

Winston-Salem Chronicle

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The Home Guide



Call Alice Pearson 722-8624 for rate and insertion information

Can You Afford Your Dream Home?

There are many reasons for deciding to buy a house:

- To avoid paying rent which is non-deductible on income taxes.
- To gain a tax deduction by itemizing mortgage interest and taxes.
- To make an investment that will increase in value.
- To build equity, then step up to a higher bracket home.

Fifty years ago one could buy a perfectly adequate brand new handbuilt house in a nice neighborhood for \$6,500. Now that amount is half a downpayment.

This is called progress. But those who bought a house 50 years ago and took reasonably good care of it can sell it today for nearly six times the purchase price.

This is called inflation. Most authorities questioned would cite inflation as the reason for the rising prices of houses. Others point out that the problem is zoning, originally invented to protect the value of real estate from bad influences. House costs could be reduced by 15%, say some, if there were fewer government edicts to follow.

The fact is that a decade ago one out

of two families could afford to buy a home. Today the ratio is one out of five, even if one has an existing house to use as equity in trading up.

Here is the way experts in economics decide if you can afford to buy a particular house. Fill in the blanks for the house you have in mind.

A. Maximum House Cost () = () before tax income per year x 2.
Maximum Mortgage Payment () = () before tax income per year divided by 5.

B.	Monthly Cost:	Total:
Mortgage payment (principal, interest, escrow for insurance taxes)		
Transportation expense (extra fuel, second car, commuting costs because of house location)		
Garbage, sewage fees		
Gas, electricity, oil		
Telephone		
Water		
Landscaping, yard care		
Repairs		
Replacement (water heaters, etc.)		
Upkeep (painting, cleaning, etc.)		
House Expenses Total		
C. Maximum House Expenses () = () after tax income per month divided by 3.		

If your A and C answers are higher than the cost, payments and expenses of your prospective dream home, it is one you can afford.

If your answers are lower, there are adjustments you can make:

A. A larger downpayment will make the mortgage smaller. At the same time it will increase your equity, make it easier to get a loan, and save interest.

• Or shop for lower interest rates. Finding interest 1/2% cheaper on the average loan not only reduces monthly

payments a little, but saves thousands of dollars in interest over the years.

B. Transportation and commuting expense, not counting unproductive personal hours in transit, can cost \$15-20 a day. One might find a job closer to the house, a house closer to the job, or an inexpensive means of travel.

• Utility expenses can be cut significantly through various energy-saving

methods, and even telephone costs can be reduced to a minimum with the use of foresight.

• Statistics show that \$20 billion worth of household goods are discarded by U.S. consumers every year because the buyer does not know how or can't find someone to make repairs for less than the cost of new ones. Look into the frequency and cost of repairs of an item before it is purchased. Sometimes the more expensive model is a best buy from a faithful service standpoint.

• For a fee, much the same as termite protection is sold, some insurers promise to repair or replace malfunctioning furnaces, air conditioners or other budget-breaking items covered by the policy. Such an arrangement could be financial salvation to buyers of pre-owned homes.

• With the exception of painting, most upkeep expenses might be considered as an investment in self-esteem. Capital expenditures, on the other hand, such as roofing, adding a room or garage, will be dealt with to financial advantage when the property is resold. When making an offer for the purchase of a house, focus on the idea that you are paying for the house itself and that the landscaping, neighborhood, cute porchlight and smell of homebaked bread are the wrapping part of the purchase package.

If you feel your purchasing judgment is being clouded by desire, consider employing a professional House Inspection organization to examine the property for you and present you with a written report on the assets and liabilities of your proposed investment.

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3546 SHAW ROAD-Four bedrooms, 1 1/2 baths. Patio off playroom. Full basement, completely renovated two years ago. New kitchen. Price \$36,900.

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Smart Shopper's Quiz

Would You Like?

- | | | |
|---|--------------------------|--------------------------|
| beautiful window treatments? | Yes | No |
| saving money? | <input type="checkbox"/> | <input type="checkbox"/> |
| unhurried personal service? | <input type="checkbox"/> | <input type="checkbox"/> |
| Free written estimates? | <input type="checkbox"/> | <input type="checkbox"/> |
| unusual bedroom ensembles? | <input type="checkbox"/> | <input type="checkbox"/> |
| decorator service at no charge? | <input type="checkbox"/> | <input type="checkbox"/> |
| an in stock selection of curtains, drapes, pillows, and drapery rods? | <input type="checkbox"/> | <input type="checkbox"/> |

If you answered "yes" to any of the above, you should be shopping at:



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3427 PATBIA STREET - South - Nice 5-room cottage with partial basement. LR w/fireplace, den could be 3rd bedroom. \$19,500 with possible special financing available. Jim Overstreet.



119 FLINTFIELD DRIVE - Near Hanes Mall - Lovely 4 bedroom, 2 bath split-level on wooded lot with chertlink fence. Carport, central air plus attic fan. \$44,900. Martha Cowditt.

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