

Now Is The Time To Buy!

In 2009, the mortgage world has been chaos and somebody must shed some light on what happened to the good times when home values were skyrocketing and anybody with a pulse could get a mortgage loan. First of all, home prices accelerated at a ridiculously high pace over the last several years in certain areas of the United States such as Florida, Arizona, Nevada, and California and a downturn in home values was inevitable. Secondly, the mortgage industry was experiencing a boom and everybody wanted a home even if it meant getting into a "risky" loan. I should point out here that Wall Street was buying these loans like crazy and they wanted more of these loans because they offer a great return so they accepted loans with lower credit scores and less documentation from the borrowers.

The problem came when home values started dropping and homeowners who took out zero



down payment loans had no equity or value in the home to refinance and worse yet, there were many people who have done nothing to improve their credit so qualifying for a loan became more difficult.

So, when the loans were up to adjust, guess what? The adjustable rate mortgage now adjusts to a new rate which is much higher than the initial rate on the loan and the

payment shock was too much for the homeowner to pay; now they are getting their home foreclosed on.

The media is pointing their finger at the lenders because home buyers claimed that they did not know what type of loan they were getting into and in some cases that may be true, but if they had an experienced real estate attorney then the terms of the loan, which is on the mortgage note and given to the borrower at closing, would have been disclosed and they should have understood the program. Some of blame does lie on "unscrupulous" loan officers who did not explain the loan program and the borrowers did not get an attorney so they were ticked into a bad loan.

The funny thing is that the interest rate difference between the 2 year adjustable rate and 30 year fixed mortgage was only 1% at the time but people wanted the lowest rate at all costs! An experienced and reputable lender will look at the home buyer's financial goals and customize a loan program and discuss mortgage strategies to fit their present and future financial needs.

My team and I work on mortgage challenges to ensure that everyone gets a fair deal. Now, more than ever, first time homebuyers need to be confident in the advice their mortgage lender provides. It is not enough to phone a call center, get a rate quote, and hope things go well. You need to obtain a professional structured and easy to understand mortgage solution that ensures the safety and security of your home and your families finances.

Now, the good news! Home prices are down and they will not stay down forever so now is the time to buy. There are millions of home buyers sitting on the fence and they are waiting for the market to hit bottom but if you wait too long, buyers may flood the market and prices may jump faster than you expect and you may lose out on a good deal. Now, it is more important than ever to work with a professional loan officer because the guidelines have changed dramatically and you need the best expert advice you can get on buying your first home. If you have less-than-perfect credit, then somebody has to help you repair the damage so you can qualify for the best loan possible. A 20 point difference in credit score may save you a half percent or more on your interest rate which could put thousands of dollars back into your pocket over the life of the loan. In the final analysis, you may qualify for a loan but you must work with somebody you trust and you need to know all your options and what you are getting into so you can feel great about buying your first home.

Finally, history has shown that real estate is one of the best investments there is and over the long haul you can't lose. You only lose money if you sell when prices are down. So, don't buy into the doom and gloom and the sky is falling which is being hyped all over the news and internet. The United States has gone through The Depression, 2 World Wars, Vietnam, Dot-Com Bust, and 9-11 and we are still one of the most thriving nations on the planet and homes prices have still gone up over the years.

Rent versus Own

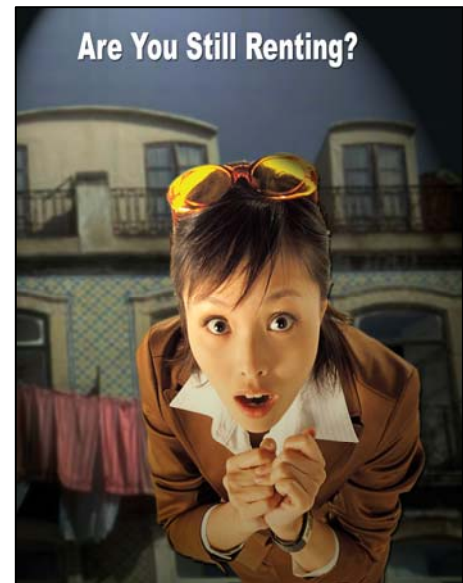
Stop paying your landlord thousands of dollars!

Rents are skyrocketing and interest rates and home prices are low so now is the time to buy your first home or condo. Do not pass up the opportunity to purchase a home because you feel that your income or credit situation isn't good enough to qualify for a mortgage loan. Today many lenders offer first time home buyer programs with little down, damaged or no credit, and limited employment history. Many first time home buyers believe you need low income to qualify for these programs, not true! There are programs which have no income restrictions which means you can make a million dollars a year salary and still qualify for many programs. Don't put off buying a home due to a lack of funds, not so good credit, or the notion you are over-qualified for first time home buyer programs since there are so many flexible programs to meet your financial situation.

Benefits of buying a home:

1. Build Wealth - First of all, your home will appreciate in value which may vary according to the type of property you purchase and the region of the country you live in but I believe real estate is one of the best investments you will ever make. For example, if you buy a home for \$200,000 and it appreciates 5% per year, you will have built up approximately \$50,000 equity in 5 years. Also, you need to consider your monetary return on the money you actually invest in the property. Let's say you put 3.5% down and closing costs are approximately \$4,000, you would have made \$39,000 on \$11,000 investment-what a return! Obviously, there are other costs such as home repairs and upkeep that you must subtract from the equation but you get the picture. Also, a certain portion of every mortgage loan payment will be applied toward the principal balance of your loan which will build up more wealth.

2. Tax Deduction-Secondly, the interest and real estate tax portion of your mortgage payment will be tax deductible which will give you a lower after-tax payment. Also, the new tax law passed in January 2007 allows home buyers with adjusted gross income of \$100,000 or less to deduct 100% of their PMI payments on their tax returns. Consult your accountant to determine your tax benefits and any future changes in the law.



Rent versus Own example:

Purchase a \$240,000 Single Family Home with 3.5% down payment or rent for \$1,500 per month?

(Assumptions: We will use a FHA 30year Fixed program, \$235,653 loan amount with 1.75% financed Up Front Mortgage Insurance Premium, 5.375% Rate (5.84% APR, \$4,111 per year Real Estate taxes, \$315 Association Dues, and 28% Income Tax Bracket).

MONTHLY HOME OWNERSHIP ANALYSIS																													
	Rent	Ownership																											
MONTHLY ANALYSIS	Payment	\$1,500	\$1,320																										
	Taxes, Insurance & Other	\$25	\$766																										
	Total Payment	\$1,525	\$2,086																										
	Tax Benefit	\$0	\$422																										
	Principal Paid	\$0	\$264																										
	Net Monthly Payment	\$1,525	\$1,400																										
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OWNERSHIP ANALYSIS						
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60 MONTHS ANALYSIS	Total Payment	\$100,961	\$125,136			
	Principal Paid	\$0	\$18,131			
	Tax Benefit	\$0	\$24,669			
	Net Cost	\$100,961	\$82,336			
	Real Estate Value	\$0	\$278,226			
	Loan Balance	\$0	\$217,522			
	Total Equity	\$0	\$60,703			
120 MONTHS ANALYSIS	Total Payment	\$229,402	\$250,272			
	Principal Paid	\$0	\$41,837			
	Tax Benefit	\$0	\$47,778			
	Net Cost	\$229,402	\$160,657			
	Real Estate Value	\$0	\$322,540			
	Loan Balance	\$0	\$193,816			
	Total Equity	\$0	\$128,724			
OVERALL	Total Investment in 60 Months	\$28,515	\$0			
	Total Investment in 120 Months	\$42,821	\$0			
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If you plan on renting a 2 bedroom apartment for \$1,500 you could buy a 2 bedroom home for \$240,000 with **3.5% down payment** and pay a monthly mortgage payment of \$2,086 but you will save \$422 per month on taxes, interest, and PMI plus your principal paid would be \$264, so your payment will be \$1,400 per month on an after-tax basis* which is \$125 lower than renting the apartment. Don't you figure out your budget with your **net pay** not gross pay? Try some calculations on your own to see if home ownership is right for you. Finally, don't forget you will be building up wealth through appreciation in value and reduction in principal on the mortgage loan.

3. No Place Like Home-Finally, there is nothing like owning your own home. I started out as



a renter, and the thought came to me one day "why am I paying rent?" I bought a condo in Evanston and lived there for five years, built up some equity, and then purchased a multi-family building. I became a landlord and collected rents from other people. Then, I moved to a nice single family home in the suburbs and I have my own backyard and garage and nobody tells me what to do. Is that what you want? You need to start somewhere, and buying a moderately priced condo or starter home might be your best bet, but please stop paying your

landlord!