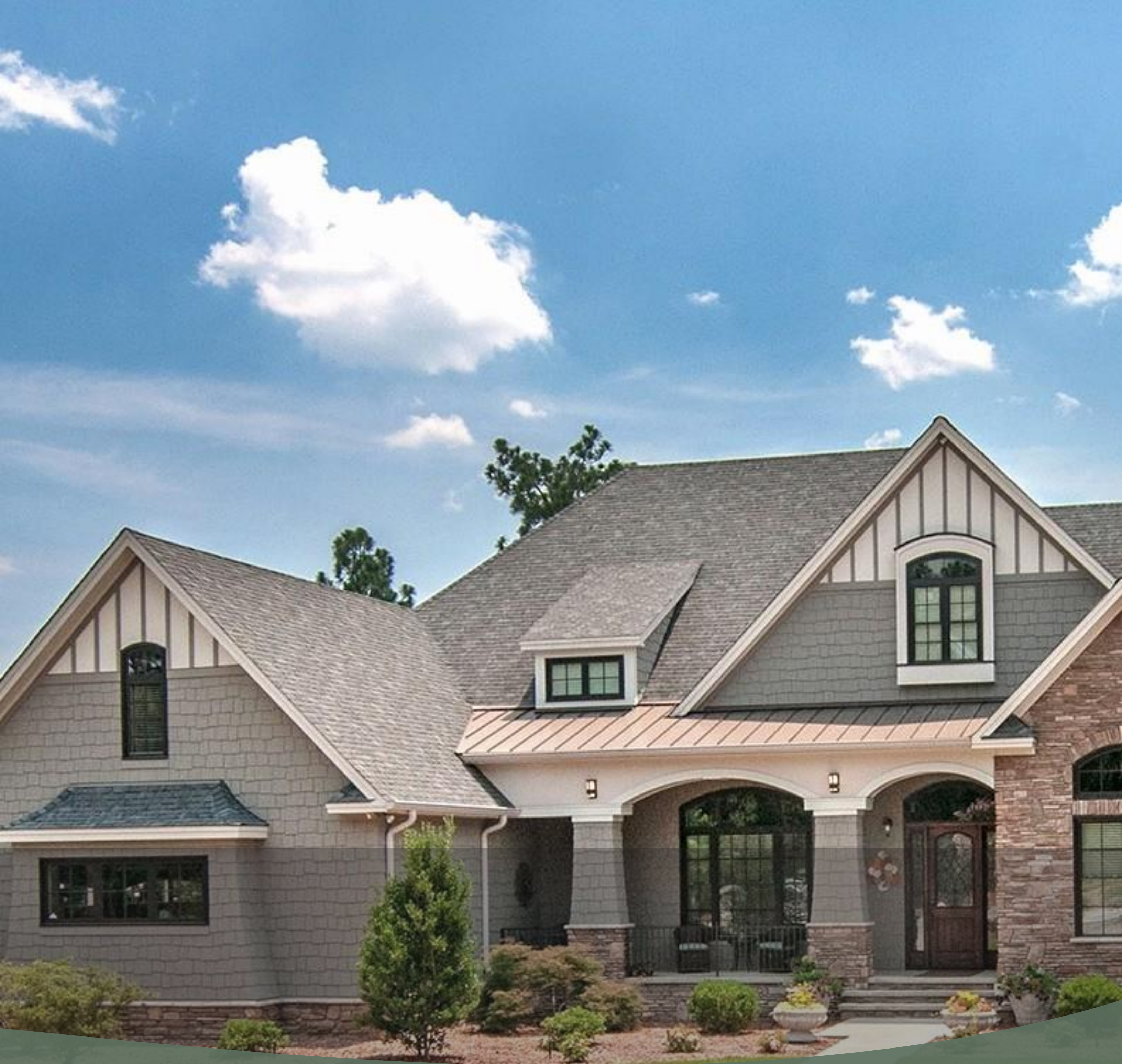

BUYER'S GUIDE

IMPORTANT THINGS TO CONSIDER WHEN BUYING A HOME

COURTESY OF

Ursel Mayo|Mayo Real Estate Group

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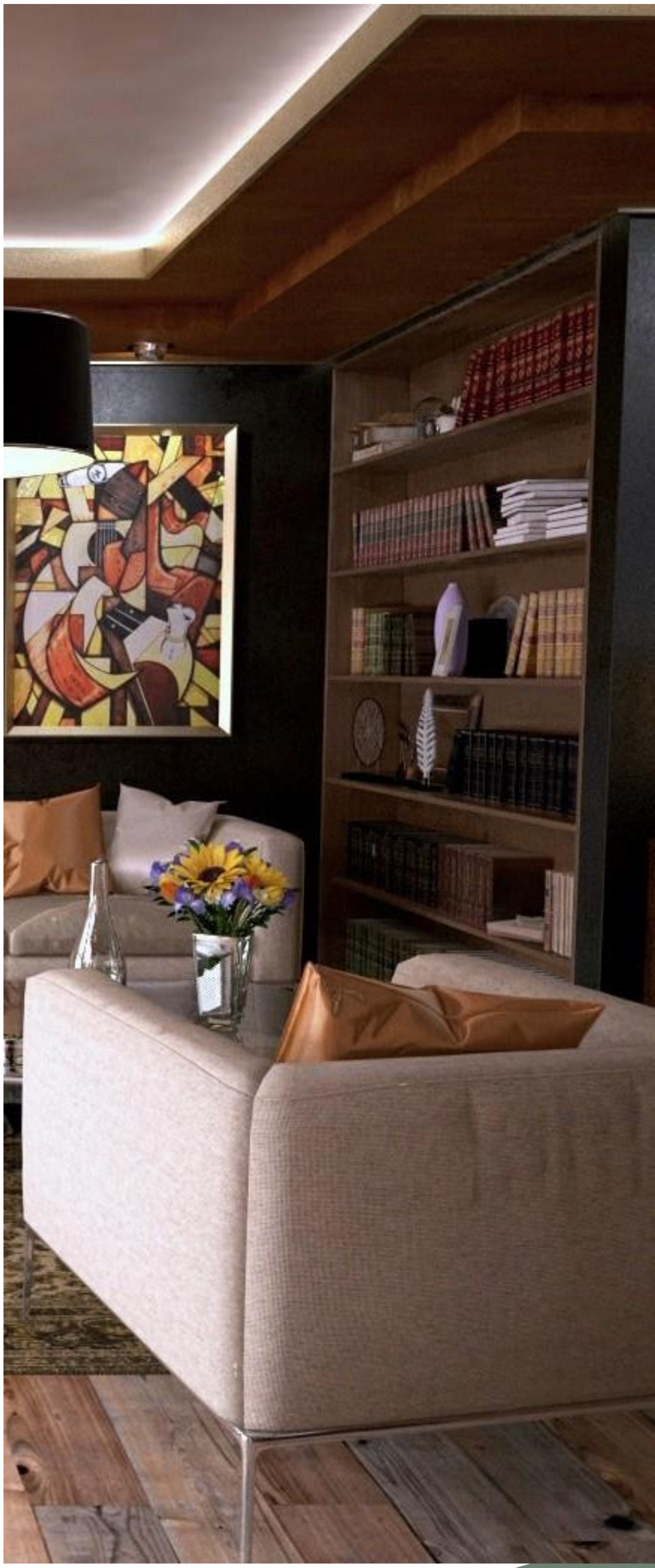
OWNING MAKES SENSE



When comparing the cost of owning a home to renting, there is more than the difference in house payment against the rent currently being paid. It very well could be lower than the rent but when you consider the other benefits, owning could be much lower than renting.

Each mortgage payment has an amount that is used to pay down the principal which is building equity for the owner. Similarly, the home appreciates over time which also benefits the owner by increasing their equity.

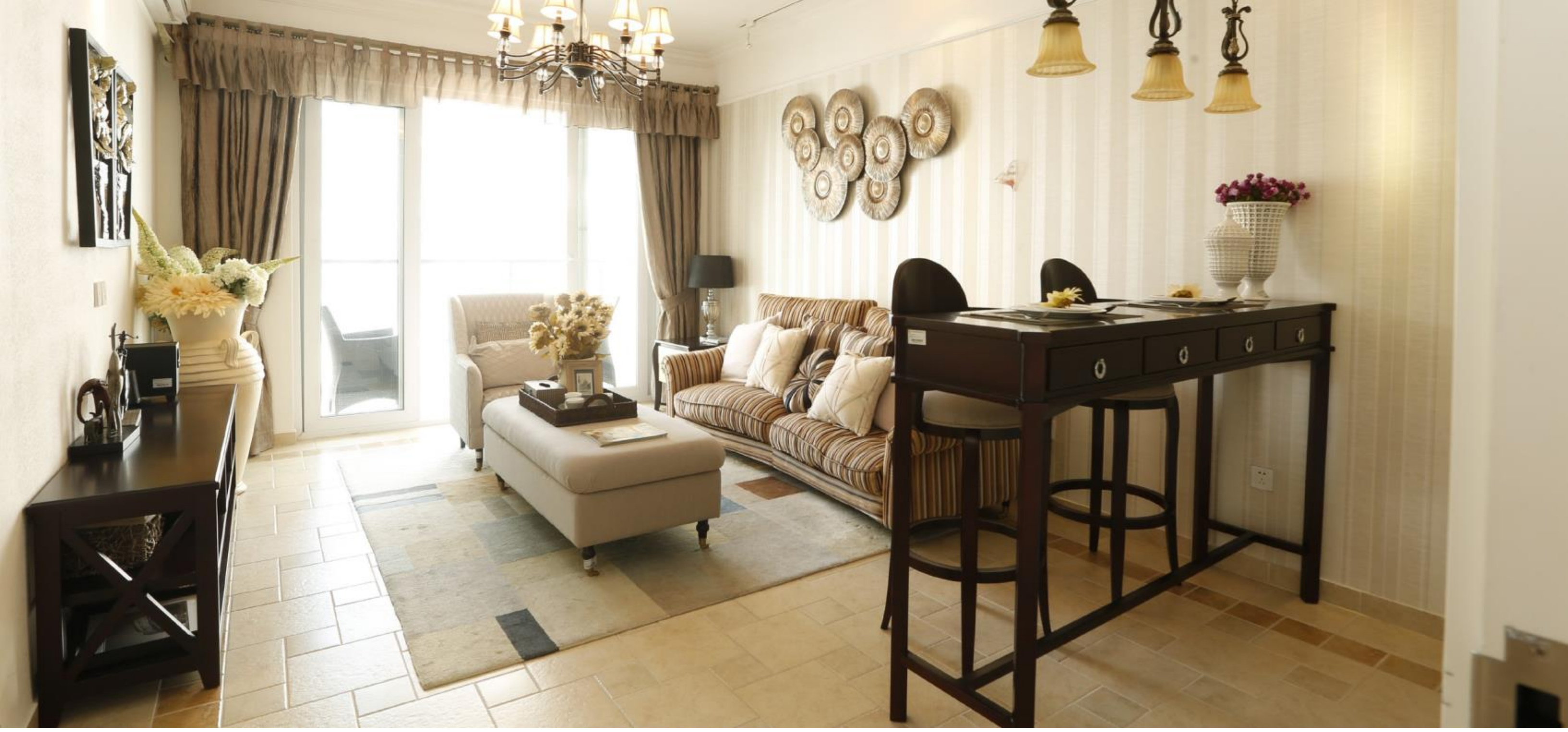
There are additional expenses for owning a home that renters don't have like repairs and possibly, a homeowner's association. To get a clear picture, look at the following example of a $300,000 home with a 3.5% down payment on a 4.5%, 30-year mortgage.

The total payment is $2,264 including principal, interest, property taxes, property and mortgage insurance. However, when you consider the monthly principal reduction, appreciation, maintenance and HOA, the net cost of housing is $1,218. It costs $1,282 to rent at $2,500 a month than to own. In a year's time, it would cost $15,000 more to rent than to own which is more than the down payment and closing costs to buy the home.

With normal amortization and 3% annual appreciation, the $10,500 down payment in this example turns into $112,00 in equity in seven years. Owning a home makes sense and can be one of the best investments a person will ever make.

Contact our office to see a Rent vs. Own with your numbers.

Total Monthly Payment (PITI + MIP)	$2,263.68
Less Monthly Principal Reduction	396.00
Less Monthly Appreciation	$750.00
Plus Estimated Monthly Maintenance	100.00
Plus Homeowners Association	25.00
Net Cost of Housing	$1,217.67



FORCED SAVINGS

One of the big banks has a voluntary program available that transfers $100 each month from your checking account to your savings account. In a period of five years, the account owner would have over $5,000 in the savings. It is a form of forced savings.

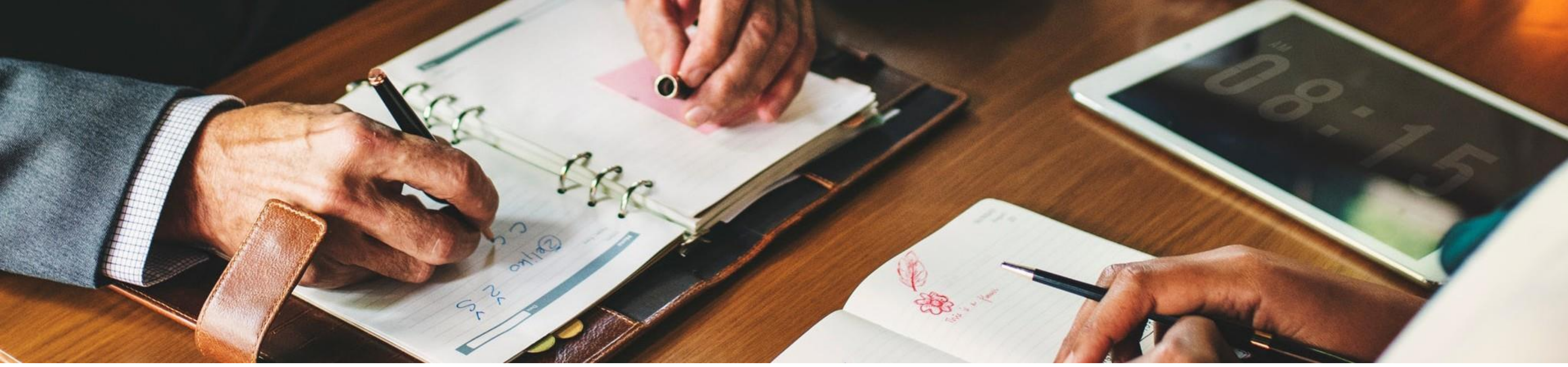
Similarly, when a person buys a home with an amortizing loan, each month, a part of the payment is used to reduce the principal loan amount. Amazingly, almost $3,700 would be applied toward the principal in the first year of a $250,000 mortgage at 5% for 30 years. In five years, the loan amount would be reduced by over $20,000 through normal payments.

The other dynamic that is in play is that while the unpaid balance is being reduced, appreciation increases the value. The difference between the two makes the equity grow even faster. Three percent appreciation on a $250,000 home would increase its value in five year by almost $40,000.

A 30-year mortgage of $250,000 will be paid for in 30 years. At an average of 3% appreciation, the asset would be worth about $600,000. If you continue to rent, the asset belongs to your landlord instead.

Many experts believe that the homeowner benefits from the forced savings of amortization and the leveraged growth that takes place in the investment. It has been observed in the tri-annual Consumer Finance Survey by the Federal Reserve Board that homeowner’s net worth is 44 times higher higher than that of renters.

Rent or buy, you pay for the house you occupy…either for yourself or your landlord.



7 REASONS TO BUY NOW

1. The house payment with taxes and insurance is probably cheaper than the rent.

2. Rents will continue to rise making the difference even greater in the future.

3. Lock-in the principal & interest payment with a fixed-rate mortgage.

4. 30-year mortgage terms are available to most borrowers.

5. The mortgage interest deduction is intact for taxpayers.

6. The capital gain exclusion for principal residences up to $500,000 remains in place.

7. Prices are continuing to increase partially due to lower inventories and several years of low housing starts.

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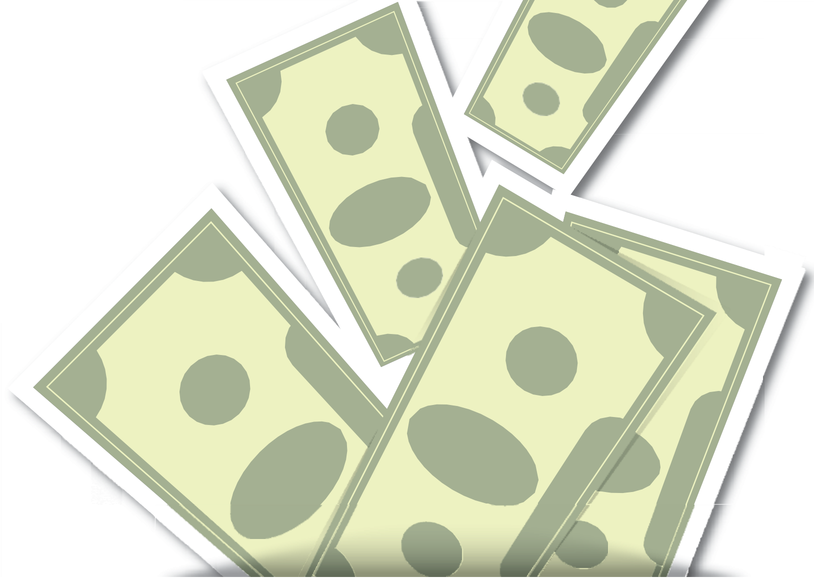
LOW DOWNPAYMENT OPTIONS



It is increasingly more difficult for first-time home buyers to save for their down payment. Contributing factors include rising rents, rising home prices, student loan debt and flat wages.

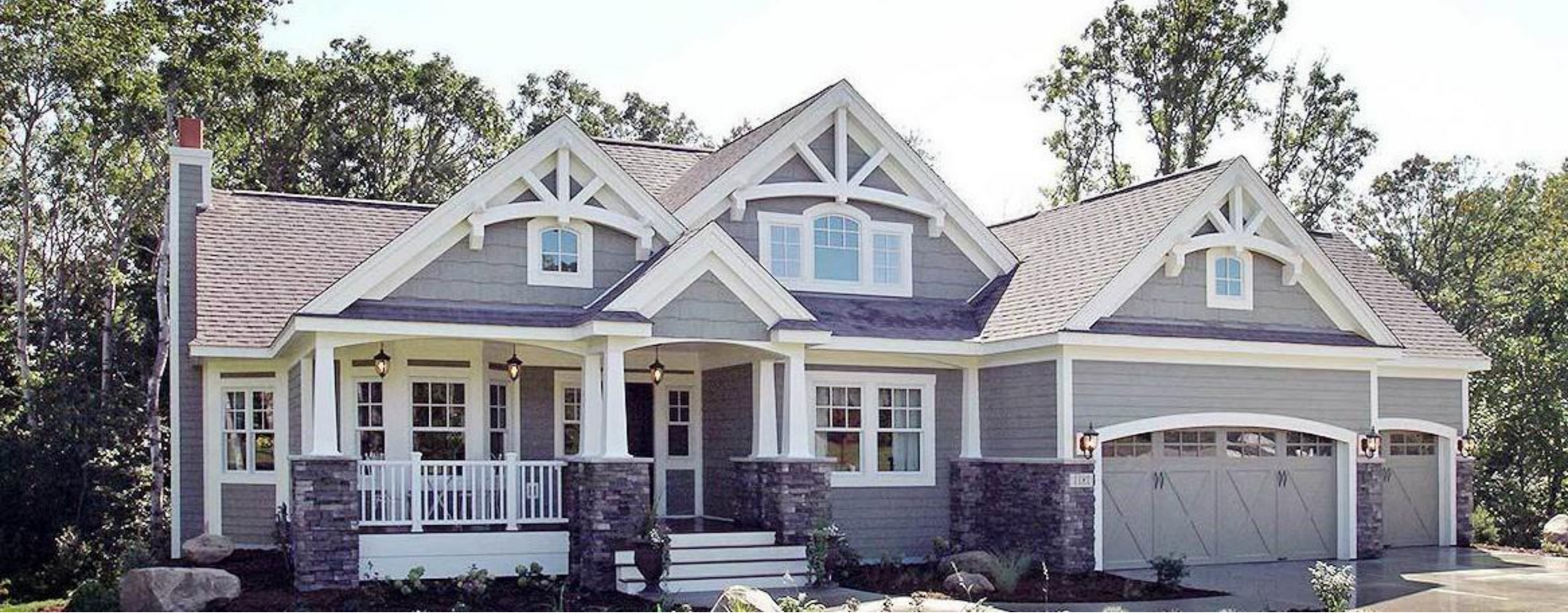
Some would-be buyers cannot buy a home today but there is a large segment of them who are making decisions based on inaccurate assumptions.

Nine out of ten non-owners believe they need ten percent or more for a down payment. The typical down payment for first-time buyers is six percent. VA has 100% loan programs as well as USDA for certain qualifying areas and buyers. FHA is known for 3.5% down payments. And FNMA and Freddie Mac have down payments as low as 3% and 5%.

There are gift provisions available for buyers who have an “angel” who would like to help them with their down payment.

There are ways to borrow against a person’s qualified retirement program for a down payment. It isn’t necessarily limited to the buyer but could include a relative. Interestingly, a son or daughter can borrow against their retirement to benefit the parents.

In some respects, having good credit and sufficient income is more important than the down payment. Don’t rely on “common knowledge.” Get expert advice and counsel to see if there is a way to advance your dream of owning a home.



DOWNPAYMENT: FOUND!

Saving the down payment may be unnecessarily keeping would-be buyers from getting into a home. The funds may be available, and they were unaware they could access them.

The NAR Profile of Home Buyers and Sellers reports that 81% of first-time buyers got all or part of their down payment from savings. Less than 4% said that all or part of the down payment came from a withdrawal in their IRA and 8% from their 401k or pension fund.

Traditional IRAs have a provision for first-time buyers which include anyone who hasn't owned a home in the previous two years. A person and their spouse, if married, can each withdraw up to $10,000 from their traditional IRA for a first-time home purchase without incurring the 10% early-withdrawal penalty. However, they will have to recognize the withdrawal as income in that tax year. For more information, go to IRS.gov.

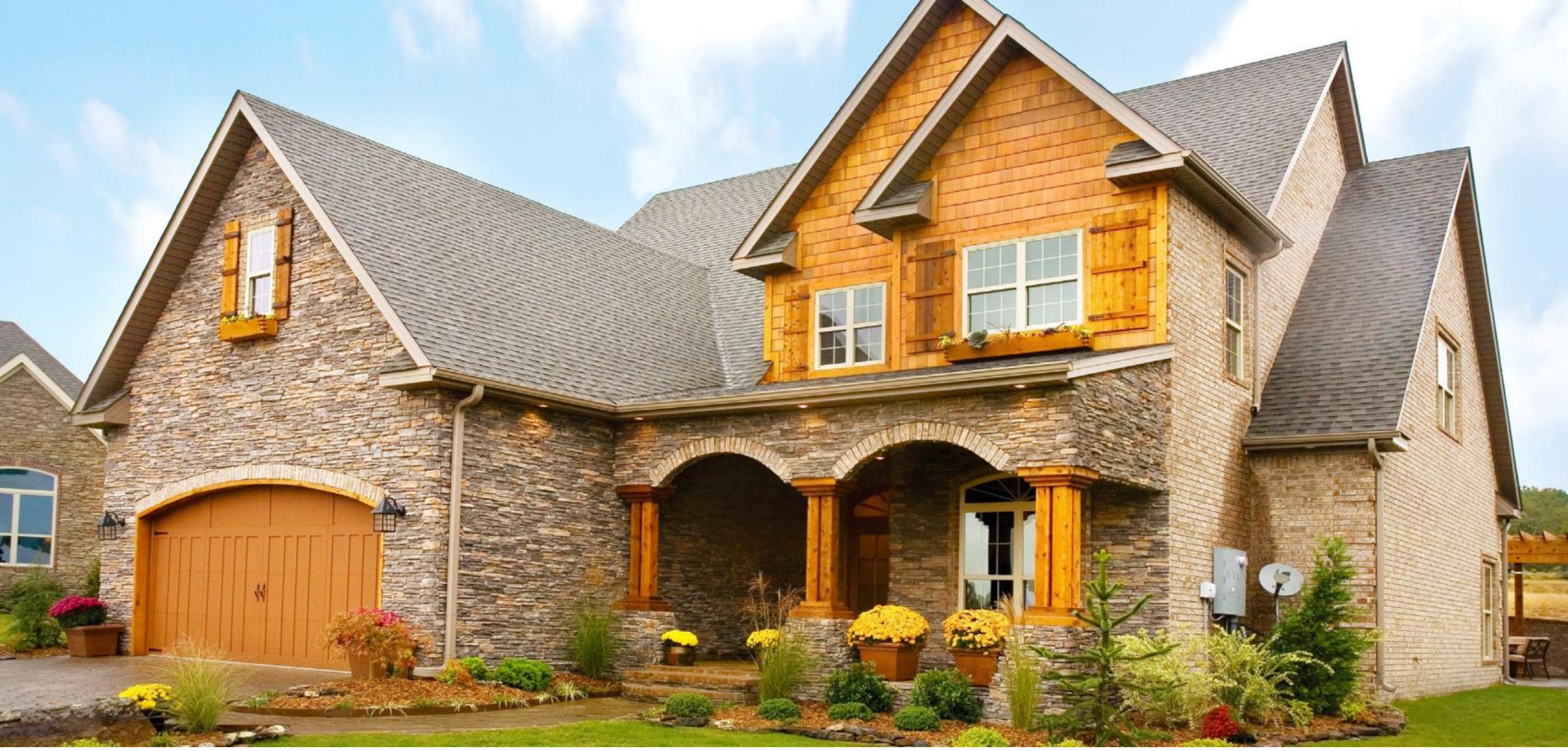
Allowable withdrawals from traditional IRAs can be from yourself and your spouse and your or your spouse's child, your or your spouse's grandchild or your or your spouse's parent or ancestor.

Roth IRA owners can withdraw their contributions tax-free and penalty-free at any age for any reason because the contributions were made with post-tax income. After age 59 ½, earnings may be withdrawn as long as the Roth IRA have been in existence for at least five years.

Up to half of the balance of a 401(k) or $50,000, whichever is less, can be borrowed by the owner at any age for any reason without tax or penalty assuming the employer permits it. There can be specific rules for loans from 401(k)s that would determine the repayment; interest is usually charged but goes back into the owner's account. You can consult with your HR department to find out the specifics.

A risk in borrowing against a 401(k) comes if your employment ends before the loan has been repaid. The loan may have to be repaid within as soon as 60 days to keep the loan from being considered a withdrawal and subject to tax and penalty. Even if you continue with the same employer, failure to repay the loan could be considered a withdrawal also.

Your tax professional can provide you specific information on how making a withdrawal from your retirement program might affect you. Additional information can be found on www.IRS.gov.



WAITING WILL COST BUYERS *MORE*

An economist was once asked how interest rates would change and he said: "They may fall some and then, rise and after that, they'll fluctuate."

Increased rates directly affect the payments on homes but so does the price. With inventory levels remaining low, the prices will continue to go up. When interest rates and prices rise at the same time, it will cost buyers a lot more.

If the mortgage rates go up by one percent and prices increase by five percent in the next year, the payment on a $250,000 home could go up by $200 a month. In a seven-year period, the buyer would pay $18,000 more for the home.

People planning to buy a home, need to investigate the possibilities of accelerating their timetable to take advantage of lower rates and prices.

SALES PRICE

MORTGAGE

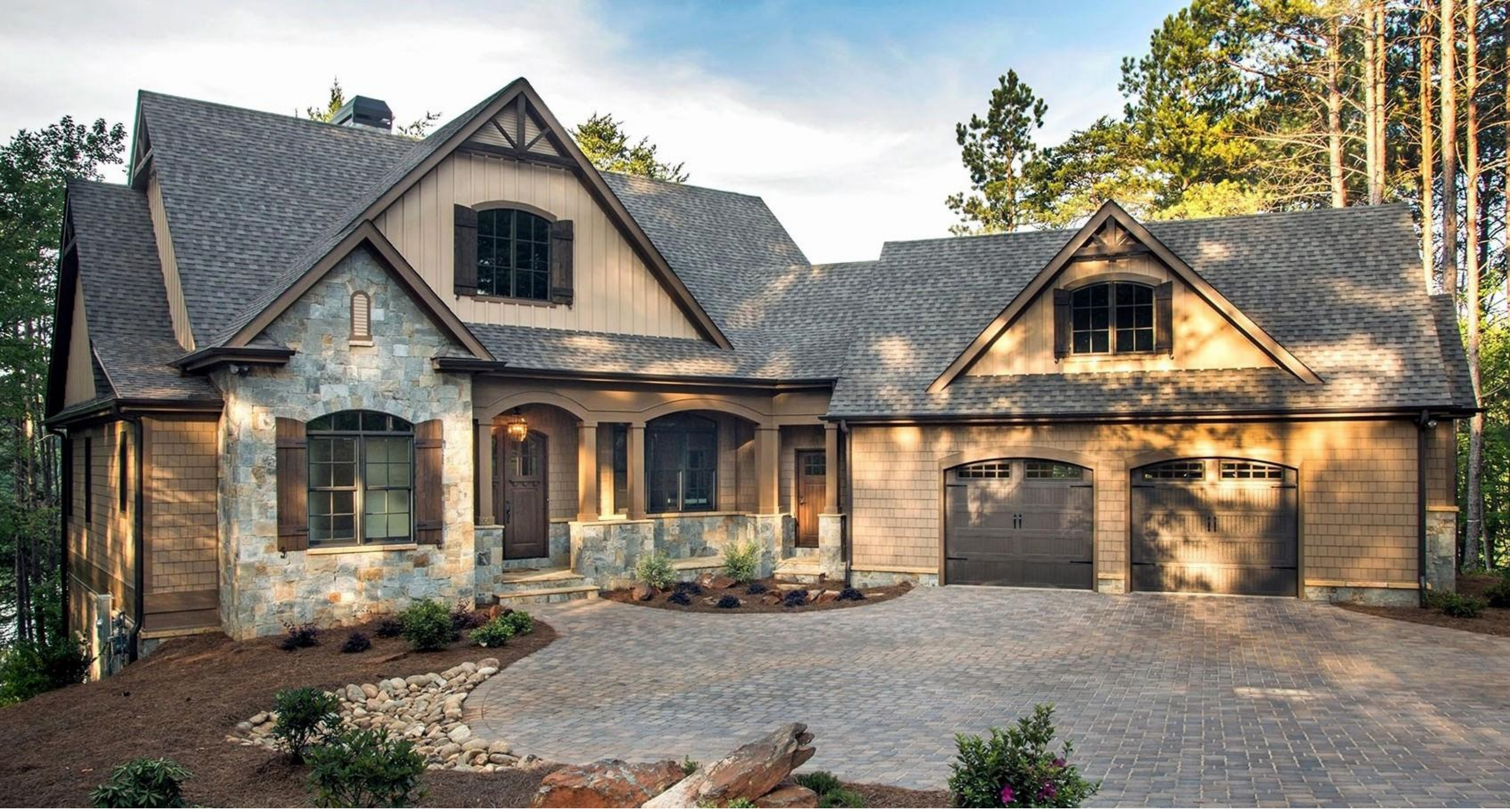
CURRENT RATE VS POSSIBLE 1% CHANGE

MONTHLY PAYMENT

PAYMENT DIFFERENCE

ADDITIONAL COST FOR 7 YEARS

ADDITIONAL COST FOR 30 YEARS



NOT AVAILABLE FOR ALL BUYERS

Lenders regularly publish mortgage rates, but they may not be available for all buyers.

Imagine that the mortgage payment based on an advertised rate influenced a buyer to make an offer on a home. After negotiating a binding contract, this buyer makes a loan application and finds out that for any number of possible reasons, that rate isn't available.

Even if the person does financially qualify for a loan at a higher interest rate, it will not be the payment that the buyer expected when the contract was negotiated.

Lenders evaluate several factors such as the borrower's credit score, debt-to-income and loan-to-value ratios. These variables are used to assess the risk associated with the repayment of the loan. While mortgage money is a commodity, it isn't priced the same way items are that involve cash for goods. The lender puts up the money today based on a promise from the borrower to repay over a long term, possibly up to thirty years.

The simple solution to avoid surprises such as the one described here is to get pre-approved at the beginning of the home search process. Since pre-qualification is not the same, call if you'd like a recommendation of a trusted mortgage professional.

5 THINGS THAT HURT YOUR CREDIT SCORE

PAYMENT HISTORY	AMOUNTS OWED	LENGTH OF CREDIT	NEW CREDIT	TYPE OF CREDIT
35%	30%	15%	10%	10%

Credit scores are used by lenders to measure the credit worthiness of borrowers. While there are several different companies that offer scores, the FICO, Fair Isaacson Corporation, is the model that is used most often.

There are five key components that determine the overall score or rating. The most emphasis, 35% of the overall score, is placed on payment history which reflects whether the borrower paid on time and as agreed by the terms of the credit. Being late, missing payments or going into default would have adverse effects on this part of the score.

The second largest component, 30%, is credit utilization or the amount owed in relation to amount available. A person might have a $4,000 outstanding balance on available credit of $20,000. This would be a 20% ratio and would be considered acceptable. Owing $15,000 on $20,000 of available credit would be a 75% ratio and would negatively affect this part of the credit score.

The combination of all five areas make up the total score which lenders use to determine credit worthiness. Another confusing issue is that all credit scores are not mortgage credit scores. This particular score determines not only whether the lender will make a mortgage but at what interest rate.

The best place to get your credit score if you're planning on purchasing a home is from a trusted mortgage professional. This person will be able to suggest things to improve your score if necessary. Buying a home is one of the largest investments in most people's lives; it is really not a do-it-yourself activity.

PRE-APPROVAL IS GOOD FOR EVERYONE

Buyer's mortgage pre-approval is good for everyone in the transaction. It saves time, money and removes the uncertainty of knowing whether the buyer will be qualified after negotiating a contract. The direct benefits include:

» Looking at "Right" homes - price, size, amenities, location

» Find the best loan - rate, term, type

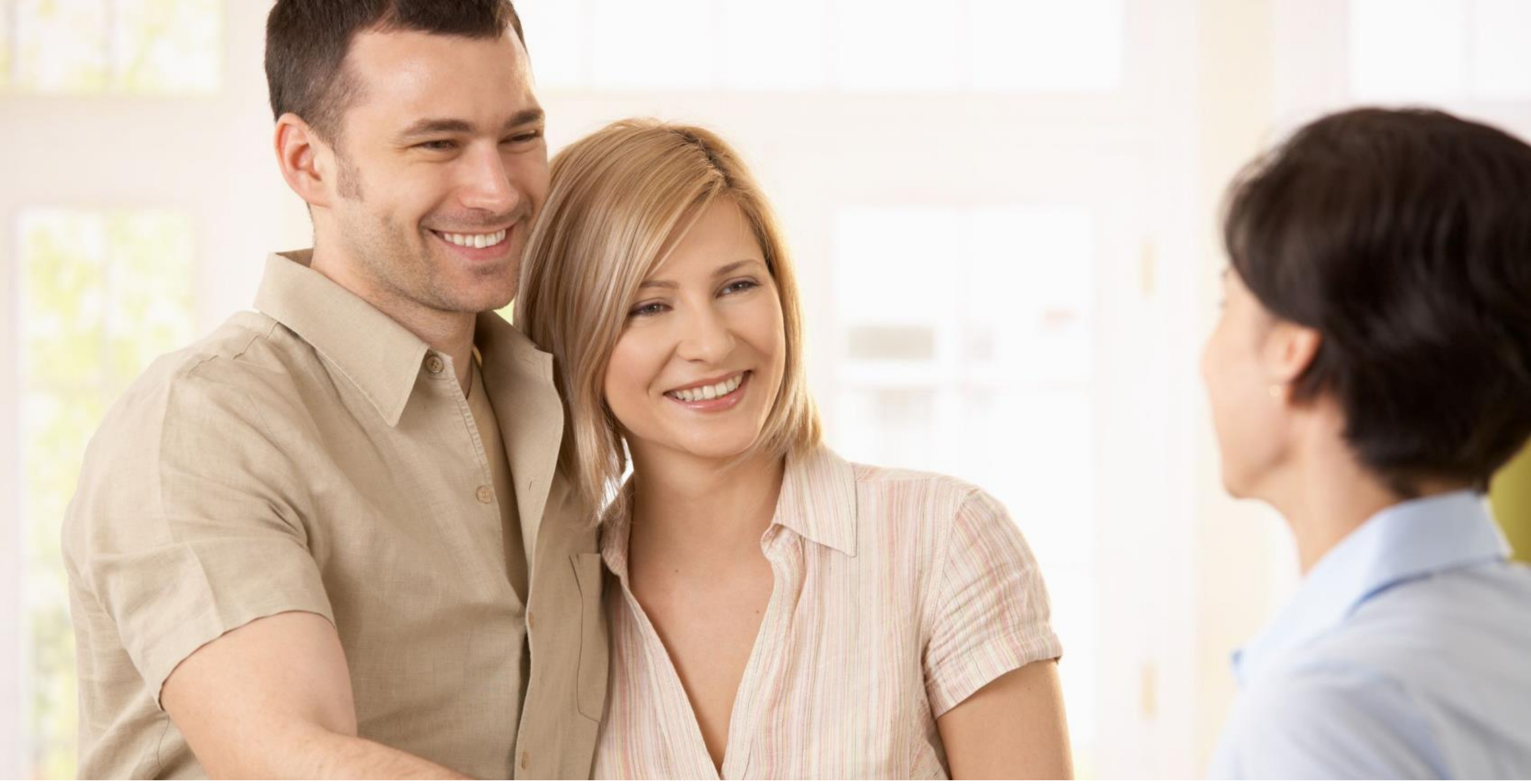
» Uncover credit issues early - time to cure possible problems

» Negotiating power - price, terms, & timing

» Close quicker - verifications have been made

There is significant difference in having a trusted mortgage professional take a loan application and run all the necessary verifications compared to going through calculators on a lender's website. Beside the peace of mind, the cost of being pre-approved is a bargain and generally, limited to the cost of the credit report.

Even if a person has been pre-approved, a second opinion from a different lender may be a good option. It can verify there is a good deal or you'll discover that you can improve it. Either way, it works to your advantage.



DISCOVER THE RIGHT LENDER

There is no shortage of lenders ready and willing to take your application fees to start the loan process. Without having to use a search engine, they're listed on a variety of websites, many of which have nothing to do with real estate.

Doing business with a full-time professional who specializes in residential loans like you're trying to get is important. You want the loan officer to be familiar with local conditions, values and practices.

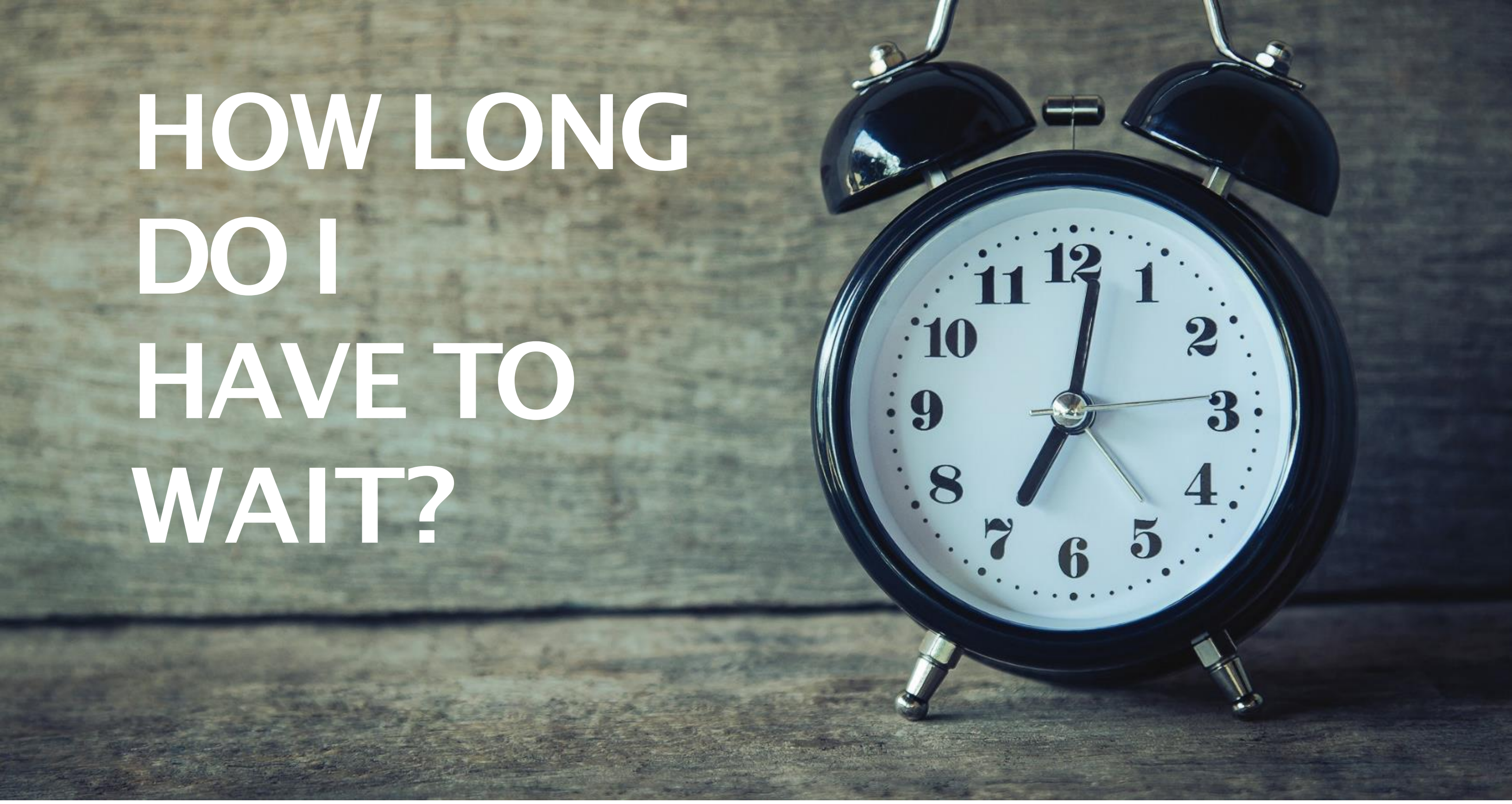
There is a huge advantage to be able to sit across the table from someone you're doing business with and look them straight in the eye. It's difficult to make an informed decision based on a website and a phone call.

It's to your benefit to have a loan officer who has the experience to put the unusual transaction together. With ever-changing underwriting guidelines, the unexpected is now commonplace. Here are a few questions that will be helpful in selecting the right loan officer.

- What percentage of your business are FHA, VA & conventional mortgages and how long have you been doing them?
- What percentage of your loans close on time according to the sales contracts?
- Will my credit score affect my interest rate?
- Will you help me select the best loan product for me regardless of what types you have to offer?
- Are there prepayment penalties on any of the loans we're considering?
- Are there any restrictions on refinancing of any of the loans we're considering?
- When is my loan rate locked-in? Is there a charge for that? Is there a float-down option?

A real estate professional can be your best source of information and can recommend a lender.

HOW LONG DO I HAVE TO WAIT?



The question concerning people who've had a foreclosure, short sale or bankruptcy is when they will be able to qualify for a mortgage loan. It takes different amounts of time to heal credit scores based on the event.

The following chart is meant to be a general guide for how long a person might have to wait. During this waiting period, it's important that the person be current on all payments and maintains a history of good credit.

A recommended lender can give you specific information regarding your individual situation and can make suggestions that will improve your ability to qualify for a mortgage. We want to be your personal source of real estate information and we're committed to helping from purchase to sale and all the years in between.

	FHA	VA	USDA	FNMA/Freddie Mac	Jumbo
Foreclosure	3 years	2 years	3 years	7 years	7 years
Deed-in-Lieu of Foreclosure	3 years	2 years	3 years	2 years 4 years 7 years *<80% 81-90% >90%*	7 years
Short Sale	3 years	2 years	3 years	2 years 4 years 7 years *<80% 81-90% >90%*	7 years
Chapter 7 Bankruptcy	2 years	2 years	3 years	4 years	7 years
Chapter 13 Bankruptcy	1 year	1 year	1 year	2 years	7 years

WHAT TO AVOID BEFORE CLOSING YOUR NEW HOME

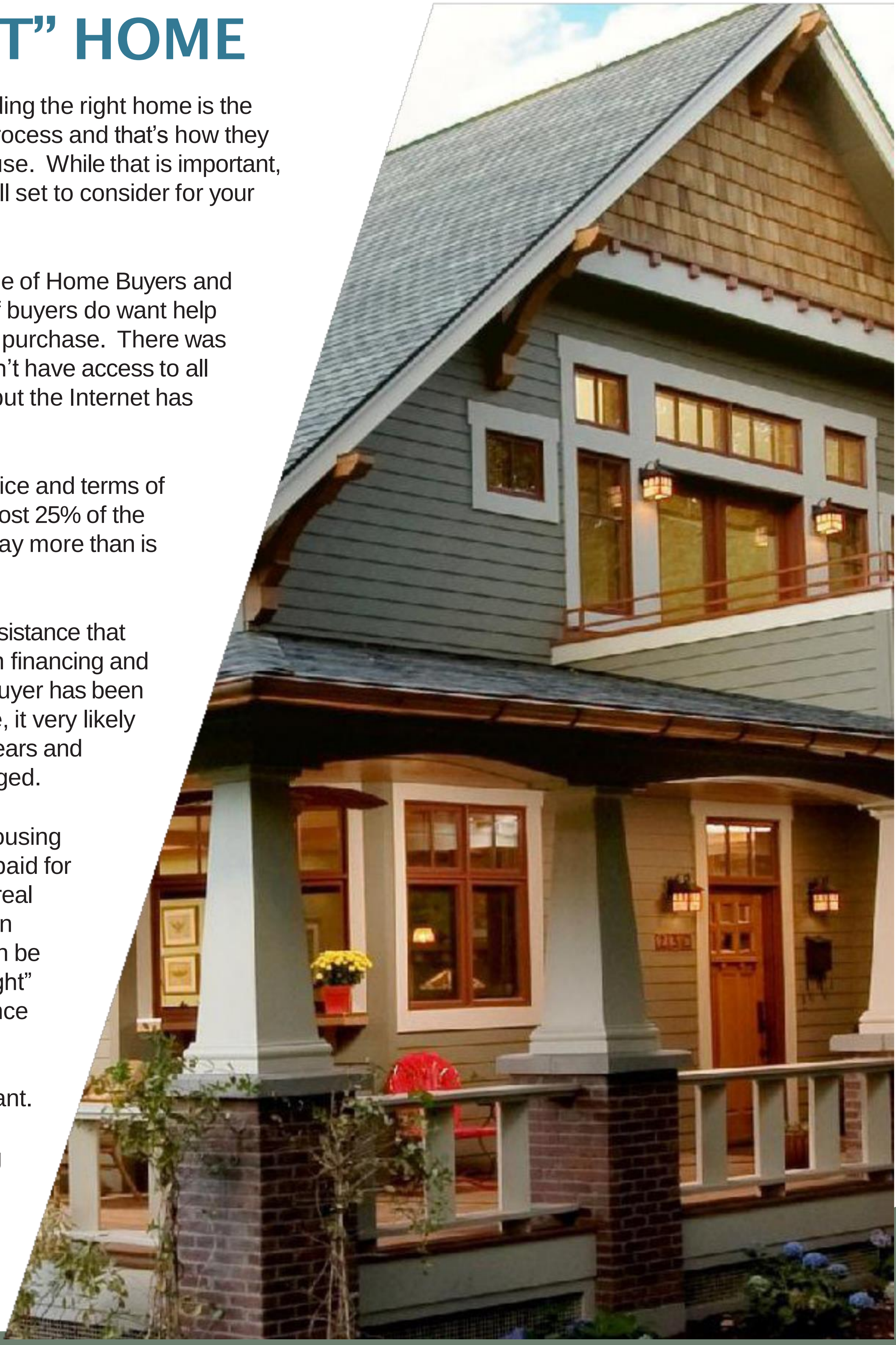
It's understandable; you're excited; you've found the right home, negotiated a contract, made a loan application and inspections. Closing is not that far away, and you are making plans to move and put personal touches on your new home.

Even if you have an initial approval on your mortgage, little things can derail the process which isn't over until the papers are signed at settlement and funds distributed to the seller. The verifications are usually done again just prior to the closing to determine if there have been any material changes to the borrower's credit or income that might disqualify them.
Most lending and real estate professionals recommend NOT to:

- Make any new major purchases that could affect your debt-to-income ratio
- Buy things for your new home until after you close
- Apply, co-sign or add any new credit
- Close or consolidate credit card accounts without advice from your lender
- Quit your job or change jobs
- Change banks
- Talk to the seller without your agent

Your real estate professional and lender are working together to get you into your new home. It's understandable to be excited and feel you need to be getting ready for the move.
Planning is fine but don't do anything that would affect your credit or income while you're waiting to sign the final papers at settlement.

THE "RIGHT" AGENT *AND* THE "RIGHT" HOME



Some buyers think that finding the right home is the critical part of the buying process and that's how they determine which agent to use. While that is important, there may be a broader skill set to consider for your real estate professional.

The most recent NAR Profile of Home Buyers and Sellers indicate that 52% of buyers do want help in finding the right home to purchase. There was a time when the public didn't have access to all the homes on the market, but the Internet has changed that.

Helping to negotiate the price and terms of sale were identified by almost 25% of the buyers. No one wants to pay more than is necessary.

The next largest area of assistance that buyers value has to do with financing and the paperwork. Even if a buyer has been through the process before, it very likely could have been several years and things have probably changed.

Since an owner's cost of housing is dependent on the price paid for the home and financing, a real estate professional skilled in these specialized areas can be invaluable in finding the "right" home. An agent's experience and connections to allied professionals and service providers is equally important.

Ask the agent representing you to specifically list the tools and talent they have available to address these areas.

FACTS OR MYTHS

"It's impossible to get low down payment loans." – FACT! FHA down payments are 3.5% and VA is 0%. In some areas, there may be some 0% down payment USDA loans available. FNMA and Freddie Mac have 3% down payment programs.

"It takes perfect credit to get a loan." - FACT! There is a relationship of better rates to better credit but many issues on a credit report can be explained or corrected. The way to know for sure is to speak to a reliable lender.

"If I've had a bankruptcy or foreclosure, I can't qualify." - FACT! Credit history following a bankruptcy or foreclosure is very important and there can be extenuating circumstances. It only takes a few moments with a reliable lending professional to find out if your individual situation will allow you to qualify for a new mortgage.

"All lenders are the same." - FACT! Reliable lending professionals will explain the entire process before collecting fees, quote fees up-front, have competitive products, do what is necessary to get the loan approved, and close at the locked rate and terms. Ask for recommendations from recent borrowers.

"Getting pre-approved is expensive." - FACT! Usually, the only expense to getting pre-approved is the cost of the credit report which could be around $35. The advantage is that you will know that you qualify for a particular mortgage amount.

"I should wait to qualify until I find a home." - FACT! It can take time to qualify for a mortgage especially if there are issues that need to be corrected. The best interest rates are only available for the highest credit scores. It is to your advantage to start the qualifying process early in your home search.

"Adjustable Rate Mortgages are more expensive than fixed rate mortgages." - FACT! Adjustable Rate Mortgages can be less expensive than fixed rate mortgages if the buyer's circumstances warrant it. If a buyer is only going to be in a home for a few years before selling, it can be determined if an ARM loan will result in the lowest way to finance the property. There are many variables and you need to be aware of them before deciding which type of loan to finance your home purchase.

Buyers and Sellers need solid information to make good decisions. Call us with your questions or to get a recommendation of a reliable lender who can give you the real facts.