



I specialize in Real Estate Financial Strategies for Investors and Homeowners.

Now that is a strange way to open up, but I have realized that many of my clients, friends and family feel they should only refer me people who are investors or are looking to invest. So I thought it would be a good idea to clarify some of the ways that I can help you and those you care about, not just with investment property, but with purchasing or refinancing a primary residence too. (Who knows? I may convert them to an investor in the process☺, but I can certainly help them save a lot of money on their home even if that is all they are looking to do).

Here are just a few of the **Top Mistakes of Homeowners** (or want to be Homeowners) that with some financial strategizing can be avoided:

1. **Worrying about Qualifying more than Affording!** The most common first inquiry for someone thinking of buying a home is in regards to qualifying, rather than in regards to affording. Of course, the typical loan officer wants to get you the biggest loan they can and they want you to be happy with them because they got you the loan for the biggest home possible. While this may serve the short term relationship during the transaction, in the long term this type of mentality is how we have many homeowners struggling to stay on top of payments and in mortgages that they do not understand and are consuming them. Lenders will often times lend to someone far more than that person should borrow. So, the first analysis needs to be on the budget and what can be afforded; then we can look at appropriate loan products for the situation to get the most home for the payment they can afford. Tax Idea: Many beginning homeowners also often forget to consider that they will get a mortgage interest tax deduction on their home mortgage interest. Always check with your CPA for tax advice, but this knowledge can help accurately assess affordability.
2. **Unnecessary Down Payment!** After realizing how much a home actually costs on a monthly basis, many homeowners try to lower their monthly payments by putting more down payment. For example: By putting an extra \$50,000 in down payment, they can save \$270.83/month (based on a 6.5% interest only mortgage). This sounds good to them. But if instead they chose to pay an extra \$6,480 towards discount points, they would save the same \$270.83/month by lowering their interest rate (based on \$500,000 loan amount). If they are looking to lower their payment, they can accomplish the same thing for much less money out of pocket with points rather than down payment. (Warning: Do not decide based on this simple explanation that points are always good. A much more thorough analysis of the math must be done and is something I always do as a part of the Rate Lock Consultation.) Tax Idea: I believe that homeowners are able to get a mortgage interest write off up to \$1 million on purchase money financing. Once your purchase money financing loan amount is set, you cannot increase it later for

the mortgage interest write-off (unless within 90 days and some exceptions apply). Also, points on your purchase loan may be tax deductible in that year. Always check with your CPA for tax advice, but these could be other reasons to look at a larger loan on home purchase financing.

3. **Demanding a certain Loan Program without Comparing Current Options!**

Most amateur borrowers believe it is their main responsibility to call multiple lenders and shop around for the best rate possible. While we could have a whole other discussion on the best way to shop for a rate, the point is that most often they have already determined that they want to have a 30 year Fixed or 5 year ARM and are focused on getting the best rate for that product. What is entirely overlooked is whether or not that is the right program to be shopping for in the first place. Understanding how the mortgage can be used as a tool to improve their cash flow and net worth is key, but that is not enough. Due to the always changing mortgage market the loan program decision cannot be made without the current market data. The borrower may think that they are educated and do not need help choosing a loan program because they read in a book that amortizing a loan is not a good investment, or paying for security longer than the time you are going to have the loan is unwise; but what if the amortized payment is less than the interest only payment, or the 30 year Fixed loan is less expensive than a 5 year ARM? You can see how the current market data (which varies constantly and by lender) is an essential part of the process. Tax Idea: As of January 2007, I believe that PMI for many people is now tax deductible. Always check with your CPA for tax advice, but this should now come into the equation when comparing the cash flow on different loan structures.

Although these are just a few of the things to consider, you can see how very important financial strategy is, not just to an investor, but a homeowner as well. If you or someone you know is considering purchasing or refinancing a home, the best way to ensure affordable monthly payments, no unnecessary cash out of pocket or equity, and the right loan program and pricing is to work with a mortgage consultant that is trustworthy in ethics, competence and care and understands financing strategies to optimize bottom line results.

By the way, I love your referrals and always have time for you and those you care about! I look forward to serving you and helping you build wealth for your family. Give me a call whenever I can be of assistance.

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