



## Calculating the Costs of Your First Home

Welcome to the American Dream—buying a home of your own. There’s a lot to consider—especially affordability. Before you take the plunge, consider these financial factors as you plan to make a purchase.

### What factors affect how much you can afford?

Prior to meeting with a mortgage broker, use an online calculator (available on many financial and real estate sites) to estimate the maximum home price or monthly mortgage you can afford based on these important factors:

- Your income and savings versus your expenses and debt
- Your credit score
- The type of mortgage you apply for
- Current interest rates
- The amount of your down payment

### What factors affect the price of a home?

Many factors—such as number of bedrooms, neighborhood, or acreage—can significantly increase costs. Consider the following:

- Single Family Home vs. Condo: Single-family homes are usually more expensive than a condo in a multi-unit building, but you have greater control over their value and resale. Condos generally require less maintenance, although annual association fees that pay for maintenance can greatly vary in cost.
- Square Footage: Bigger is considered better and therefore is more expensive. But layout can be equally important, in particular a well-designed floor plan that uses less space more efficiently.
- Condition: “Fixer-uppers” may appear to be bargains, but proceed with extreme caution. Home improvement projects, especially in older structures, often have hidden—at times escalating—costs.
- Street Location: Cul-de-sacs are the first choice of families with young children, and come at the greatest premium. Busy, noisy main roads generally lower a property’s value, but can offer the best bargains.
- School System: A reputable school system often boosts the price of homes in the district—a factor could affect resale value whether or not you have children.

Once you determine the type, size and location of a home you can afford, establish a relationship with a recommended real estate agent who will listen to your wants and needs and show you only properties that you can afford. When you finally do make an offer, a typical real estate contract allows 30-60 days before closing for paperwork, financing, inspection and title search.

### Don’t forget to insure your new home.

When calculating the costs of purchasing a home, you should also consult with an insurance agent who will give you a quote on property and liability coverages to protect your new investment. For more information and a free quote on home or condo insurance, contact Liberty Mutual Insurance.