

# Home Buying Guide

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Owning a house remains the biggest goal for most families. There was a time when you couldn't even dream of buying a house until you were into your middle age, having stashed away money for years and years but no longer. The market is flush with lenders tripping over each other with offers of loans at competitive rates, which can bring your dream house within reach. The younger you are, the better it is for you to buy a house you'll have more time to enjoy your home, see it grow as an investment, and live with the confidence that comes from owning property. And it can be done!

## Advantages of owning a home

1. Provides a sense of security
2. Builds equity
3. Provides stability
4. An asset you can fall back on in times of need
5. Easier to buy property today, owing to stability in prices and tax benefits that can accrue to you by investing in housing
6. Guaranteed appreciation over a period of time (usually 8-10% annually, in the case of real estate)
7. Freedom to make alterations to the property
8. Not dependent on the landlord for maintenance of the property
9. Rates of interest charged on home loans are attractive and are more flexible than ever before
10. The Income Tax Act provides for deduction on interest payable and also on the principal repayment on the capital borrowed for acquisition or construction of a property
11. Rent is an outflow with no tangible benefits whereas EMI's paid go towards building an asset.

## The Home Buying Process

### Step 1 The Budget

1. Assess your family's post tax monthly income, and deduct tax saving contributions.
2. Provide for credit card debt and other loan payouts.

3. Provide for monthly household expenses.
4. Set aside around 5% for contingencies.
5. Add up your savings. You will need to include a contribution of 1020% as Housing Finance Companies will fund only between 8090% of the property value.
6. Now check if you have enough for the EMI's plus maintenance expenses. (Don't forget to budget for the tax breaks you get on your loan repayment!) Typically, lenders will ensure your EMI's don't exceed 50% of your take home pay, post taxes and other deductions.

### **Step 2 The Loan**

1. Screen lenders as per total financing cost and convenience.
2. Get pre-approvals from shortlisted lenders.
3. Check out property fairs for better rates.
4. Check if your employer has a tieup with a lender corporate discounts can lop off more than 1% in interest alone.
5. Today, lenders are vying for your custom so play them against each other for the best bargain.
6. Get a list of pre-approved properties from lenders borrowing will be a breeze if the property you zero in on is on your lender's list.

### **Step 3 The The Search**

Time to scour advertisements, ask friends and neighbours, and check out property fairs!

When you go house hunting, here are a few things to consider:

1. How far you'd be from work
2. How far you'd be from your kids' schools
3. How far you'd be from reliable medical help
4. The quality of civic amenities (water, electricity, waste disposal etc.)
5. Accessibility of social amenities such as markets, parks, etc.

Checking on the past record of a builder you're interested in, as well as visiting one of their finished projects, can also be useful.

Finally, match your budgets to your requirements and the properties that are available, make the necessary trade-offs and choose your future home!