

## Current Real Estate Market

- Median prices for single family residences (SFRs) and condominiums have appreciated at 29% from 2009-2010 in Santa Clara County
- Home buyer market drivers
  - Low interest rates
  - Tax benefits
  - Investment value after 3 years of depreciation
  - FHA loan programs available with 3.5% down payment
  - Desire to live in this community

# Rent Vs. Buy

- Renters
  - May not be planning for their financial future
  - At the mercy of landlords and the rental market
  - Don't have tax write-offs
- Property Owners
  - View real estate as a key investment
  - Have a financial plan and goals
  - Enjoy tax advantages of home ownership
  - Understand that property ownership represents a leveraged investment opportunity, reaping equity over time
  - Enjoy living in a home they own
  - Integrate with the community and establish roots

# How Much Can I Afford?

- Start with monthly budget, factoring in:
  - Expenses such as transportation, utilities, health care, insurance, entertainment, education, food
  - Debts from credit cards, student loans, car payments, etc.
  - Income from all sources (W2s, tax returns if self-employed)
- Determine the tax implications of property ownership
  - Consult with tax accountant, financial planner
- Based on your budget, calculate a total monthly housing expense that you are comfortable with
  - Generally up to 45% of gross monthly earnings
  - Includes principal, interest, taxes, insurance, HOA, and maintenance
  - Factor in tax advantages
- Consult with your lender!

# Importance Of Your Credit Scores

- Lenders Use Credit Scores To Evaluate Your Creditworthiness
  - Indicates past credit behavior, weighted toward recent history
  - Predictor of future behavior
  - Your FICO score will affect your loan even if you have excellent income, reserves, assets, and low debt
- Check your credit report
  - Talk to us, and we'll run your report free of charge and explain the details
  - Credit reporting agencies
    - Transunion [www.truecredit.com](http://www.truecredit.com)
    - Equifax [www.freecreditreportservice.com](http://www.freecreditreportservice.com)
    - Experian [www.consumerinfo.com](http://www.consumerinfo.com)
  - Guard against identify theft
- To qualify for favorable loan rates, lenders generally require FICO scores to be 640 or higher (some require 680 or higher)

# The Best Loan For You

- Factors to consider
  - How long before I anticipate selling or refinancing the property?
  - How much payment flexibility do I need?
  - If my payment increases, what will I be able to afford?
  - Do I need the lowest possible initial rate to qualify for a purchase?
  - How much down payment will I need?
  - How much reserves will I need after the purchase?
  - Do I qualify for first-time home buyer assistance and/or government bond programs?
- For answers to these questions and more, consult with your lender!

# Loan Products

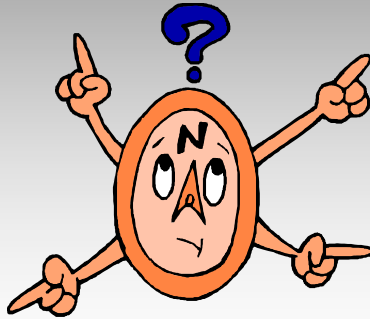
- Traditional fixed rate, fully amortized loans
- Adjustable rate loans
  - Index, margin, cap rate
- Hybrids
  - Interest only
  - Option payment loans
    - Negative amortization, interest only, interest plus principal
- Second loans
  - Closed end
  - Balloon
  - Home equity line of credit
- Terms
  - Points
  - Pre-payment penalties
  - Private mortgage insurance (PMI)

# Choosing The Right Lender

- Reliability and trust
  - Good reputation in the industry
  - Someone you can trust with your most sensitive financial information, who is friendly, responsive, and detail-oriented
- Flexibility and Customer Friendly
  - Match your needs to specific loan package, not vice versa
  - Ability to get loans processed quickly
  - Ability to facilitate gathering your information with a minimum amount of time and effort on your part
- Credit Counseling
  - Ability to review and explain your credit report with you, and provide tips on how to improve your FICO score if needed

# Match Your Profile To The Market

No Matches?



CONSIDER....

- Increasing Your Price Range
- Look In Other Areas
- Be Less Picky
  - Modify your profile
- UNTIL YOU FIND ONE OR MORE

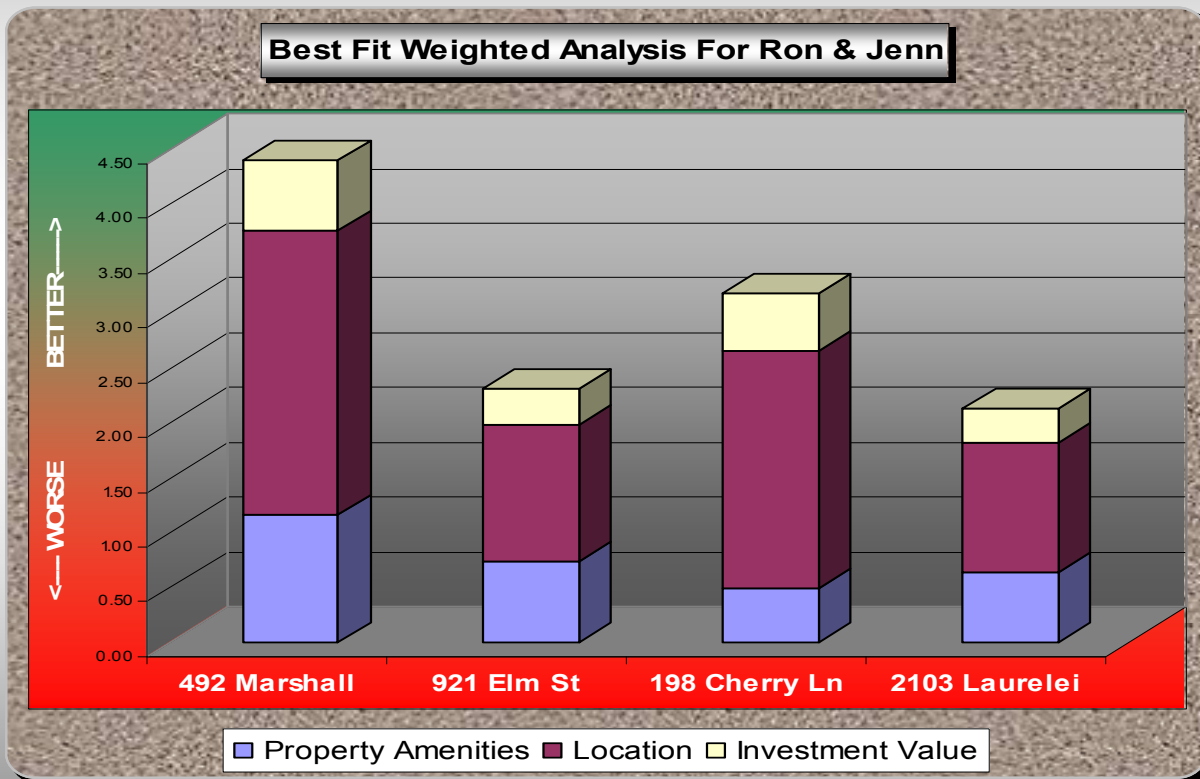


Found One Or More!

- Preview them
  - Complete score card with your grades
  - Add grades to profile
- ...You've found your best fit!

# Best Fit Analysis

Weighted, Graded, Racked and Stacked!

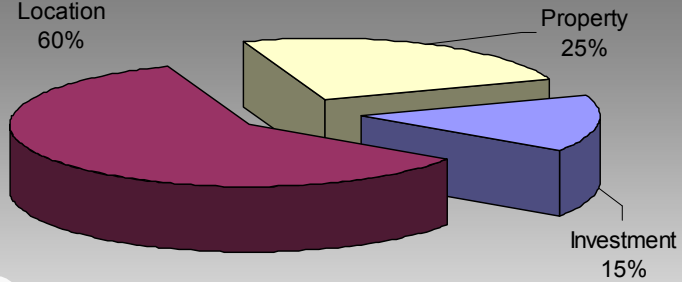


Roll up category scores  
Apply category priorities  
Stacked bar chart

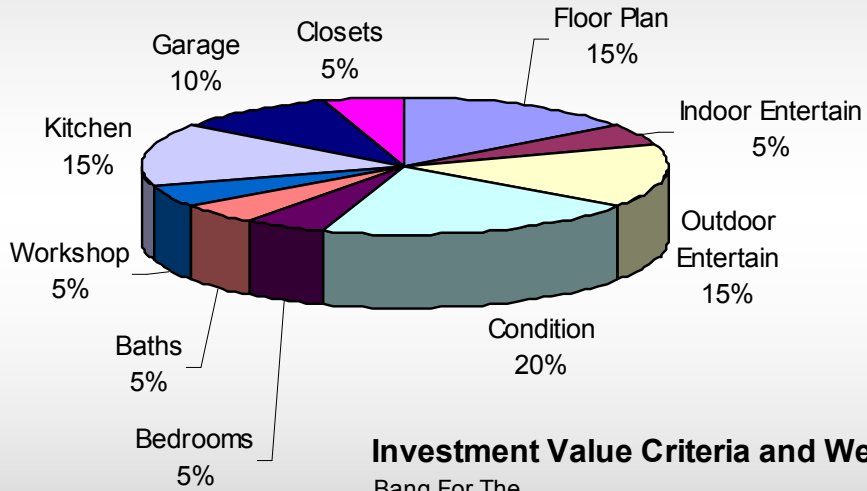
Prepared By David Jordan,  
Realty World Northern CA

# Establishing Priorities

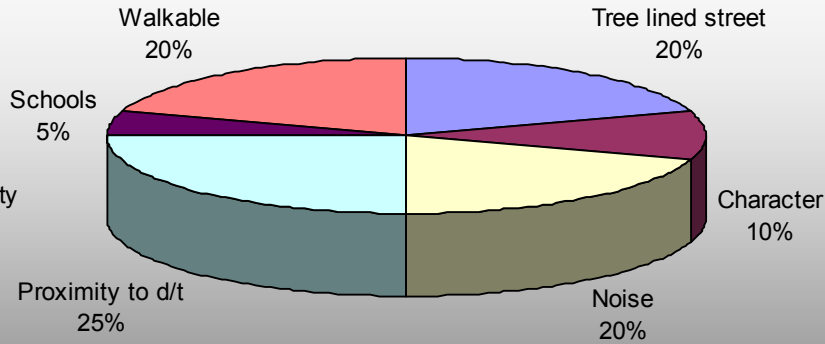
**Overall Priorities and Weightings**



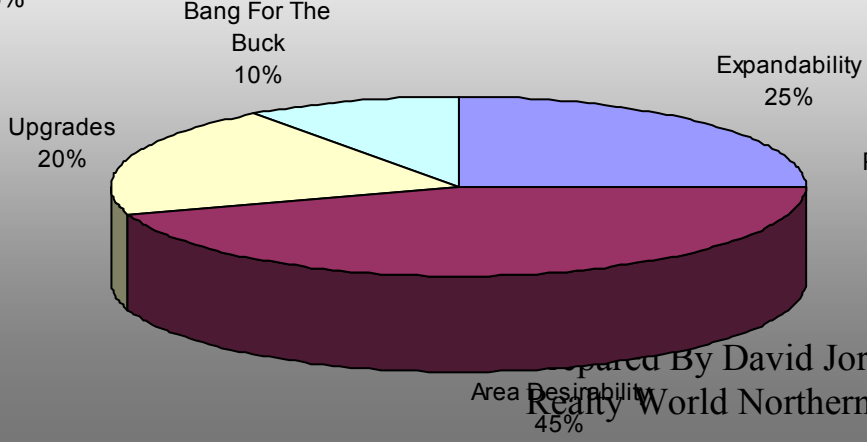
**Property Criteria and Weightings**



**Location Criteria and Weighting**



**Investment Value Criteria and Weightings**



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## Choosing The Right Lender

- Loan brokers
  - Have access to wide range of underwriters and niche lenders
  - Charge brokerage fees
  - Provide “middleman” service
- Direct Lender
  - Comprehensive product portfolio
  - Direct lender, no brokerage fees
  - Can process loans quickly
  - Offers discounts for existing customers

# Choosing The Right Realtor®

- Knowledge is Power
  - Familiarity with the areas you are interested in
  - Ability to educate you on pros and cons of various properties
- Trustworthy and Available
  - Time to work with you and answer ALL your questions
  - Excellent track record with client references
- Value added Services
  - Complimentary home inspection and home warranty
  - On-line tracking of escrow process and document review
  - Building a detailed profile that defines your wants, needs, priorities
  - Real-time notification of new listings which meet your profile
  - Comprehensive home value market analysis

# The Home Buying Process - Phase 1

- Calculate your maximum monthly housing expense, factoring in:
  - Expenses
  - Income
  - Reserves and liquid assets
  - Down payment
  - Tax implications
- Consult with your lending professional
  - Determine the right type of loan for your needs
  - Get your credit checked
  - Get pre-approved for a loan
  - Review Good Faith Estimate terms and conditions
- Consult with your Realtor®
  - Understand your rights and responsibilities in the purchase contract
  - Review estimated buyer's costs

## The Home Buying Process – Phase 2

- Market Education
  - Preview open houses, tour neighborhoods, do research
- Document Your Specific Wants, Needs, and Priorities
  - Helps you and your Realtor® focus on the right properties
  - Helps you make trade-offs before you start seriously looking
- Location
  - Neighborhood ambiance, noise, proximity to work, privacy, etc.
  - Schools, neighborhood amenities
- Property Amenities
  - Condition, floor plan, bedrooms/baths, lot, style, size, etc.
- Investment Value
  - Appreciation potential based on neighborhood, improvements, etc.
  - Income potential based on rents

## The Home Buying Process – Phase 3

- Writing The Purchase Contract
  - Terms and conditions are specified
  - Offer is presented to seller/seller's agent
  - Offer can be accepted, countered, or ignored
- Escrow opens once your offer is accepted
  - Title company is neutral 3<sup>rd</sup> party who oversees the escrow, underwrites title insurance for lender and owner
  - Your 3% earnest deposit is deposited into escrow
- Loan process
  - Lender reviews title report, appraisal, purchase contract
  - Lender reviews credit reports, assets and income, outstanding debts, ratios
  - Approval is given once all necessary documentation have been received, guidelines complied with and/or exceptions approved

## The Home Buying Process – Phase 4

- Contingency period
  - Ensures that lender will approve your loan, and you have time to inspect the property and review disclosures
  - Contingencies are removed once your loan is approved and all buyer investigations have been completed
  - Once contingencies have been removed, you can lose your earnest deposit if you back out later
- Sign off At Title Company
  - Your loan documents have been prepared
  - After signing, they are sent back to the lender for final review and funding
- Close of Escrow
  - You have deposited all down payment and closing cost funds into escrow, and your loan has funded
  - All conditions of the purchase have been met
  - Title is recorded

# SUMMARY

## Ten Steps To Buy Your Home

- Determine how much you can afford
- Know your credit score and what it means
- Work with a qualified lender
- Get a letter of pre-approval from your lender
- Identify your wants, needs, and priorities
- Work with David to find the best fit for your needs
- David will negotiate the best deal and terms for you
- Understand your rights and responsibilities as a home buyer
- Review with David an estimate of your closing costs and monthly housing expenses
- Conduct a thorough, comprehensive home inspection