

IS YOUR BUDGET REALLY READY FOR BUYING A NEW HOME?

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Do you know how large a monthly mortgage payment you really can afford? If you have recently pre-qualified for a home loan, you probably know how much the monthly pre-qualified amount is. If you're like many people I talk to, you probably were rather surprised and delighted to hear how much mortgage you qualified for.

Before you jump right in and start making offers on the home of your dreams, I ask you again, "Do you know how large a monthly mortgage payment you **really** can afford?"

I have helped numerous couples who were already pre-qualified, develop a more realistic budget before they made their final offers. After working on a revised monthly budget these clients realized that what they actually could afford was considerably less than what they pre-qualified for, depending on their personal and household lifestyle expenses.

Not surprisingly, after developing a more comprehensive budget, these clients were relieved to see figures that better matched their "gut feeling" about the amount they more realistically could afford.

Before signing on the dotted line, review some of the expense ideas listed below and consider how they will impact your overall budget.

Move In Expense: How much will you need after you move in for expenses like window treatment, yard upkeep, replaced fence, painting, remodeling, floor upgrade, new wall hangings, different furniture, appliances? Plan high. How many friends do you know who paid less than what was estimated?

Unexpected: Are you prepared for the unexpected events that come up the first and second years? After enjoying my new condo for two months, I had to deal with a host of new visiting bugs (even after the passed home inspection), a jammed window-blind pull (\$75 just for the service call), a leaking roof, a cable TV service call to replace parts from 1988 and much more – non of which seemed to be covered by my purchased home warranty service.

With another home, it took me three years and the cost of paying for independent service people to convince and prove to the utility company that my gas and electric meter label had been switched with a different condo – meaning I was paying the high bills on another unit, yet freezing as I tried to keep my thermostat

low and reduce my bill for three years. Fortunately after much persistence, documentation and time, I was compensated.

Kids Activities: How active and expensive are your children and their activities? Athletic kids mean away games, fees, shows, equipment, extra meals out, etc. How much will their clothing, electronic equipment, hobbies, lesson, ski trips and the rest total over the year? Have you included this in your overall planning?

Periodic Expenses and Maintenance: Calculate routine maintenance expenses for cars, health, yard, home and pets. These too are part of your monthly budget, even if they don't get paid on a monthly basis. Think of other periodic (meaning annually, quarterly, semiannually, occasional) expenses that will have an impact on your overall budget. When you filled out the figures for the mortgage application, did you keep in mind those other expenses like trips, vacations, season tickets, annual dues, license renewals, tuition, books and supplies, graduations, weddings, showers, holidays, home improvement projects and much more?

If you don't have a huge stash of savings or a generous family financial security net to help you out during any tough times (job loss, or reduced hours, auto accident, health problems), it is especially important to take the time to factor in many of the above expenses along with your mortgage payment. You want to determine if you really can afford the monthly mortgage payments once you add these other expenses in or if those "surprise expenses" are going to land on the credit card or eventually on a home equity loan.

Overextending yourself on a mortgage often shows up as sheets on the windows, delayed lessons for the children or eliminated movies and meals out for the next 10 months – plus a possible testy relationship with your spouse or family. If you are just beginning to think about buying a home sometime next year, this is the perfect time to begin evaluating your true monthly budget. You still have time to adjust your spending, save money and become more realistic about your needs.

If you have any questions or need any help, please be sure to contact me.

Good luck with your mortgage and house shopping.

Judy Lawrence is a Budget Coach and Counselor in Silicon Valley. Her best-selling book, [The Budget Kit: Common Cents Money Management](#) 4th Edition, sold over 350,000 copies. If you would like a 30-minute free phone consultation, sign up for the free e-course or free newsletter, or just find out more about her services, teleseminars and books, you can reach her at www.moneytracker.com or judy@moneytracker.com or 1-800-283-4380 (1-800-Budget-0) or 408-747-9589.