyer bringing the other \$4k as a down payment.

The loan payment would be \$923 p/mo. Add city taxes of about \$2700 a year on such a home and an insurance policy of \$500 a year. That's an additional \$266 p/mo, bringing the total property payment on this \$150,000.00 home to \$1190. And yes, there are homes like this around, many of them in fact. And they are listed by motivated, open-minded sellers like say, banks that are driven by urgency and deadlines. So; a safe, secure, responsible, fixed rate loan payment at under \$1200 a month on a \$150,000.00 home. Is it time for you to pursue one?