

2. Are You Financially Ready?

So, you've decided that homeownership is right for you. Now you need to determine if you are financially ready to buy a house.

In this step, you will find a number of simple calculations that you can do to evaluate your current financial situation, how much house you can afford and the maximum home price that you should be considering.

Once you understand these variables, you can make the best choice for you and even save money.

Test yourself to avoid any future surprises, you can do some financial exercises to see where you stand. They include: calculating your net worth, your current monthly expenses and your current monthly debt payments.

Knowing your net worth is important because you will need this information when you discuss a mortgage with your lender. Your net worth is the amount left over once you've subtracted your total liabilities from your total assets. It will also give you a snapshot of your current financial situation and show you how much you can afford to put as a down payment.