Chapter 1
Get Ready to Buy: Tools and Suggestions to Maximize Buying and Borrowing Power

Buying a home in the United States traditionally required a buyer to fund 20 percent or more of the purchase price. But over the years, government-insured and other types of home loans that require purchasers to fund only five or ten percent of the price have flourished and are common -- even after the real estate crash. Taking out such a loan allows a financially stable person to realistically afford to purchase a home. This chapter will tell you how to maximize your ability to obtain a home loan -- i.e. a mortgage. It will also help you evaluate how much money to spend on a home based on your individual family needs and spending power.

Make a List of you Assets and Liabilities

The same rule applies to buying a house that applies to other kinds of purchases: never go shopping unless you know how much money you have to spend. Start by making a list of your total assets, income and liabilities. This will provide data that both you and a lender can easily analyze, not only to determine how much money you can comfortably borrow, but also how much of your income will be needed to pay for your home’s cost of operation and maintenance. The list will also prove helpful when you complete a lender's application for financing, as will come in handy when preparing a co-operative or condominium application to the board of directors reviewing your financial ability to afford a home.

Accessible Income

The list's first section should include monies immediately at your disposal, including cash, checking and savings account balances, stocks, bonds and retirement accounts (IRA and 401(k) accounts). Include as well any gifts from relatives or monies from a trust or bequest. These are the funds that you will use to provide the down payment - the amount of money that you will pay for the property to the buyer’s attorney, the real estate broker or the escrow company.

Enduring Income and Other Assets

The second part of the list is comprised of your total enduring income -- the steady income that you receive monthly, yearly or regularly that can be predictably counted. Examples of enduring income include your yearly salary, profits, bonuses and the value of any property owned, including the fair market value or listed price of a home to be sold if any or the property's rental income if it is an investment property. If applicable, social security or disability benefits, alimony, and monies from a divorce agreement should also be included in this list.

These two parts of the list will show your total income and assets.

Liabilities

The third and final part of the list should be titled "liabilities", and should include every penny you owe to anyone. List your monthly payments and the total amount of each debt separately. Liabilities typically include recurring monthly expenses such as utility bills,