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The hidden costs of homeownership

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Don't feel like renting anymore?

Well, before you rush out and put money down on a two-bedroom Tudor, a suburban starter or a downtown condo, you need to think about the hidden costs of homeownership.

"First-time homeowners are often startled by the hidden costs of owning a home," says finance expert Eric Tyson, co-author of "Home Buying for Dummies." "There are a lot of ancillary costs that most don't think of. You can budget all you want, but things pop up."

You can plan out your mortgage payment, maybe even your supplemental insurance and utility bills. But maintenance, repairs, home improvements and decorating can cost you thousands of dollars a year more than you expect.

You need to take those costs into account when deciding what kind of house to buy and how much to spend.

"The amount of work that goes into a house is too much for me right now," says Eric Hovan, a 28-year-old who opted to purchase a condo in Dallas a year ago. "I can't even take care of plants, let alone a house."

If you're ready to make the jump from renting to buying, your priority is to figure out a manageable monthly mortgage payment that takes into account these added costs.

Budgeting problems

Buying a house is the American dream. But putting yourself into a situation that you can't afford and can't get out of can be a nightmare.

Never had a yard before? It's time to purchase a lawn mower.

What about doing laundry? That's right, you need a washer and dryer.

"I don't think most people budget for this type of stuff," Tyson says. "Homes are typically larger than apartments."

Holland Smith, 34, is dealing with that. He recently moved out of a duplex rental to a house he bought in Lakewood Heights, Texas.

"You don't think about the little things," Smith said, "like now I have 2 1/2 baths, and I need towels for all of them."

Credit card shock

Make sure your home purchase doesn't put you in the poorhouse. You don't want to have to deal with a huge minimum monthly payment on your credit card to go along with your mortgage payment.

"It's so exciting finally getting your own new place and everything you get to buy for it," says 23-year-old Molly Merchant, who closed on her Fort Worth, Texas, townhouse this month. "But when you look at your credit card bill for all of the things that you purchased and you look at what you have in your savings or other accounts, you get a little scared."

For Merchant, moving from her 800-square-foot apartment to a three-story, 2,100-square-foot townhouse means having to buy more stuff.

"It is exciting to buy more things, but it can be rather expensive," she says. "The toughest part is that you want it to be perfect when you move in, but you have to be realistic and understand that you may not be able to have it all at once."

Merchant created a budget for each room. Buying things in moderation is smart, Tyson says. Also, try to take advantage of seasonal sales --- pick up those holiday decorations in January and your outdoor furniture at summer's end.

"Some of these things you'd rather not go run out and do right away," Tyson says.

"Renting is easy," says Smith in Lakewood Heights. "Living in an apartment, if anything needed to be done, taken care of, you just call the landlord."

Big issues possible

How much your home will cost you in maintenance and repair depends on several factors: the age of the house, how well it has been treated by previous owners, the harshness of the climate --- and how much money you want to get out of your house when you sell it.

Part of Hovan's reason for buying a condo over a house was the possible size and scope of home repairs.

"I didn't want to deal with a lot of work," he says.

But don't assume that because a house is new, it won't need any maintenance.

"They give you a one-year builder's warranty, and I've already had to use it," says Hovan, explaining how his kitchen floor settled weirdly and doors shut improperly. "You never know when you'll have big issues."

So, what should you budget annually for repairs and maintenance? At least 1 percent of the home's purchase price, Tyson says. If you bought a \$300,000 house, for example, you should be setting aside at least \$3,000 a year.

"Some of these expenditures just pop up," Tyson says. "One year your roof may need repairing, the next your driveway, or you have the rainstorm of the century and have to deal with a flooded basement."

Divide your annual repair and maintenance budget by 12, and set that amount aside each month into a special fund. Considering that \$300,000 house, that means saving \$250 a month.

Don't ignore anything

Ignoring problems in the short term can cost more in the long run.

A small problem like a leaky toilet easily can lead to a rotted floor or even foundation problems --- all of which are expensive to fix.

The big projects can be pretty expensive, as well. A major kitchen remodeling averaged \$43,862 last year, according to Remodeling magazine. Adding a no-frills bathroom averaged \$22,977, and a midrange roof replacement averaged \$11,164.

Smith knows those costs too well. He decided to remodel his 1938 house in Lakewood Heights before he moved into it last month.

Originally the house was 1,700 square feet with two bedrooms and two bathrooms. Smith knocked out most of the walls and added a second story; he now has a 2,700-square-foot, three-bedroom, 2 1/2-bath house.

"My biggest concern was cost, not time," Smith says. "It's all about picking the correct contractor. The longer the job goes, the more money you pay."

But remember, the more you do yourself, the lower the cost.

Another cost many first-time home buyers aren't prepared for is property taxes.

You might be quoted a monthly payment that doesn't include taxes, even though usually they're tacked onto your bill by the mortgage company.

"Insurance and taxes are just part of homeownership," Tyson says. "The maintenance and upkeep and the furnishing expenses are what catch most people off guard."

Illustration by McClatchy Tribune
Paper money stuffed into the holes of cinder blocks

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