

Can You Really Afford Your House?

Free Mortgage Blog



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Is your mortgage payment affordable?

Shopping for a home is exciting, and is a very emotional experience. You find your dream home; you're pre-approved, love the monthly payment, and are ready to move forward. Thirty days later, you've closed on your home, and then suddenly, you realize that fitting this new mortgage payment into your budget is going to be quite a feat. What happened, and what went wrong?

I can answer that question. And the answer is:

There's a big difference between what you qualify for on paper, and what you can genuinely afford.

When working with your loan officer, your income and debts are going to be reviewed to determine the amount of your maximum monthly payment. In that review your loan officer is going to calculate all of your monthly debts by adding together:

1. Monthly payments listed on your credit report
2. Monthly payments for child support and alimony
3. Monthly payment, including taxes, insurance and HOA fees for the home you're buying

Here's where problems come into play. These are not your only monthly payments, are they? Where problems occur is when emotions get in the way, and you temporarily forget about your OTHER monthly debts..., the ones your loan officer doesn't know about, and ones that the underwriter doesn't consider. These monthly payments are things such as:

1. Car insurance
2. Health insurance
3. Medical insurance
4. Tuition payments
5. School expenses for younger children
6. Groceries, which can be a huge number if you have children

These types of expenses are over and above your regular debts on your credit report and, depending on your circumstances, could be quite a bit per month when all totaled up. When you take these extra expenses and add them to your mortgage payment, you may find that the total puts you well outside your comfort zone.

Long before I started in this industry, I made this mistake. I was so emotionally involved in my soon to be dream home that I neglected to think of all aspects of my financial picture. For me, the result was devastating. I ended up losing my home to foreclosure.

Fast forward many years, and 15+ years in the mortgage industry, I always ask my clients about their extra expenses. I do this because I don't want anyone to go through what I went through.

When it's time to buy a home, it's imperative to consider ALL aspects of your financial picture before you move forward. Just stop and pause for a moment and analyze your total budget logically. If you do that before your emotions get involved, it'll ensure that you'll not only get your dream home but, you'll get to keep it!

If you have questions about any part of the mortgage process, feel free to contact us.

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