

BUSINESS NY



WEEK TWENTY HOME BUYERS, BEWARE

"AFFORDABLE DREAM," trumpets a recent real estate ad. "Great rates. Low payments. A home of your own," boasts an ad for Arbor National Mortgage.

In other words, this is a buyer's market. Mortgage rates are at historic lows. And many real estate experts are predicting that residential property values in the New York metropolitan area have bottomed out and are poised for takeoff. That's certainly an incentive to consider buying a home or apartment now. It's also a cause for panic, some people say.

"I've been putting myself under tremendous pressure," says Christine Lapidus, owner of a women's apparel manufacturing firm in Manhattan, who worries that interest rates will climb before she finds an apartment she wants to buy. "I finally said I can't keep pressuring myself like this."

Although Lapidus wants to take advantage of the low rates to find a larger apartment for her family of four, she still has reservations about Manhattan real estate prices. "I know prices are lower than they have been. But to get something 75 percent larger, I'll have to pay four times more than what I paid for the apartment I bought in 1981."

There is no doubt that buying a home can be one of life's most nerve-wracking experiences. Few decisions are as complicated, costly and emotional. And many potential home buyers soon discover that in the world of bankers and brokers, few of those people have the consumer's interest at heart. So while it may be a buyer's market, the most important rule to remember is Buyer Beware!

In the end, the headaches involved in buying a home usually prove worthwhile. Owning a home provides an emotional and financial base that most Americans want. Here are some basic things to consider before you begin shopping for your dream home:

Start with a reality check on your finances. You can't buy a house or apartment unless you can get a mortgage. And lenders have strict guidelines on how much they will lend, depending on your credit history and income, among other things.

In general, lenders say that no more than 28 percent of your gross monthly income can be spent on housing-related expenses, such as mortgage payments, insurance, taxes or co-op maintenance payments. Another measure banks will look at is your total debt load. As a rule, they don't want your mortgage payments, credit card bills and other consumer debts to exceed 36 percent of your gross monthly income.

Next, you have to determine if you can afford the down payment and closing costs. A down payment

typically ranges anywhere between 5 percent and 25 percent of the purchase price. Closing costs can add up to another 7 percent.

Imagine this scenario: You're buying a home for \$150,000. The bank wants a 20 percent down payment, and you need another \$4,500 for various fees and closing costs.

Then, don't forget to count how much it will cost to move and get settled in your new home. You might want to paint. You'll need new curtains and possibly carpeting. "First-time home buyers like to buy new furniture and decorate, which can be very expensive," says Ron Roge, a Centereach financial planner. "And if they're buying a home, they'll probably need to landscape."

So, in this case, your cash outlay to buy the house could easily total \$40,000.

Even if you believe you can qualify for a mortgage and afford the up-front costs, you need to be sure buying is a better choice than renting. Lewis Altfest, a Manhattan financial planner, says you should take stock of your plans: Do you hope to switch jobs in a few years? Do you think your company may transfer you to another city in a year or two?

Experts say it usually doesn't make financial sense to buy unless you'll be in the home at least four or five years. If you have to sell before then, your home may not have appreciated enough for you to recover your initial costs.

Most financial experts today say that while a home can be a good financial investment, there is no guarantee you'll make a killing when you finally sell. "It's a matter of supply and demand," Roge says. "If there's no demand, prices won't appreciate."

In the 1970s and 1980s, there was plenty of demand. Real estate was booming, and just about every house or apartment was along for the ride. Home buyers didn't have to be very discriminating. Now, however, you need to be sure that you're not overpaying for a home by researching average prices in the neighborhood of your choice.

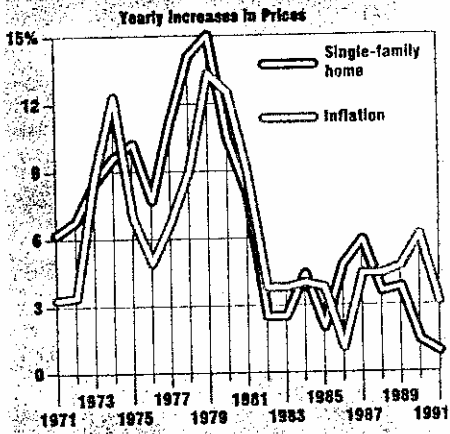
Buying a home still offers you a tax advantage over renting. You can deduct the interest on your mortgage and your property taxes. And don't forget that as you pay off your mortgage, you build equity in your home — something you can borrow against later to help pay for a child's college education or to remodel your home.

By the time you approach retirement, you probably will have paid off your mortgage. So even if you don't stand to make a windfall from selling your home, you will have the security of owning it free and clear.

If you've done your soul searching and budget analysis and decide to pursue buying a home, be

Home, Yes. Investment, No.

Back in the old days, buying a house might have been like putting money in the bank. But these days, home prices aren't even keeping up with inflation.



Home prices based on U.S. Department of Commerce figures. Inflation statistics based on the consumer price index.

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sure to order copies of your credit reports right away. You want to find out if old credit problems are still haunting you. And you want to make sure there aren't any mistakes on your credit reports that could hold up your mortgage approval.

"The wife of a friend of of mine has a common name," Roge says. "She found out information from someone else's credit report ended up on her's." The problem took so long to clear up, it delayed the closing on their house.

Begin to familiarize yourself with the terms involved in buying a home or condominium or cooperative apartment. If you are considering buying a co-op you need to understand that you will be purchasing shares in a corporation. So you will have an added hurdle: getting approval from the co-op's board of directors.

If you buy a condo, you are buying an apartment; each condo owner also owns a share of the common areas. A condominium board can't prevent you from buying an apartment. It simply rules on matters related to the operation of the building.

Buying a home can be a scary proposition, so be sure you know who's on your side. Most real estate brokers represent sellers. Even if a broker shows you a lot of homes and develops a cozy relationship with you, remember that his or her job is to get the best deal for the seller — not you.

Today, however, there is a new development: buyer's brokers. Although there aren't very many of them, their job is to represent buyers and help negotiate the lowest purchase price.

Buyer's brokers get paid in different ways. Some require a flat fee. Some get paid according to the reduction in list price they are able to negotiate. Still others receive a share of the commission that the seller pays. If you hire a buyer's broker, just be sure you know what the terms are, and get a copy of the form stating that the broker is working for you. It is required by New York State law.

Lapidus decided to retain a buyer's broker, Michelle Barshay in Manhattan, to help her weed through the apartments that are on the market and to save her the trouble of researching the financial condition of apartment buildings. "Usually the broker's No. 1 priority is the seller," Lapidus says. "But Michelle makes me her priority."

More Tips:

- A couple could charge all their wedding bills on a credit card that gives them frequent-flier miles. That way, the amount of miles earned from the wedding expenses may add up to an airline ticket for the honeymoon.

—Patrick Rowland, Baldwin

- "How to Buy Your First Home" by Peter Jones covers buying strategies, making a deal, finding a mortgage and closing day. For a copy of the book, send a check for \$4.95 to Lee Simmons Associates, 40 Richards Rd., Port



Washington, NY, 11050.

How About You? Do you have a suggestion on avoiding the pitfalls in real estate or a more general suggestion on getting fiscally fit? Call toll free, (800) 288-3733, and leave a recorded message with your suggestion. Or you may write to Christine Dugas at the address below.

Next Sunday: So you've found your dream home. Now what? Waiting for you is the often overwhelming world of mortgages. We'll show you how to choose what's best for you.

Is there something you want us to include in Fiscal Fitness? Drop a note to Christine Dugas, Fiscal Fitness, Business Desk, New York Newsday, 2 Park Ave., New York, N.Y., 10016, or Newsday, 235 Pinelawn Rd., Melville, N.Y., 11747-4250.