

Maximize Your Housing Dollars

More house: It can mean different things to different people. Maybe you've had your eye out for a deal on a chic condo downtown or are hunting for an original craftsman in the historic district. Maybe your family is growing and you simply need more space.

No matter what type of house you're after, there are strategies that can help you stretch your housing dollars to afford size or upgrades you may have thought were out of reach.

GET YOUR HANDS DIRTY

A home that needs remodeling is likely to come with a lower asking price, so you may be able to afford a bigger home or one in a better location if you're thrifty with the repairs. Shave off dollars here and there by doing some of the work yourself. Some skills, such as painting or tiling a floor, make for easy weekend projects that will save you loads in labor. For example, the cost of tiling a bathroom could be in the thousands if you hire a pro, but you can learn these skills yourself from online how-to videos or tutorials on big box home improvement store websites and easily do it yourself for a few hundred dollars in materials and supplies. The same goes for laying wood floors or a paver patio. Just remember to leave more complex jobs, such as electrical and plumbing, to the pros to avoid making potentially expensive — or dangerous — mistakes.

DEAL IN CASH

Everyone knows cash is king, and a seller who'd rather have cash in his hand than wait a month or more for a buyer's mortgage to be approved may be willing to negotiate a lower price for the privilege. This strategy will take



© FOTOLIA

If you dream big, consider strategies that can help you afford more house.

some long-term planning, but if you're patient and disciplined about socking away money, you probably will score a deal on a home with space for the home office you've always wanted or a large backyard for the vegetable garden of your dreams.

AVOID PMI

Private mortgage insurance — required on all loans for which the buyer makes a down payment of less than 20 percent — can zap your home budget. Although rates for PMI were reduced in early 2015 to about .85 percent of the remaining balance on the mortgage each year, you can avoid it altogether by making a down payment of at least 20 percent. If your budget for a new home is \$200,000, PMI would cost about \$142 per month. Eliminating it by putting down 20 percent will allow you to put that \$142 to

work buying more house — an additional \$35,000 in purchase price — for the same monthly payment. That's not an insignificant amount of money when it comes to affording the size, location or upgrades you want. Once again, having cash in hand can help you do more with your housing budget.

CONSIDER ALL YOUR EXPENSES

Your monthly housing expenses are made up not only of your mortgage payments including principal, interest and PMI, but also of property tax payments, homeowner's association dues and homeowner's insurance. Cutting some of these monthly costs can leave more room in your monthly payment for a higher purchase price.

For example, if you don't have children or your children have left the nest, consider how much you might be able

to save by choosing a home in a different school district than your target market. Parents often are willing to pay a premium for homes in a great school district, which can inflate prices inside a highly coveted district's boundaries. If you don't have to think about schools, your monthly housing dollars can probably buy "more house" in neighboring areas with lower listing prices.

Similarly, consider the cost of homeowner's association dues. Depending on the services the association provides to homeowners, monthly dues for condos and townhouses can get into the hundreds of dollars. If you're willing to do your own yard work or snow removal, look for a community with lower association fees, which may only cover insurance for common areas and shared roofs.

Property taxes are another area where your monthly payment can take a hit. In some areas of the country, you can pay as much as 4 percent of the home's value in property taxes each year. If you're happy with what you get in return — maybe great roads, schools that don't disappoint and a wealth of public parks and open space — you might be willing to pay the price. But if you'd rather trade in those perks for space, search nearby areas for a property tax deal.

For example, a property tax bill in the Chicago area can run \$8,000 on a \$200,000 home. Just an hour's drive away in southern Wisconsin, \$200,000 can buy a larger home or one with more land, and the property tax bill could be only about \$3,000. That's \$416 a month in savings for more house — a win-win that leaves more of your hard-earned dollars in your pocket.

Maximize Your Housing Dollars

By ANNA CHANG-YEN | Green Shoot Media

More house: It can mean different things to different people. Maybe you've had your eye out for a deal on a chic condo downtown or are hunting for an original craftsman in the historic district. Maybe your family is growing and you simply need more space.

More house: It can mean different things to different people. Maybe you've had your eye out for a deal on a chic condo downtown or are hunting for an original craftsman in the historic district. Maybe your family is growing and you simply need more space.

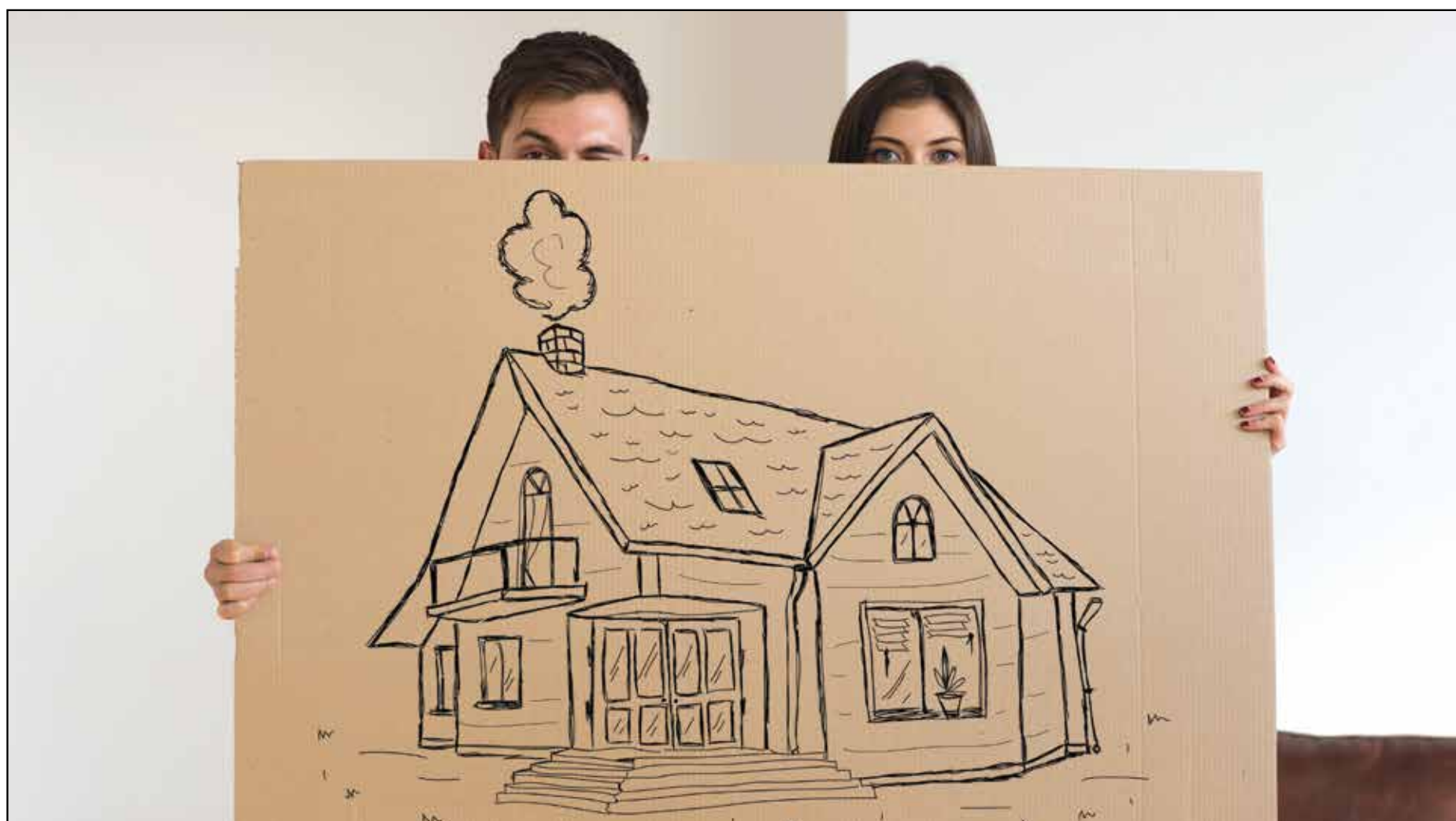
No matter what type of house you're after, there are strategies that can help you stretch your housing dollars to afford size or upgrades you may have thought were out of reach.

GET YOUR HANDS DIRTY

A home that needs remodeling is likely to come with a lower asking price, so you may be able to afford a bigger home or one in a better location if you're thrifty with the repairs. Shave off dollars here and there by doing some of the work yourself. Some skills, such as painting or tiling a floor, make for easy weekend projects that will save you loads in labor. For example, the cost of tiling a bathroom could be in the thousands if you hire a pro, but you can learn these skills yourself from online how-to videos or tutorials on big box home improvement store websites and easily do it yourself for a few hundred dollars in materials and supplies. The same goes for laying wood floors or a paver patio. Just remember to leave more complex jobs, such as electrical and plumbing, to the pros to avoid making potentially expensive — or dangerous — mistakes.

DEAL IN CASH

Everyone knows cash is king, and a seller who'd rather have cash in his hand than wait a month or more for a buyer's mortgage to be approved may be willing to negotiate a lower price for the privilege. This strategy will take some long-



© FOTOLIA

If you dream big when it comes to buying a home, consider strategies that can help you afford more house.

term planning, but if you're patient and disciplined about socking away money, you probably will score a deal on a home with space for the home office you've always wanted or a large backyard for the vegetable garden of your dreams.

AVOID PMI

Private mortgage insurance — required on all loans for which the buyer makes a down payment of less than 20 percent — can zap your home budget. Although rates for PMI were reduced in early 2015 to about .85 percent of the remaining balance on the mortgage each year, you can avoid it altogether by making a down payment of at least 20 percent. If your budget for a new home is \$200,000, PMI would cost about \$142 per month. Eliminating it by putting down 20 percent will allow you to put that \$142 to work

buying more house — an additional \$35,000 in purchase price — for the same monthly payment. That's not an insignificant amount of money when it comes to affording the size, location or upgrades you want. Once again, having cash in hand can help you do more with your housing budget.

CONSIDER ALL EXPENSES

Your monthly housing expenses are made up not only of your mortgage payments including principal, interest and PMI, but also of property tax payments, homeowner's association dues and homeowner's insurance. Cutting some of these monthly costs can leave more room in your monthly payment for a higher purchase price.

For example, if you don't have children or your children have left the nest, consider how much you might be able

to save by choosing a home in a different school district than your target market. Parents often are willing to pay a premium for homes in a great school district, which can inflate prices inside a highly coveted district's boundaries. If you don't have to think about schools, your monthly housing dollars can probably buy “more house” in neighboring areas with lower listing prices.

Similarly, consider the cost of homeowner's association dues. Depending on the services the association provides to homeowners, monthly dues for condos and townhouses can get into the hundreds of dollars. If you're willing to do your own yard work or snow removal, look for a community with lower association fees, which may only cover insurance for common areas and shared roofs.

Property taxes are another

area where your monthly payment can take a hit. In some areas of the country, you can pay as much as 4 percent of the home's value in property taxes each year. If you're happy with what you get in return — maybe great roads, schools that don't disappoint and a wealth of public parks and open space — you might be willing to pay the price. If you'd rather trade in those perks for space, search nearby areas for a property tax deal.

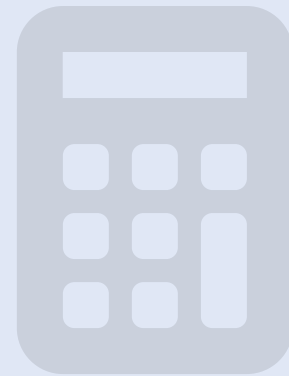
For example, a property tax bill in the Chicago area can run \$8,000 on a \$200,000 home. Just an hour's drive away in southern Wisconsin, \$200,000 can buy a larger home or one with more land, and the property tax bill could be only about \$3,000. That's \$416 a month in savings for more house — a win-win that leaves more of your hard-earned dollars in your pocket.

REAL ESTATE 101



Affordability Calculator

Getting pre-approved for a mortgage is the best way to know how much home you can truly afford. If you're looking for a rough estimate, Zillow offers a calculator at <https://www.zillow.com/mortgage-calculator> that takes into account PMI, property taxes and insurance.



HOMESWISE GLOSSARY

Debt ratio, back end: monthly mortgage payments and monthly debt payments divided by the gross monthly income. Generally, borrower's total debt should not account for more than 36% of his/her gross income, lenders may use compensating factors to adjust these ratios. One of the qualifying ratios.

Debt ratio, front end: monthly mortgage payment divided by the borrower's gross monthly income. Generally monthly mortgage payments should not account for over 28% of the borrower's gross monthly income, lenders may use compensating factors to adjust these ratios. One of the qualifying ratios.

SOURCE: U.S. Department of Housing and Urban Development

AD SPACE