

10: BUYDOWNS

Sometimes it is possible to pay a fee up front to secure a lower interest rate. This may be a good option for you if you plan on staying in the home for seven years or more.

11: SELLER-HELD SECONDS

Some sellers are willing to hold short term second mortgages for less interest than a bank would charge. If your lender allows this, it could save you from having to pay mortgage insurance and keep your monthly payment low. It could also reduce the amount of money you have to bring to the table.

12: ASSUMABLE LOANS

Check to see if the seller's loan is assumable. It's possible that the terms of their loan may be better than what you can get from your lender. Assumptions are feared by many sellers because not much is known about them. However, the assumption process is perfectly legal and safe.

13. NEGOTIATE SELLER PAID COSTS

When negotiating your purchase agreement, ask the sellers to cover your closing costs. This is commonly done. If they are not willing to sacrifice any profit, the cost can usually be rolled into the price of the home. This method alone will save you thousands of dollars.

14. SCRUTINIZE LENDER FEES

Fees vary by institution and can even differ among loan officers within the same bank. Analyze your lender's fees and question any that seem excessive. Typically origination fees, underwriting fees, and processing fees can be negotiated, as long as your loan is a straight forward, conventional loan with minimal issues. Get estimates from other lenders for the same loan product and amount to offer a comparison.

Sasha Miletic, Broker

REMAX Preferred Realty Ltd., Brokerage
Independently Owned and Operated

6505 Tecumseh Road East
Windsor, Ontario N8T 1E7
519.962.9150 (direct)
519.944.5955 (office)
519.790.0110 (fax)
info@SashaMiletic.com

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www.SashaMiletic.com

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First Time Home Buyers



Buying a Home on a Shoe String Budget

How to Buy a Home on a Shoe String Budget

You don't have to throw your money away on rent forever. Buying a home is easier than you think. Even if you're on a tight budget, home ownership is possible! Here are a few ways to get into a home with little money out of pocket.

SAVE MONEY DURING THE HOUSE HUNT!

1: SET YOUR LIMITS

Map out all of your finances up front to determine your maximum purchase price. Keep in mind that a home brings additional expenses that you don't have to worry about as a renter. Allow for these expenses and unforeseen costs when planning your budget. Cap your monthly payment at 25% of your monthly take home pay. Any higher and you run the risk of being house poor.

2. PARTNER WITH A PRO

Even savvy, experienced buyers are vulnerable to costly home buying mistakes. Partner with a real

estate agent from the start to help you find bargains and avoid scams.

3. TALK TO YOUR LANDLORD NOW

Most landlords are willing to work with tenants that are trying to purchase a new home. Talk to your property manager well in advance and negotiate an early lease termination. Ask them to waive the fee in return for a 45 day notice.

4. START YOUR SEARCH ONLINE

Time is money. Don't just schedule property showings blindly. Preview potential homes online first and provide your agent with detailed search stipulations. By searching real estate databases, you'll get a feel for neighborhoods and narrow your search faster.



5. GET PRE-APPROVED

What *you* think you can afford may be very different than what a *bank* thinks. Don't risk bidding on a house that's beyond your reach. Get pre-approved for your mortgage up front and present a copy of your approval letter to your agent. Sellers will also want to see this before entertaining your offer.

SAVE MONEY ON FINANCING!

6. DOWN-PAYMENT ASSISTANCE

You will be required by your mortgage lender to put a minimum of 5% down. But don't let this scare you! A program exists that allows first time home buyers to borrow the down payment from their retirement fund.

7. VARIABLE INTEREST RATE

If your income is certain to increase over the coming years, or if you know that you'll only be in your house for a short time, a variable interest rate is a good way to keep monthly payments low. The rate starts out below market, and adjusts after a pre-determined time. Do not commit to an adjustment period lower than 3 years, and aim for 7 to 10.

8: HIGHER LOAN TERMS

If a fixed rate is the best option for you, then opt for longer amortization periods. Conventional loans go up to 30 years, but some lenders are now offering 40 year terms. This will cost you more in interest and fees in the long run, but will keep your monthly payments down.

9: GIFTED FUNDS

You can use funds gifted by immediate family members as the down payment on your home. Also, some employers offer down payment assistance. Check with your lender about limits and guidelines.

