Buying a Home in Today’s Market

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Homeownership Works!

Homeownership may be the single most important investment you’ll make in your lifetime.

that’s still true today!
The net worth of a typical homeowner is 46x higher than that of a typical renter.

Is Now A Good Time To Buy A Home?
Housing prices have increased an average of more than 5% per year.
Mortgage Rates remain historically low

Interest rates depend on a wide variety of constantly changing financial and economic factors.

Source: Freddie Mac. Most recent data as of 4/26/2010
Rate Impact on Price

Example: 400,000 Price  10% Down  360,000 Loan
Principle and Interest Payments:
5%  =  $1,932/mo PI
6%  =  $2,158/mo PI  =  $226/mo more
7%  =  $2,395/mo PI  =  $463/mo more

At 5% you could finance:
$42,130 more for the same payment as at 6%!
$86,264 more for the same payment as 7%!
Today is an unprecedented time to buy a home. Affordability on home prices has never been better.

A family earning the median income has 175% of the funds necessary to qualify for the median-priced home.

And add to that. . .

**significant tax advantages**

for homeownership

Interest paid on mortgages is deductible for most homeowners.

Property taxes are deductible for most homeowners.

For most homeowners, there are no capital gains taxes when a primary residence is sold.

*See your tax advisor*
Loan Types

- FHA
- VA
- Conventional
Lenders are asking for larger down payments...

...but qualified buyers do not need a 20% down payment to buy a house.

Programs like FHA and VA loans are available with smaller down payments.
Back to the basics:
long-term, **fixed-rate** mortgage

**Think twice** about adjustable-rate mortgages

Real estate should be a **long-term investment**
Adjustable Rate Financing

ARMs
How do ARMs Work?

The initial rate is usually lower than the rate on a comparable long-term fixed-rate loan.

But, at specified periods, the interest rate is subject to change, to adjust for financial conditions.

That means your monthly mortgage payment changes as well.
How do ARMs Work?

On a 5/1 ARM, the initial rate is set for the first 5 years.

At the beginning of the 6th year, and every year after that, the rate is reset according to your loan agreement.

What will your new rate be?

A fixed percentage amount, called a “margin,” is added to the “index rate,” which is the interest rate on a widely traded financial security.

Remember: The interest rate on an ARM loan may increase over the life of the loan. In lender advertising, this concept is described as: “Interest rates may increase after consummation.”
Your interest rate – **and your monthly mortgage payment** – can vary over the years, depending on interest rates in the financial market.

Interest rate caps limit how high and how low your interest rate can change at each adjustment. ARMs have caps for the initial (not shown), annual (not shown) and lifetime (shown in red) rate adjustments. These limit how much the rate can change whenever the rates reset.

**In Year 7, the interest rate is the upper limit, not the index rate plus the margin.**
Questions to ask

• What is the **interest rate**?
• Is the rate **fixed or adjustable**?
• What are the **index, margin** and **Caps**?
• What is the **worst case** scenario?
Condos
- Special property/project approvals
- Condo Fees
What Is the Homebuying Process?
Get **pre-approved** for your loan first – before house-hunting

This determines **the upper limit** of your price range

Borrow only as much as you feel **comfortable** borrowing
What is the Homebuying Process?

1. Work with a professional “homebuyer team”

2. Financing, financing, financing... Get it right! Get Pre-Approved.

3. **Shop** with your real estate agent

4. Make your best **offer**
What is the Homebuying Process?

5. Finalize your financing

6. Home inspections, appraisal, and insurance

7. Ensure you meet conditions of your loan approval

8. Final walk-through inspection

9. Close on your new home!
Building Long-term Financial Security

A *home* is an *investment* in personal and financial well-being

*Homeownership* isn’t a get-rich quick scheme -- it’s a sure and steady way to build wealth over time

It’s critical to *get the financing right*
Choosing your Lender
We’re happy to answer your questions. . .

Thank you for attending!