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Are You Financially Fit Enough to Buy Your First Home?



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By Sandra MacGregor



It is one of the toughest (and certainly costliest) decisions many of us will ever have to grapple with: should I buy or rent? Few Americans have the money to move straight from their family home into a property of their own, so the majority of us have, at one time or another, been renters. Yet there is no doubt that it can be frustrating to see a large chunk of your paycheck go to rent each month with no equity to show for your expenditure. It is no

wonder, then, that at some point most renters will begin to wonder if their money wouldn't be more smartly spent buying a home.

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Making this decision even more daunting are the overwhelming emotional and psychological aspects of owning a home—factors that are equally (if not more) influential as financial ones. Owning a home is an indelible part of the American dream, one that is often associated with adulthood and success. And though the image of the white picket fence has lost some of its lustre over the last few years thanks to the mortgage meltdown, owning a home remains a powerful drive in our society. Here are some essential factors to consider when deciding whether renting or buying is right for you:

1. Are you financially fit?

Not only is it important to have a good credit history and low (or better yet, no) debt load to get the best possible borrowing rates from your lender, but you should have a good chunk of savings too. The larger the down payment you can make, the more buying a home makes sense. Experts say you should have a minimum of 10-20 percent before you even think of buying. With a larger down payment your monthly payments are much more manageable. Not only that, but the fact that you are able to save up a significant amount of money likely means you know how to be responsible and disciplined with your money—a must-have trait for happy home ownership.

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2. Are you prepared to bear the burden of the risks

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and responsibilities inherent with homeownership?

When you rent, repairs are usually just a phone call away to your landlord. When you own, things like faulty plumbing, a leaky roof or a washing machine that no longer works fall onto you (and your wallet) to deal with.

3. Are you thinking with your head or your heart?

Undoubtedly a home gives its owners lots to love like stability and freedom (though your landlord may have frowned on your family of ferrets or your love of bright orange walls, as a homeowner you may do essentially what you please). But a home can quickly become a prison if you overspent and now can barely afford to buy groceries or go out with friends.

4. Location and length of stay

How long you plan to live in your home and where it is located can heavily influence whether buying or renting is the right choice. Generally the longer you own your home the better an investment it becomes, making it a wiser choice than renting. However, if you want to live in a trendy area or an expensive metropolis, the cost of buying, even over the long term, may save you very little.

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As with most things in life, the decision to rent or buy really comes down to what you can afford. To get a better grip on the cold, hard financial facts of moving versus renting for your specific situation, check out [this helpful calculator](#) from The New York Times.

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