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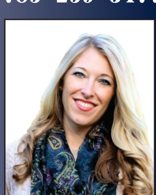

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# the HOME front

*Your local realtor newsletter*

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## How Much House Can You Afford?

By David Weliver • January 26, 2016

Shop for your new home the smart way! Learn how to calculate how much house you can afford before hitting that open house or applying for a mortgage. The easy solution is to know how much house you can afford before you apply for a mortgage. Buying your first home is one of the most important and exciting financial milestones of your life. But before you hit the streets with a realtor, you need to have a good sense of a realistic budget. *Just how much house can you afford?*

You can determine how much house you can afford by following three simple rules based on different percentages of your monthly income. Mortgage lenders use something called qualification ratios to determine how much they will lend to a borrower. Although each lender uses slightly different ratios, most are within the same range.

**Your maximum mortgage payment (rule of 28):** The golden rule in determining how much home you can afford is that your monthly mortgage payment should not exceed 28 percent of your gross monthly income (your income before taxes are taken out). For example, if you and your spouse have a combined annual income of $80,000, your mortgage payment should not exceed $1,866.

**Your maximum total housing payment (rule of 32):** The next rule stipulates that your total housing payments (including the mortgage, homeowner's insurance, and private mortgage insurance [PMI], association fees, and property taxes) should not exceed 32 percent of your gross monthly income. That means, for the same couple, their total monthly housing payment cannot be more than $2,133 per month.

**Your maximum monthly debt payments (rule of 40):** Finally, your total debt payments, including your housing payment, your auto loan or student loan payments, and minimum credit card payments should not exceed 40 percent of your gross monthly income. In the above example, the couple with $80k

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income could not have total monthly debt payments exceeding $2,667. If, say, they paid $500 per month in other debt (e.g. car payments, credit cards, or student loans), their monthly mortgage payment would be capped at $2,167.This rule means that if you have a big car payment or a lot of credit card debt, you won't be able to afford as much in mortgage payments. In many cases, banks won't approve a mortgage until you reduce or eliminate some or all other debt.

***How to calculate an affordable mortgage***

Now that you have an idea of how much of a monthly mortgage payment you can afford, you'll probably want to know how much house you can actually buy. Although you cannot determine an exact budget until you know what interest rate you will pay, you can estimate your budget.

Assuming an average six percent interest rate on a 30-year fixed-rate mortgage, your mortgage payments will be about $650 for every $100,000 borrowed. (Just trust me on that — the math is complicated.) For the couple making $80,000 per year, the Rule of 28 limits their monthly mortgage payments to $1,866.($1,866 / $650) x $100,000 = $290,000 (their maximum mortgage amount)Include your down payment.

Ideally, you have a down payment of at least 10 percent, and up to 20 percent, of your future home's purchase price. Add that amount to your maximum mortgage amount, and you have a good idea of the most you can spend on a home.

Note: If you put less than 20 percent down, your mortgage lender will required you to pay private mortgage insurance (PMI), which will increase your non-mortgage housing expenses and decrease how much house you can afford.


**Be sure to check out platinumgrouphays.com every week to get updates on all open houses in the area!**

**Platinum Group now has numbers on their yard signs.**

**Simply text the word: Platinum**

**To: 59559**

**It will give you information on your phone about the house you're looking at. If you see a house you're interested in:**

**Text the word Platinum to 59559**

# What Really Makes a Property Appreciate

DAILY REAL ESTATE NEWS | TUESDAY, APRIL 18, 2017

A home's value generally appreciates 3 percent to 4 percent every year, which is attributed mostly to population growth and inflation. However in 2016, homeowners saw appreciation jump to an average of 6.3 percent.

Realtor.com®'s research team sought to find out what would boost a home's value even more and what home features buyers may be willing to pay more for. Researchers analyzed millions of listings on realtor.com® from 2011 to 2016 to calculate the annual price growth rate of homes with certain features.

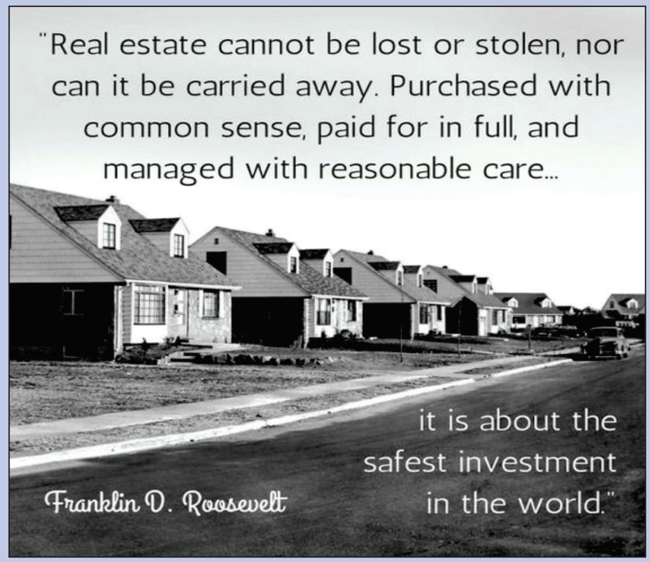
Here are some of the clear winners in housing appreciation:

***Small homes***: Homes smaller than 1,200 square feet appreciated by an average rate of 7.5 percent a year for the past five years. On the other hand, larger homes of 2,400 square feet or more rose by 3.8 percent a year. The smaller-home demand is being driven by millennials wanting to enter the market with a more affordable starter home and baby boomers who are looking to downsize, realtor.com® notes. Further, smaller homes are in shorter supply, which is prompting prices to increase more due to the high demand, says Jonathan Miller, president of Miller Samuel, a real estate appraisal firm.

***Two-bedroom homes***: Homes with two bedrooms appreciate at a rate of 6.6 percent a year, compared to homes with five bedrooms that appreciate at 4.3 percent a year, realtor.com®'s research team found.

***The Hottest Home Features***

Open floor plan: 7.4%
Patio: 6.8%
Hardwood floors: 5.7%
Fireplace: 5.3%
Finished basement: 4.6%
Hot tub: 3.9%
Stainless steel appliances: 3%
Granite countertop: 2.5%
Source: realtor.com®




***Open floor plans***: Homes with open floor plans appreciate 7.4 percent a year. It's the hottest appreciating home feature that realtor.com® studied (see side for full list). As for features like stainless steel and granite, Miller says those amenities don't really add any value to a home. "Those are what I call 'have-to-have' features," Miller says. "A home needs to have them in a competitive market. But they don't add long-term value. … Ten years from now, when you update your kitchen, they'll be replaced."

***Modern and contemporary homes***: Modern and contemporary architectural styles have the highest potential for appreciation, increasing at about 7.7 percent annually. This style of home is known for simple, geometric shapes, and large windows. Newly constructed modern homes also tend to be energy efficient. Bungalows and Traditional are the next highest appreciating styles at 6.5 percent and 5.6 percent, respectively. Meanwhile, niche styles like Craftsman bungalows and Victorians are among the lowest appreciating architectural styles, at 3.7 percent and 2.2 percent, respectively. Researchers speculate that may be due to some of the maintenance responsibilities in staying true to the home's historical architecture that is often connected to these styles of homes.

***Green space views***: Homes with a park view appreciate at 7.9 percent a year, realtor.com®'s research team found. "[They] hold value over a longer period of time, and they recover quickly from a downturn," says Michael Minson, a real estate pro in San Francisco at Keller Williams. "Buyers appreciate the tranquility and outdoor activities. They like being close to nature." Indeed, homes with mountain views appreciated on average by 5.1 percent, and homes with a lake view at 4.9 percent. Ocean views appreciated the least of the "home views" studied, at just 3.6 percent a year. Recent storms may have spooked buyers from oceanfront properties as well as the fact that the highest-cost homes tend to be along the ocean, realtor.com®'s research team notes.

Source: "Appreciation Sensation: The Real Factors That Boost Your Home's Bottom Line," realtor.com® (April 17, 2017)