How Much?

New York State continues to be a place of opportunity and hope where Americans look to visit, work and live. The State population has grown to more than 19.3 million people in 2006 from 17.9 million in 1990. This increase alone is more than the entire population of the city of San Francisco. Not only are people moving to the State, they are putting down roots and buying homes here as well.

While the figures reaffirm that New York State is a wonderful place to live, these numbers do not reflect the confusing process of purchasing a home. Ask anyone who has purchased a home or is looking to purchase, and they will tell you the same thing: the process is not easy to navigate. Terms, financing and negotiations are all complex and require consumers to be patient and knowledgeable to ensure that the right home at a reasonable price is attained. This is why the New York State Consumer Protection Board (CPB) has developed the *Home Purchasing Roadmap* to assist first time and experienced New York home buyers in understanding and navigating the purchasing process.

Steps Towards Buying a Home

Many questions float through the head of a potential home buyer: How big? How much? Which neighborhood? What are the schools like? Before addressing any of these questions, it is important to understand your specific circumstances by considering what you can afford or whether you are even in a position to buy a home at the current time.

Paying Off Debt

When assessing your financial situation to buy a home, many tend to focus on the money they are putting down towards the home. This is a common mistake. A more fiscally sound way to prepare for home buying is to use your savings toward paying off and eliminating any credit-card and other high-interest consumer debt, even if it means putting less money down towards your home. This might sound scary, but it should not be.

Credit-card debt is expensive and limits your ability to save. The average interest rate on credit cards now ticks in at 18.9%, or more than triple the 6.14% national average for a 30-year fixed-rate mortgage, according to Bankrate.com.

Credit-card debt also limits how much you can borrow. Lenders tend to dismiss or charge higher interest rates to individuals whose total monthly debt service -- which includes payments for credit cards, student loans and car loans, as well as homeowner's insurance, property taxes and a mortgage -- exceeds roughly 40% of your gross income. Thus, paying off debt is the most efficient way to prepare for buying a home.

CREDIT REPORT UPCLOSE

Credit report: a tidy compilation of your personal financial history that keeps record of when you pay your bills.

Where to get a free credit report (once a year):

Equifax (800) 525-6285
PO Box 740241
Atlanta, GA 30374
Equifax.com

Experian (888) 397-3742
PO Box 919
Allen, TX 75013
Experian.com

Trans Union (800) 680-7289
PO Box 2000
Chester, PA 19022
Transunion.com

The CPB suggests ordering one every four-to-six months from a different bureau. You can order the free reports online at www.annualcreditreport.com or by calling 1-877-322-8228.

Check Your Credit Report

Purchasing a home requires that you, as the buyer, know what information is available to potential lenders. This information about you and your credit history will impact your mortgage's interest rate, which can mean a more expensive loan.

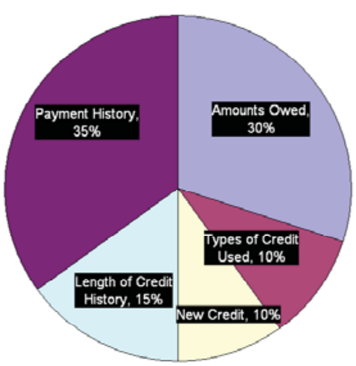
When a consumer applies for a loan or a credit card, the issuing financial institution, like a bank, will typically request your current credit report from the three major credit bureaus -- Experian, Equifax and TransUnion. Thus, you should review your report carefully to make sure it is accurate. Contest and correct information that is inaccurate, as it will affect your credit and the interest rate lenders offer. (See the CPB's Unraveling The Mystery Behind Credit Reports brochure for more information).

In addition to producing a detailed report, the credit bureau -- on request -- will also provide what is called your credit score -- a number that is calculated based on information in your credit report. It is intended to measure the consumer's credit worthiness and is a snapshot of your credit risk at a particular time. You can obtain your credit score from a credit reporting agency for a reasonable fee.

HOW IS A FICO SCORE CALCULATED?

FICO score considers all information in your credit report, including:

- Amount of credit
  (about 30% of FICO score)
- Length of credit history
  (about 15% of FICO score)
- Payment history
  (about 35% of FICO score)
- Recent or new line of credit
  (about 10% of FICO score)
- Types of credit
  (about 10% of FICO score)



The most widely used credit score called a "FICO score" ranges from 300 to 850. A higher score means less credit risk. Credit reporting agencies each calculate a somewhat different score due to differences in the information that is reported to those agencies and formulas. Some mortgage companies are raising their FICO credit score requirements for prime lending. You are entitled to get your credit score from your lender free of charge when applying for a mortgage.

More and more, lenders are offering the lowest interest rates -- and instant approval -- to applicants with the best credit scores. So, these scores are of potential interest to all consumers.

Credit-scoring methods typically weight recent history more heavily than past history.

Understand the Decision: Rent or Buy

The choice whether to buy or rent a home is not an easy one to make. Both buying and renting have their pros and cons, and you should carefully weigh these against your lifestyle before deciding on one over the other.

Choice: Renting

While home ownership is considered a source of pride and tradition for many Americans, renting may better suit your lifestyle. As a renter, you are free of the responsibility of maintaining the property, and you can call your landlord to fix any problems that may arise, which, at times, may be costly. To purchase a home, you usually need a significant down payment which can be very hard to save. Although there are loan programs that will allow you to purchase a home with a smaller down payment or sometimes even without a down payment, these programs often are accompanied with higher interest rates and require you to carry private mortgage insurance. With renting, however, typically the most that you need is your first and last months' rent and a security deposit. While this still can be a significant amount of money, it is easier for most people to come up with this than a down payment of several thousands of dollars. In addition, you are not nearly as tied down to one location as are homeowners.

However, renting also has several downsides. After years of paying rent you still will have nothing to show for your money and no equity. Instead of your monthly payment being applied to homeownership, it is going into the pocket of your landlord and helping them increase their equity in the home.

Additionally, there are tax benefits to buying a home of which renters miss out. If you are buying a home, you can typically deduct your mortgage interest and property taxes at tax time. If you are renter, however, you probably pay the majority of these costs to your landlord with your monthly rent payment. Yet, instead of you getting a tax break for them, your landlord gets the deduction.

Renters typically can not decorate or paint the home to suit their tastes, or do any sort of landscaping or remodeling. Further, if you have a pet, your options may be limited. You will most likely have to pay a larger deposit and will probably have to pay higher rent than someone without a pet.

Choice: Buying

While there maybe negatives to purchasing a home, there are also financial benefits to owning a home. These include:

Reduced income tax -- The potential tax savings are attractive and could make owning your own home cost less than renting.

Building equity -- Equity builds either by paying down the loan that you have taken to buy the home, or by the value of the property rising over time. For instance, if you bought a house for $160,000 and two years later it appraised at $185,0000, you have $25,000 worth of equity in the home. If you have also paid down your loan during that time, the amount you have paid down also adds into your equity. This is much better than renting from a financial standpoint. As your equity grows, you may borrow against it for home improvements, debt consolidation, or any other reason. You may be able to deduct the interest paid on a home equity loan or home equity line of credit. If you had been making the same payment each month to rent at the end of two years, you would have nothing to show for your money.

Property value appreciation -- In certain areas, property values have risen steeply. As can be repeatedly observed in the marketplace, there is no guarantee that the value of your home will increase or even maintain its value. However, under the right conditions, some homeowners have sold their homes at a profit.

Cheaper than renting -- Depending on the size of your loan, the monthly mortgage may end up being less than your previous rent costs. This is NOT always the case!

As for the downsides of buying, there are several. First, as a homeowner, you are responsible for repairs and maintenance on your property. This means that, for example, if the toilet clogs, the roof leaks, or the basement floods you have to either fix them yourself or hire someone to fix them for you. This can be costly and time consuming. You also have to do chores like mowing the lawn yourself and pay for power, garbage, water, and sewer which can be rather large additional expenses each month or quarter.

Also, picking up and moving as a homeowner is much more difficult to do than if you were a renter. Instead of just getting out of your lease, you actually have to sell your home. This can sometimes take months or years and can delay your life changes.

What Can You Afford?

The final step to take before going to search for a home involves figuring out if you afford mortgage payments, insurance, basic home maintenance without compromising your lifestyle. Remember: Just because the bank will loan you the pricetag of the house doesn't mean that you can

WHAT ARE MONEY MAPS?

The New York State Consumer Protection Board (CPB) laucnhed it's Money Maps series to empower New York consumers with financial education.

Money Maps is a new tool to help consumers chart and document their expenditures and savings. This free program is geared to consumers of all ages, ability levels and economic status.

The Money Maps series is available for download, along with additional resources, on the CPB's website at nysconsumer.gov.

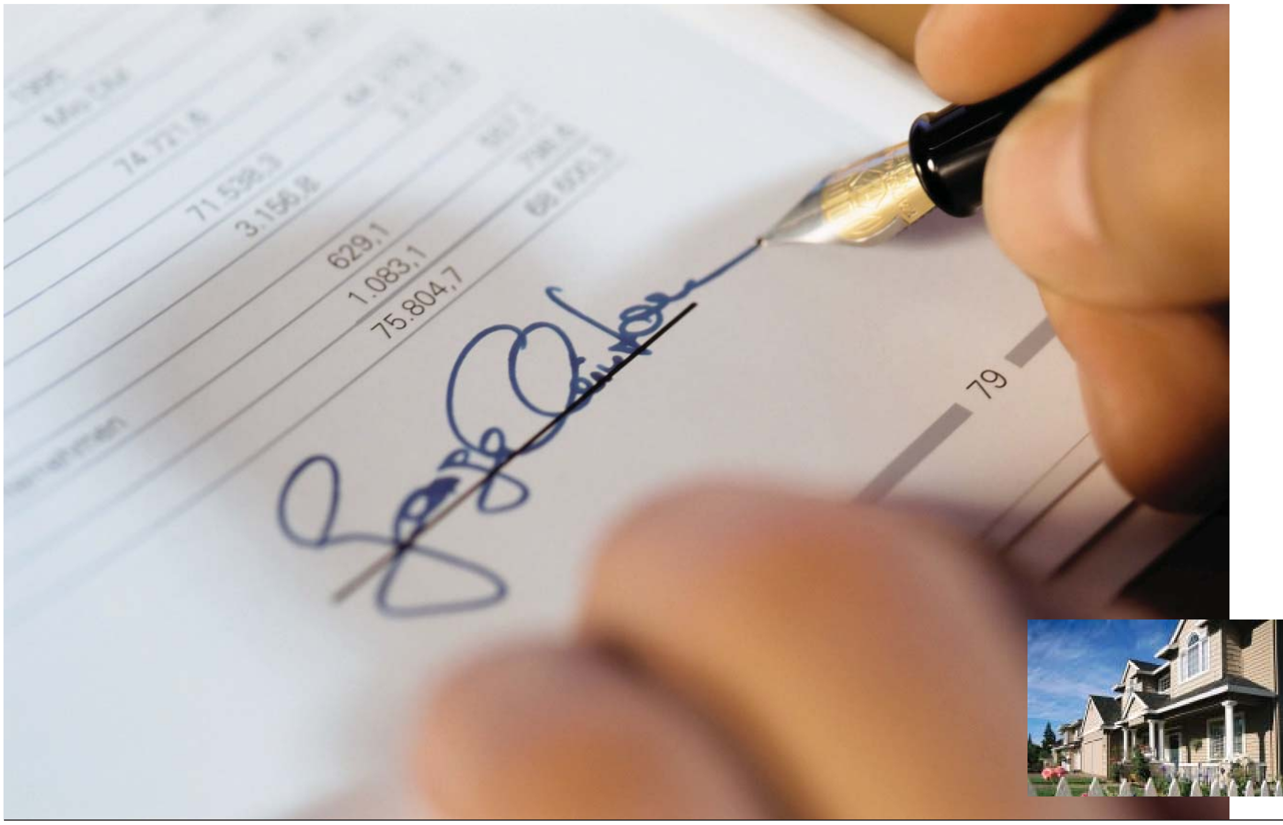
pay the debt back without obstacles. Are you planning to have a big family? Are you looking to purchase or lease a new or pre-owned car? Your house payment is just one piece of your financial puzzle. What might you need to give up to make that house a reality and are you really willing to do it? You do not want to be house poor.

First, estimate how much money you make a year using the follow guide:

Income	**Yearly**
Salary, tips, wages	
Dividends & Interest from Investments	
Bonuses	
Any other income	
Total Yearly Income	

Next, estimate the amount you spend a year:

Expenses	Yearly
Income taxes	
Social Security taxes	
Other taxes	
Savings	
Food	
Insurance	
Health bills (not covered by insurance)	
Car loan	
Car expenses	
Credit card bills	
School loans	
Other loans	
Child care	
Clothing	
Education	
Entertainment	
Vacations	
Charity	
Miscellaneous	
Total Yearly Expenses	



Now deduct your total expenses from your total income:

Total Yearly Income
-
Total Yearly Expenses
Yearly Discretionary Income

Now, divide your annual discretionary income by 12 to get a monthly figure. This is the maximum amount of money that you have left over each month after you pay all of your bills and put away your savings. How much do you have? How much of that are you prepared to put toward your housing expenses each month? Keep in mind that some home expenses, like home improvements, come at a high cost and can be unexpected. Your decided figure should reflect these costs, as well as insurance, utilities, property taxes, and maintenance costs for your home.