THE HOUSE YOU CAN AFFORD

Key to Monthly Costs Is Your Take-Home Pay

How much of a home can a family afford?

In the last analysis it depends on the family. If your family is thrifty and willing to sacrifice for a home, that is one story. But if you are accustomed to luxuries, resent budgeting your expenses, frequently fail to make ends meet and resort to borrowing before payday, look out.

Then again, it depends on what you start with—your own savings, or a legacy, or other money easily come by.

For the average family, starting virtually from scratch and in dead earnest on owning a home there are some rules, even though the best rule is to figure it out yourself.

It used to be figured that a house priced between one-and-a-half and two-and-a-half times your annual income was a safe buy. But prices for houses, the cost of living and higher income taxes have changed this.

The reason is that under such a rule a man earning $60 a week would have been given the go ahead signal on a house costing from $4,680 to $7,800. Today he'd have a merry time finding a suitable house to meet the minimum figure and he'd have to have an unusually thrifty family in order to make ends meet under the maximum figure.

That rule would also permit a man earning $100 a week to buy a house costing $7,700 to $13,000, and he'd probably have some trouble in swinging the maximum deal.

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Then there was another rule that monthly payments, like rent, should not exceed one week's pay—or 25 per cent of monthly income. Since monthly carrying charges on a 20-year mortgage, plus real estate taxes, water charges and fire insurance, could be figured roughly to amount to 1 per cent of the amount of the mortgage, this rule made it easy to say that the $60-a-week man could carry a $6,000 mortgage.

But those monthly payments did not cover heat, or upkeep, utilities, travel to and from work and other fixed charges. So when food, fuel and income taxes went up, and interest rates began to stiffen, this picture also changed.

A conservative banker recently said that when arranging mortgage loans he advises the average home buyer not to exceed 20 per cent of his monthly take-home pay when figuring what monthly payments he can afford comfortably. The cost of fuel, gas, electricity, telephone, commutation and other fixed extras prompt this 20 per cent rule.

Take-home pay is the only realistic basis on which to figure. There are so many deductions made from most pay checks, and they vary so widely, that each family must figure this out individually. The $60-a-week man, who has a wife and two children, may have a take-home pay of $57.90, if his income tax is the only deduction. The $100-a-week man with the same size family may take home $91.30 after income taxes. But if hospitalization, pension contributions, group insurance, union dues and other deductions are made, the amount to figure on for home buying is much less.

Budgeting your home purchase in terms of take-home pay, or actual net income, is sounder than trying any rule to fit a total house price to your annual income. If a $60-a-week man has a take-home pay of $55, his monthly net income runs around $238 and 20 per cent of this is $47.60. According to the old rule of thumb, with this amount representing 1 per cent of the face of the mortgage, it indicates far less than a $6,000 mortgage.

But the amount a man can pay in cash is what throws off all rules of fitting prices to annual income. Also the more you can pay in cash, the more you save in carrying charges.

The best policy, in figuring your home buying budget, is to make ample allowances for all extras—not only incidentals directly connected with the deal, such as legal fees, title search, surveys, and other charges, but also additional furniture, curtains, accessories and equipment not included—a refrigerator, kitchen range, washing machine, etc.

If you budget yourself too closely it may mean no movies, or it may mean real hardship in the event of unforeseen medical expenses.

The Veterans Administration warns GIs that because of extras, their mortgage payments may represent only 50 to 65 per cent of the total monthly cost of owning and running a home.

Fireplace Flue

A fireplace requires a separate flue with cross-section area no less than one-tenth the area of the fireplace opening.

Illinois produces most of the redtop seed crop in the United States.

Home Payments Must Be Prompt

If you buy a home on monthly mortgage payments, do not expect leniency on collections on the part of the bank or savings association holding your mortgage.

Chances are you will not be billed for payment. You are expected to remember and make the payment before the 10th of each month, or whatever date is agreed upon. If you slip up, you can be charged interest not only on the outstanding balance, but also on the interest already charged and payable on the first of the month.

FLAME MAY BURST FROZEN WATER PIPE

In thawing frozen water pipes a steady flame like that of a blowtorch in one spot is likely to burst the pipe. Burlap wrapped around the pipe and repeatedly soaked with boiling water will thaw the ice without danger.

If a pipe has already burst, the water supply should be shut off, all faucets opened and a plumber called.

How GI Can Buy Without Cash Down

World War II veterans can usually buy a house with no cash payment required. This also goes for WACs, WAVEs, SPARs and women marines.

The Veterans' Administration will guarantee up to 50 per cent of a home loan, or up to $4,000, whichever is less. Or in combination with an FHA insured loan on a more expensive house, the VA will guarantee a second loan covering the cash payment needed up to 20 per cent, or $4,000 or the purchase price.

The VA guarantee is made to lending institutions to encourage them to make loans to veterans on favorable terms. The VA does not make the loan.

These loans can be applied for through banks and savings associations at any time up to 10 years after the end of the war.

Interest on the GI portion of the loan is 4 per cent — on an FHA mortgage it is 4½ per cent plus ½ of 1 per cent FHA mortgage insurance premium.

If a new home is appraised by the FHA at more than $6,000, the FHA will insure a loan up to 90 per cent of the first $6,000 of value, plus 80 per cent on the balance between $6,000 and $10,000.

If the house is not new, the FHA will insure a loan up to 80 per cent of the appraised value.

In either case, a loan guaranteed by the Veterans' Administration may go as high as $4,000 or 20 per cent of the purchase price, whichever is less.

Monthly Payment Time Table

Monthly payments required for each $1,000 of mortgage loan, covering interest and payment on principal, for various interest rates follow:

Mortgage Term	Monthly Payments At 4%	At 4½%	At 5%	At 6%
25 Yrs.	$5.28	$5.56		
20 Yrs.	6.06	6.33	$6.60	$7.17
15 Yrs.	7.40	7.65	7.91	8.44
10 Yrs.	10.13	10.37	10.61	11.11
5 Yrs.			18.88	19.34

Special Life Insurance Covers Home Mortgages

Statistics show that one out of every eight home buyers dies before his home is paid for.

Furthermore, the average home buyer seldom has enough life insurance to cover the mortgage on his house.

The life insurance a man may have is usually regarded as a nest egg for emergency to support his widow and children until other means of support may be arranged by them. If this fund must be used to continue payments on their home, it will dwindle all the more rapidly. If the payments are not continued, the widow and children are homeless.

To solve this problem and automatically pay off a mortgage in the event of a home buyer's death, special low-cost insurance has been worked out. It covers only that part of mortgage debt still outstanding at any given date. It is low in cost because it runs for a comparatively short term and decreases in amount in proportion with the mortgage. It is usually called diminishing term life insurance.

No bank or other lending institution will compel you to buy it, because the value of your house protects the mortgage loan. If payments lapse, the house is merely foreclosed and resold to cover the mortgage debt. But conscientious bankers will advise you to have such a policy for the protection of your family.

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Several insurance companies write these policies. There are two major ways to pay for them. One calls for a single premium, which once paid can be forgotten about. This single premium can be financed in 24 monthly payments.

Another system carries yearly premium payments for the entire term of the mortgage, with each payment growing smaller along with the diminishing debt.

Examples of rates for each $1,000 of initial mortgage debt on a 20-year monthly payment mortgage are as follows for a man 30 years old:

Single payment $72.42, or $3.50 monthly for 24 months.

Reducing payment plan $8.30 per $1,000 for the first year, $7.40 for the fifth year, $6.23 for the tenth year, and $1.11 for the 20th year.

Rates for older or younger men run higher and lower in accordance with their ages.

Savings on Income Tax Worth While to Owners

The amount of income tax you can save in buying a home is well worth figuring. It is actual cash saving, not an abstract amount that accrues to your benefit in the distant future.

If your income tax is withheld from your salary or wages, you get the money in the form of a rebate check. If you're in business for yourself your just keep this money in your pocket and itemize, the deduction when filing your return.

Since the average family budget will stand only so much of an allowance for housing, whether in rent or in payments on a home, the income tax saving of a home buyer is a real advantage over the renter.

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Take an example of a man making $5,000 a year, and having a wife and two children. If he had a mortgage of $12,500 his first year's carrying charges would be $562.50 at 4½ per cent interest. Assuming his real estate tax to be $175, he would be entitled to deductions of $737.50 on this score.

Then assuming that his family had normal deductions for church and charity, contributions, other taxes, losses, medical expenses, etc., amounting to 500, his total deductions would be 1,237.50. On a joint return his income tax would amount to $226.18.

If this family rented, its total deductions would be only $500. The share of their rent that went toward the landlord's taxes and interest would not be deductible to them. Their income tax would amount to $348.60.

This means a saving of $122.-42 for the home owner, or $10.20 per month.

If the same families had annual incomes of $8,000 the income tax saving for the home owner would amount to $143.78.

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The attractive part of income tax savings in home buying is that they are greater right now in the early years of ownership.

For example, a 15-year mortgage at 5 per cent calls for monthly payments of $7.91 to cover interest and amortization on every $1,000 of loan. In the first year an average of $3.98 out of those $7.91 payments goes for interest and $3.93 toward paying off the principal.

By the fifth year the average monthly interest payment is down to $3.11 and the principal payment is up to $4.80. In the tenth year the division will be $1.74 for interest and $6.17 for amortization.

So income tax deductions for interest are most noticeable when needed the most.

There are nearly 150,000 radio stations of some 40 categories in the U. S., of which only 4000 are classed as broadcast units.

Expansion Attic: Is It Worth While?

It may pay to think twice before planning a house with an expansion attic.

Will you ever finish off extra rooms upstairs, or will that prove to be just a dream while you pay $3 or $4 every month on your mortgage payments because of that extra space?

Architects have figured that to be the cost of carrying the additional cubage required over a low pitched roof with mere storage space under the rafters.

The Dime Savings Bank of Brooklyn, N.Y., made a sample check of 139 home buyers in a pre-war Long Island development and found that 42 per cent made no use of expansion possibilities. Only 31 per cent added two rooms, and 18 per cent expanded merely by adding a garage.