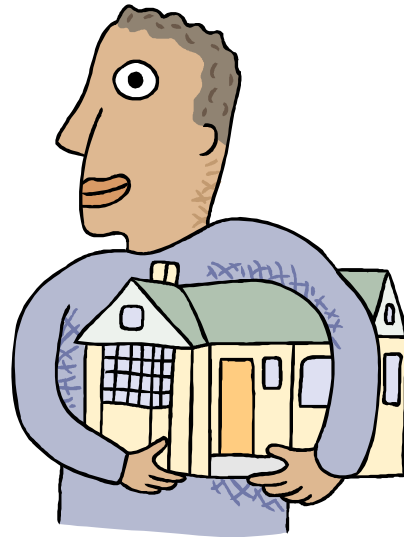


Getting Prepared For Homeownership – What You Need To Know!



Welcome to the American Dream! There is nothing more American than the desire to own one's own home. But it goes much deeper than that – owning a home is the fastest and easiest road to building wealth for you and your family.

The beginning of any journey can be a scary one, especially one that can seem so expensive! It doesn't have to be. This quick report is designed to familiarize you with the basic steps you need to begin that search for your first home. Just like taking a road trip across the country, there are a few things that you must do to prepare – you don't just get in the car and start driving! I have helped many people navigate this road successfully, and I welcome the opportunity to assist you on this exciting journey..... Here's where you get started:

Budget Before House

The first step in the process is evaluating the costs in buying a home. Not just the initial investment, but the ongoing expense and how it compares to renting. While renting may seem like a less expensive option (and sometimes the ONLY option) – this is almost always NOT TRUE! I can provide you with several comparison reports that show how we can get you into a home for little to none of your own money, and how owning your own home beats renting within just a few months – every time!

But you DO need to think about the costs of owning a new home. There will be the initial investment, monthly payments, taxes, insurance, and maintenance expenses. We have some easy budgeting forms which break each of these down and allow you to review what exactly goes into each of these items. Give me a call, and I will be glad to forward them to you for your use. Let's talk about the big question – how much cash?

Cash

How much cash do I really need? The answer may be none! In most cases however, there are going to be costs that you will need to be able to cover. The money required to buy a home can be broken down into 3 categories:

1. **Down-Payment** – This is the most obvious, and the easiest to calculate. If you purchase a home for \$100,000 and want to put 5% down, then that would equate to a \$5,000 down-payment. This would also mean that your LTV (or Loan-To-Value) would be 95%.
2. **Closing Costs** – This is the second most obvious expense involved, and includes the actual expenses of completing the transaction. Closing costs will include such items as an appraisal of the property, obtaining credit reports, processing of the loan, recording the new mortgage, and other such charges. I can help explain the break-down of these charges, as well as help you AVOID unnecessary fees on your loan transaction.
3. **Pre-Paid**s – These are items that have to be paid for in advance, but are not actual costs of the loan process or the purchase itself. Pre-paid's will include items such as setting up an escrow account to pay taxes when they become due, or pre-paid interest which is paid prior to the first month's payment.

These three items added together will make up the total cash requirements on the purchase of your new home. The source of these funds can come from a variety of places! You may have saved up some money, or maybe it comes in the form of a gift from a family member. The Seller of the property may also contribute to those required funds, and I as your lender can even contribute towards your costs!

That's right! Through the pricing schedules of interest rates, it is possible to have a slightly higher rate on a loan, and provide you with a credit back towards your costs! There are even programs available that don't require a single dime out of your own pocket, and I invite you to contact me for more details if you are interested in some of these programs.

It is always a little cheaper (and possibly easier) to get into a home if you have saved up a small amount of money on your own. Here is a list of possible sources that may be used to contribute towards these costs:

- Personal savings and checking accounts
- Gift funds from family members
- Collateralized loans on other property such as a car
- Sales proceeds from other assets you may own
- Trade equity from other assets
- Sale of personal property
- Non-Profit Agencies or Grant funds
- Employer's guarantee plans
- Employer assistance plans
- Savings bonds
- IRAs & Keogh Accounts
- Stocks and bonds
- Cash saved at home

- Rent credits and/or tax credits from the Seller
- Sweat equity. (Sweat equity on the subject property)
- Cash Accumulated with Private Savings Clubs or investment clubs
- And many other sources!

Credit

One of the other big misconceptions that I find most people have, is that their credit has to be perfect – IT DOESN'T!! We realize that many first-time homeowners may have a few bumps and bruises from the past. Many others might not have ANY credit at all! That's okay..... the first step is to take a look at a credit report, and decide what options are available! I will be glad to get you a complimentary copy of your credit report, and go over it with you in detail to explain not only what it says, but what it means!

Credit reports also contain credit scores, which is nothing more than a way to simplify the process of evaluating your past habits of paying your bills. I have a complete report and brochure which will explain much more about credit reporting, which is available by calling my office.

Income

In the process of evaluating your loan, we need to look at your intended source of repayment! There are many types of income that can be used for qualifying for a loan, and here are just a few of them:

- Salaries and wages
- Overtime and bonus income
- Part-time income
- Seasonal income
- Military income
- Commission income
- Retirement and Social Security
- Alimony and Child Support or Maintenance
- Notes receivable
- Interest and Dividends
- Mortgage Credit Certificates
- Employer Differential payments
- VA benefits
- Government assistance programs
- Rental income
- And any other stable, documentable sources

There are even loan programs available for people who are self-employed, whose income may not be stable or predictable! Under certain circumstances, there are also “Stated Income” or “No Income” programs available, where you might not have to provide any documentation regarding your sources of income! Check with me for all the details.

Qualifying

In qualifying you for the loan, we will look at your income and expenses, and evaluate the likelihood of your ability to repay the loan. While there are no “hard and fast” rules for how much you should spend towards your new house payment, these guidelines will help you in creating a budget for your monthly payments.

As a general rule, your new monthly house payment should be approximately 28-32% of your gross monthly income. For example, if you make \$36,000 per year, that would be \$3,000 per month (ignore payroll taxes!) That means that your house payment should be in the range of \$840 - \$960 per month.

In addition, when you take into consideration your other monthly credit obligations, such as car payment and credit cards, you should be in a range of 36-42% of your income. For that \$3,000 per month, that means that including your house payment, your monthly credit expenses should total \$1,080 - \$1,260 per month.

Of course this is only a guide. The important thing is that YOU need to be comfortable with the monthly payments. This is a big commitment, and we can work with you to prepare a budget that is within your means, and still gets you the house that you desire!

Purchasing The Home

The process of actually purchasing the home starts with the financing. It would be nothing more than a waste of time (although maybe fun!) to go shopping for a new \$80,000 sports car, unless you knew that you could afford it and had the money to spend. Don't go shopping for that new home, unless you have the money in hand and are ready for the next step. This is for 2 important reasons – 1) Sellers don't want to accept an offer from anyone who doesn't already have the money side figured out, and 2) It provides you with bargaining power over anyone else that may want the home you're looking at!

I can also get you ‘Pre-Approved’ virtually instantly! Call me today, and let's discuss the options available, and get ready to take that next step in putting a set of keys in you hand – the ones that open the front door of your own home, and your future! I've done it hundreds of times, and would love to add you to my extensive list of satisfied customers.

Thanks, and I look forward to hearing from you!