
how to manage your money with an apartment Would I qualify for a home loan?

Posted by John - 2008/05/13 18:54

Here's my situation: *married w/ 2 kids *filed chapter 7 bankruptcy about 10 months ago *annual gross income of \$65k (my spouse does not work) *owe \$30k in student loans, paying \$400 a month for the next 8 yrs *owe \$19k in auto loan, paying \$500 a month for the next 4 yrs *leasing an apartment for \$935 *have around \$1k in disposable income each month *should be able to manage a \$2k monthly mortgage *probably no down payment or \$5k at the most Would I qualify for a home loan? If so, how much? I live in Southern California and would need \$300k for a new/decent home. Can I get multiple loans? What if my parents co-sign the loan? Will that qualify me for a larger loan amount? I'm assuming the interest will still be pretty high. What is a reasonable rate in my case? What if my parents take a home equity loan on their house, say \$50k and I use that as down payment? Would that be better? What if my parents take a loan and buy the house but I would be paying the mortgage? What implications will that have on their tax return and mine? Is the interest on a second home tax deductible? Will my mortgage payments be considered revenue to them? What happens when later on the road my credit get better and I take a loan to pay off their loan? What should I do? I know I need professional help. I just want to get a feel for things before I seek professional advice. Thanks for your help... John

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Posted by D. Gerasimatos - 2008/05/13 18:54

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Posted by Punch - 2008/05/13 18:54

What if my parents co-sign the loan? Will that qualify me for a larger loan amount? I'm assuming the interest will still be pretty high. What is a reasonable rate in my case? What if my parents take a home equity loan on their house, say \$50k and I use that as down payment? Would that be better? you can't be trusted to pay, i sure wouldn't want to put up my homes equity for you to ruin it. like another poster said if your take home pay is about \$4000: \$4000 take home -\$400 student loan -\$500 car loan leaves \$3100 -\$300-400 utilities -\$300-400 food -\$150 gas leaves you with \$2150 your mortgage+taxes with eat up this money in no time. also you will need to pay, insurance, car maintance, house maintance, lawyer fees, yearly taxes. what about Christmas for the kids, no money left over.... utilities would include gas, water, hydro, phone, cable, internet...

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Posted by GoldLexus - 2008/05/13 18:54

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Posted by D. Gerasimatos - 2008/05/13 18:54

Wow... that's a bummer.. so either my spouse has to work to add an additional \$2k a month of income or we drop down to an old beat up fixer-upper. My spouse will eventually work, but right now we feel it's better if she stays home with the kids since they are still young. Can I afford a \$200k loan? What can I afford? What income level would be considered safe for a \$300k loan? Thanks... 1. I am not sure you can buy an old fixer upper in SoCal for \$300K right now let alone \$200K. 2. It's not how much you make as much as how much you spend. They are both important, but even someone making \$300K per year will not qualify for a \$300K loan if they have \$30K/month in debt service. A \$65K income is fine for a \$300K loan if you have no other fixed expenses. Your problem is that you have a \$400/month student loan and a \$500/month car payment. 3. Shouldn't you be the one figuring out how much you can afford? You thought you could afford a \$2000/month mortgage, right? Why don't you just take it easy for a little bit? You just had a bankruptcy and your wife is taking care of the kids. She'll work and maybe your car will be paid off by then. That seems like a better time to buy for you than now, but that's just me. If you are intent on buying then figure on a \$150K loan costing you about what your rent is right now. Can you find a place (condo?) for that or less? It will be hard, but perhaps not impossible unless you are looking in West LA or something. Dimitri

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Posted by shiny penny - 2008/05/13 18:54

What should I do? I know I need professional help. I just want to get a feel for things before I seek professional advice. Thanks for your help? Check out Quicken and Bankrate. A wealth of info on those sites. Good luck! jen

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Posted by v - 2008/05/13 18:54

John Punch <crash2000@sympatico.ca> wrote in message < Here's my situation: *married w/ 2 kids *filed chapter 7 bankruptcy about 10 months ago *annual gross income of \$65k (my spouse does not work) *owe \$30k in student loans, paying \$400 a month for the next 8 yrs *owe \$19k in auto loan, paying \$500 a month for the next 4 yrs *leasing an apartment for \$935 *have around \$1k in disposable income each month *should be able to manage a \$2k monthly mortgage *probably no down payment or \$5k at the most Would I qualify for a home loan? If so, how much? I live in Southern California and would need \$300k for a new/decent home. Can I get multiple loans? 65k and want a 300k home, your stretching your funds, i wouldn't do it, you won't have any money to eat with... What if my parents co-sign the loan? Will that qualify me for a larger loan amount? I'm assuming the interest will still be pretty high. What is a reasonable rate in my case? What if my parents take a home equity loan on their house, say \$50k and I use that as down payment? Would that be better? you can't be trusted to pay, i sure wouldn't want to put up my homes equity for you to ruin it. like another poster said if your take home pay is about \$4000: \$4000 take home -\$400 student loan -\$500 car loan leaves \$3100 -\$300-400 utilities -\$300-400 food -\$150 gas leaves you with \$2150 your mortgage+taxes with eat up this money in no time. also you will need to pay, insurance, car maintance, house maintance, lawyer fees, yearly taxes. what about Christmas for the kids, no money left over.... utilities would

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Posted by shinypenny - 2008/05/13 18:54

*should be able to manage a \$2k monthly mortgage *probably no down payment or \$5k at the most Once you've paid off the other two loans, you could put your \$1K disposable monthly income into savings and have an additional \$5K saved up in only 5 months. *THEN* you'd have enough for a 5% downpayment on a \$300 K house. jen

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Posted by v - 2008/05/13 18:54

Not sure they can do this. I believe the lender will verify whether your downpayment is a recent gift or not. A gift can be a valid downpayment, it just can't be a loan (to the house buyer) and the bank may want something in writing to that effect. Gifts are used for this purpose all the time. And in the real world in families sometimes relatives do agree to pay back things that they told outsiders were not loans. My concern is for the parents. Guy just gets out of bankruptcy, and now wants his parents to BORROW (on their house) to give him a down payment on a house he can't afford. -v.

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Posted by D. Gerasimatos - 2008/05/13 18:54

Find a debt reduction calculator on the web, and calculate what would happen if you doubled your monthly car and student loan payments. I'm betting you'd have them paid off in a fraction of the time (incidentally, what kind of car do you have? I can't imagine paying \$500 per month myself... perhaps you could sell the car and downsize that particular loan?). A brand new Honda Accord (\$25K) with maybe \$2500 down paid off over 5 years will result in a \$500 car payment. You apparently haven't bought a new car in a long time. This guy probably shouldn't have. Dimitri

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Posted by v - 2008/05/13 18:54

....what kind of car do you have? I can't imagine paying \$500 per month myself... Penny, this has been the subject of discussions here before. Right now we have 2 cars with payments, both with payments closer to \$600 per month than \$500. One of our adult sons (23 y.o.) just got a new truck that the payment must be up in that neighborhood. Cars are expensive. Before you cast stones, know that: The son took a 3 year loan with \$10,000 down. He paid off his previous car loan (\$200/mo on a Hyundai) early. He paid off his snowmobile loan early. I think he is paying off his motorcycle early, if he hasn't paid it off already. He could have taken a car loan with lower payments but wanted the truck paid off fast. We take 4 year loans on our cars. In that time, we put about 100k miles on them. (Last one I replaced, 3 months before it was paid off, had 115,000 miles at that time.) It is just a cost of living to us. The big difference: Low housing costs in relation to income. We owe about \$175k on a 5-bedroom 3,000 s.f. custom home we built 4 years ago. We put more than \$100k down plus did some of the work ourselves, on a house that only cost what the bankrupt OP is talking about for a starter home. We live in an area of lower housing costs than OP, but still not as low as some southern or midwestern areas I hear about. In my case I cannot imagine borrowing half a million dollars for a house, but people do and more. If I had a bigger mortgage or a lower income I could not afford to have my car payments. But I don't so I can. Its all relative. But you are absolutely correct in that I see lots of people with marginal incomes prevented from qualifying because of \$500 car payments. -v.

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Posted by Gary - 2008/05/13 18:54

*married w/ 2 kids *filed chapter 7 bankruptcy about 10 months ago Right off the bat, if you filed chapter 7 ten months ago, you probably will not qualify for a home mortgage for at least 14 more months. In other words, you will qualify after two years after you were discharged by the courts. If, for example, you were discharged January 1, 2002 you may be able to get a mortgage after January 1, 2004. You more than likely have to go to a home mortgage company because banks usually want you discharged 3 or more years. Also, you may have to go FHA. Been there

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Posted by shiny penny - 2008/05/13 18:54

But you are absolutely correct in that I see lots of people with marginal incomes prevented from qualifying because of \$500 car payments. Yep, this is what was bothering me about the OP's situation. It's one thing to want a \$500 car; quite another to want that, AND want to purchase a first home you can barely afford. When I was saving for my house, I jettisoned all unnecessary expenses. This included resisting my desire to indulge in the latest fashions (now that I'm in the house..... that's another story!!! Lots of pent-up spending going on right now). jen

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Posted by shiny penny - 2008/05/13 18:54

Find a debt reduction calculator on the web, and calculate what would happen if you doubled your monthly car and student loan payments. I'm betting you'd have them paid off in a fraction of the time (incidentally, what kind of car do you have? I can't imagine paying \$500 per month myself... perhaps you could sell the car and downsize that particular loan?). A brand new Honda Accord (\$25K) with maybe \$2500 down paid off over 5 years will result in a \$500 car payment. You apparently haven't bought a new car in a long time. This guy probably shouldn't have. Dimitri

Actually, I bought a car two years ago. Downsized my 10 year old Honda Accord for a brand-new Toyota Corolla. The Honda was starting to cost me as much in maintenance fees as my current car payment of \$250. Initially I debated getting a used car, but dependability is my highest priority when it comes to cars. I did consider the Honda again (they are great cars), but couldn't justify going up to a higher payment. Even with the trade-in, it wasn't in the budget (I was saving for my house). The kids sometimes grumble that the backseat isn't as roomy as their dad's and grandparents SUVs, but oh well, that's life. I like the car a lot. Given the OP's current financial situation and goals, he could shop around and consider less expensive cars, which would also save him in gas, too. If he had more than two kids, yeah, then I could see how he might have to buy a bigger car. Or if he has a job that requires him to move stuff often, and needs a flatbed to haul it. Or maybe he's got incredibly long legs. Otherwise, if his goal is a house, then this is one area that he could cut costs. jen

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Posted by John - 2008/05/13 18:54

You just came out of bankruptcy and now can't figure out the approximate range you can afford? You talk about \$1,000/mo in disposable income, is this really money your lifestyle doesn't require you to spend, money that you are putting in the bank now so that you can have a down payment (if so, why didn't you use it to pay off more of your debts so that you did not need to file bankruptcy)? Are you really prepared to stop buying clothes, movie tix, meals out, toys, and devote this money to a house payment, or will you just get in the hole all over again? Right now you

sound, well, delusional to me. -v. Yes, I save \$1,000/mo in the bank after food, clothes, toys, etc... I filed Chapter 7 because a year and a half ago I was only making half as much as I am making now. I then completed my Masters, found a higher paying job, and relocated. I was in over with credit card debt by then. Really had no choice but to file. Decided to keep the recently bought car to rebuild my credit. But not sure if it'll count cause of the bankruptcy. John

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Posted by Una - 2008/05/13 18:54

Decided to keep the recently bought car to rebuild my credit. Rebuilding your credit is good, but to do that you don't have to own an expensive car, do you? A \$25K car plus loan and insurance may be an expense you really cannot afford just now. Una

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Posted by MaxAluminum - 2008/05/13 18:54

vze2k...@verizon.net (v) wrote in message <news:3ff31544.4916790@news.verizon.net...what kind of car do you have? I can't imagine paying \$500 per month myself... Penny, this has been the subject of discussions here before. Right now we have 2 cars with payments, both with payments closer to \$600 per month than \$500. One of our adult sons (23 y.o.) just got a new truck that the payment must be up in that neighborhood. Cars are expensive. Before you cast stones, know that: Oh gee, was my bias against big gas-guzzling cars, particularly SUVs, showing again? Forgive me - Gotta work on that one! <vbg <snip In my case I cannot imagine borrowing half a million dollars for a house, but people do and more. If I had a bigger mortgage or a lower income I could not afford to have my car payments. But I don't so I can. Its all relative. Point taken. It is all a matter of personal priorities. I did borrow almost half a million to buy my first home, and heck, it sure doesn't look like it cost this much! It's fairly modest, and only half a house, if you want to get technical. But it was my priority to live where I live; I didn't want to relocate my children to a new school district; I like my neighbors; but mostly, I like being close to a city, and would much prefer spending my money for a modest house rather than living farther out and being able to afford a house twice or three times this size. Cars, meanwhile, have never been a huge priority with me. They are a necessary expense and I just want a car that's dependable and gets me where I'm going. OTOH, I have been known to spend quite a bit of money on clothes. :-) But you are absolutely correct in that I see lots of people with marginal incomes prevented from qualifying because of \$500 car payments. Yep, this is what was bothering me about the OP's situation. It's one thing to want a \$500 car; quite another to want that, AND want to purchase a first home you can barely afford. When I was saving for my house, I jettisoned all unnecessary expenses. This included resisting my desire to indulge in the latest fashions (now that I'm in the house..... that's another story!!! Lots of pent-up spending going on right now). jen The poster knew he had the big student loan and a lower paying job at the time. What's wrong with holding off on starting a family until they can be provided for? And certainly make sure not to have more until you can afford them. The poster's bankruptcy socialized his bills to all of us indirectly and I bet the ranch he doesn't see it that way. Now he's looking for ways to overextend himself once again, live on the edge until he's forced to go broke. If he makes double the money again next year he's in good shape. If he loses his job, everybody pays again. I don't mean this unkindly, but it is something to reflect on as you are asking a public opinion on your situation.

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Posted by james - 2008/05/13 18:54

Would I qualify for a home loan? If so, how much? I live in Southern California and would need \$300k for a new/decent home. Can I get multiple loans? There are a number of articles that you might find helpful at: <http://www.real-estate-supply.com/real-estate-articles.htm> There is also a debt consolidation link on the same site that you might find beneficial. Good luck James

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Here's my situation: *married w/ 2 kids *filed chapter 7 bankruptcy about 10 months ago *annual gross income of \$65k (my spouse does not work) *owe \$30k in student loans, paying \$400 a month for the next 8 yrs *owe \$19k in auto loan, paying \$500 a month for the next 4 yrs *leasing an apartment for \$935 *have around \$1k in disposable income each month *should be able to manage a \$2k monthly mortgage *probably no down payment or \$5k at the most Would I qualify for a home loan? If so, how much? I live in Southern California and would need \$300k for a new/decent home. Can I get multiple loans? What if my parents co-sign the loan? Will that qualify me for a larger loan amount? I'm assuming the interest will still be pretty high. What is a reasonable rate in my case? What if my parents take a home equity loan on their house, say \$50k and I use that as down payment? Would that be better? What if my parents take a loan and buy the house but I would be paying the mortgage? What implications will that have on their tax return and mine? Is the interest on a second home tax deductible? Will my mortgage payments be considered revenue to them? What happens when later on the road my credit get better and I take a loan to pay off their loan? What should I do? I know I need professional help. I just want to get a feel for things before I seek professional advice. Thanks for your help? John

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Posted by Punch - 2008/05/13 18:54

now wants his parents to BORROW (on their house) to give him a down payment on a house he can't afford. -v. I agree, sounds like he's going to take down his parents with him...

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Posted by v - 2008/05/13 18:54

.... Why someone needs a new car is beyond me as well.... It's a good thing SOMEBODY buys new cars, where do you think used ones come from? If there were not so many people creating a constant flow of making new cars into used cars, used ones would be much more expensive. And/or like Cuba, still keeping 50s American cars on the road 'cause they have not been able to bring in new ones since then. Personally, I have bought all new cars for myself since I graduated from college 20+ years ago. Before that I did some pretty major repairs in the street. Never again! However, as an adult, I did buy a couple of beater work trucks when I was starting a couple of businesses. They soon reminded me of why I prefer new! I have also bought 4 new motorcycles in the last 3 years. I get new, and the next guy gets a deal. Should work out all around. -v.

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Posted by xymergy - 2008/05/13 18:54

I have also bought 4 new motorcycles in the last 3 years. I get new, and the next guy gets a deal. Should work out all around. Any of them BMWs you plan to sell? Or upright, noncruiser, nonsport bikes someone 5'5 could straddle comfortably? I'm in western New York. KLS, who now rides a 1983 R80RT and who doesn't have the time to read rec.motorcycles (do you?)

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