

The Renter's Guide To Home Ownership

What Your Landlord Doesn't Want You To Know

Do you dream of the day when you stop paying your landlord's mortgage through rent and can start investing in your own dream home? The future might be closer than you think.

Face it, we are not all expert money managers and sometimes we need help in saving money. A wise real estate investment in a home can be the forced savings tool needed to secure your financial future.

Yes, there are occasions when it is easier and makes financial sense to rent for a year or two. However, over the long term, it makes more sense to invest your hard earned dollars in your own financial equity.

Benefits of Home Ownership

The benefits of owning your home include:

Build Equity: Renting means that you are paying someone else's mortgage. By paying your own mortgage through home ownership, you are investing in your future by building equity (nest egg) in your property.

Protection from cost increases: The benefits of having a closed mortgage ensure that you always know what it will cost you on a monthly basis to live in your own home. If you choose to rent, unless you are one of the lucky few who live in a rent-controlled building, there is little to protect your wallet from rent increases. Rent control means quite simply that laws are in place to control the amount of rent that can be charged for certain properties. Many cities have adopted rent control policies to ensure that rental properties remain affordable for the average person in certain areas. As you would expect, these rental properties are very hard to find which means that your current rental unit has no safeguards to protect you from regular rent increases.

Maximum tax benefits: Another great advantage of home ownership is the ability to make certain tax deductions. Unless you run a small business from your rented apartment or home, there are very few tax advantages to renting.

Control over your décor and design: Owning your home is like a painter starting with a blank canvas. You decided on colors, styles and accessories for your perfect home. When you are renting, you are basically living in or "borrowing" someone else's property for a price. You may have a little input or limited control over your décor or design; but in reality, your landlord has the final say on all major decoration or renovation decisions.

If you are really getting tired of renting, relax, buying a home is just a few short steps away. If you have a steady income and a good credit history for paying off your bills, with as little as 5% down payment (and sometimes less with a vendor take-back mortgage) you can start investing in your own future through home ownership. Just remember that although you may not have to pay much money as a down payment, there are still costs associated with these deals that have to be paid at the time of purchase. Traditional mortgages require you to put 10% or more as a downpayment on a property. Any property purchased with less than 10% down is considered a high ratio mortgage and is subject to certain conditions and fees. Other fees may include appraisal costs, lawyer's fees and additional closing costs associated with a real estate transaction. So, a little money and a lot of planning with your real estate agent can go along way in buying your home.

Are you ready to buy your own home?

Ask yourself these simple questions to determine if you are ready for home ownership:

Do you have a little money saved for a down payment?

(You may need less money than you think. Your real estate agent can work with you to find the best down payment option to suit both your lifestyle and your bank account.)

Do you have a good credit history?

(Not only can your mortgage lender and real estate agent help you find out about your current credit history, they can help you find simple solutions to fix any problems in your credit history.)

Are you prepared for a long-term financial commitment of a mortgage?

(Sometimes it's a good thing to have a "forced" savings vehicle like a mortgage to make you invest in your future. A real estate professional can help you create a financial plan that lets you afford your dream home and keep a little "mad money" on the side.)

Do you have the time and interest in taking care of a home (interior and exterior)?

(Taking pride in your home by keeping it in good repair may not take as much time as you think. Your agent and their contacts in the renovation and landscaping industries can help you find simple maintenance-free tips, so you can enjoy your weekends by relaxing in the hammock, not weeding the flowerbed.

If you answered yes to these questions then you have recognized the freedom and financial security that buying your own home brings. Get ready to say goodbye to your landlord and noisy neighbors and hello to your dream home.

Your next step in making the transition from tenant to owner is to find the right real estate professional, who understands your lifestyle needs and choices.

The biggest thing to remember when looking for your first home is that it is your FIRST home not your LAST home. Gone are the days when you bought a home and lived in it for the next 40 years (okay that still may happen...but it's rare). By remembering that this is a "starter" home, you can really prioritize your needs versus your wants and save money in the process.

Working with your agent to set the list of things that you absolutely need in your home is an important step in getting the most home for your money. The next list you work on is your wants...those features that would be a bonus, but are not crucial to your home purchase.

Do you want to be the landlord instead of the tenant?

Another possibility to consider, when looking for a home, is to become a landlord yourself. Buying a multi-unit property with a small down payment can start earning you money immediately if you rent the property for more than your mortgage payment.

For example: Let's say you buy a three unit home and have a mortgage payment of \$700 per month. If you are able to rent the other two units for \$500 per month each, that \$1,000 monthly income earns you a \$300 profit a month once you make your \$700 mortgage payment. Not only would you have your mortgage paid, but you will live there for free and actually make money in the deal.

Just keep in mind that owning a rental property can be a solid long term investment or your worst headache. Good tenants make owning a rental property every landlord's dream. Problem tenants can be a landlord's worst nightmare. Constant calls for minor repairs, major damage to the property or tenants who don't pay their rent are just a few of the challenges every landlord is faced with at some point in their investment career. Being good with a screw driver and a having a detailed lease agreement are a few safeguards to protect your investment.

Also be aware if the property you purchase is affected by rent controls. As landlord, rent controls can have their own sets of challenges. They limit the amount of income you will earn from your rental property, which in turn may cost you money when large repairs such as roofs or windows are needed on a property.

The Next Step Is To Find A Good Agent

Anyone who has ever bought a home knows that working with a qualified real estate professional is the best way to make sure that you get all the right answers when buying a home. In addition to knowing the community, a real estate professional can connect you to many other resources and professionals needed in the real estate transaction: mortgage lenders, home inspectors, lawyers, movers, contractors, etc...

The final decision of who you work with is up to you. Don't let yourself be pressured or swayed by gimmicks and flashy promotions. Do your homework. Interview several real estate agents and choose the professional who will work with you and for you. Sample questions may include:

How many properties have you helped to purchase in the past year?
How long have you been a Realtor?
Do you work with a specific type of client (ie: first time, empty nester, etc...)?
Are you an expert in a specific type of market?
Do you recommend we attend open houses?
Have you ever had a purchase that did not go through? (What did you do?)
How many listings do you currently have in this area?
How long have you been with your current company?
What is your usual commission?
Do you have any references?

Whether you choose to become a landlord yourself or buy your own home to live in, it's time to stop making excuse. Stop renting and start building equity for your future.