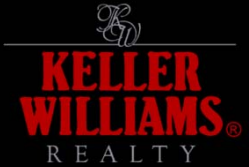


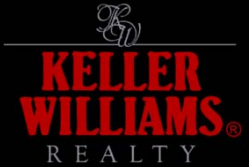
Presented by: *Tanetha Corbin*



# Put Your Money to Work: How to Find the Right Investment Property

## Seven Steps to Your Most Important Investment!

# Introduction

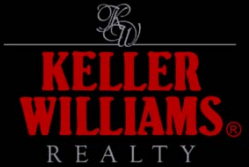


- ◆ Think of a few words to describe what having a home of your own means to you.
- ◆ Today we'll talk about some of the common fears and helpful facts about buying a home.
- ◆ We'll also discuss the seven major steps to home ownership.
- ◆ What to look for as a first-time home buyer looking to start investing...



## Step 1: Decide to Buy

Do you really want to pay somebody else's mortgage?



- ◆ Fear: Are you thinking “I can’t afford to buy my dream home”?  
Fact: The best way to get closer to buying your dream home is to invest in your first home.
- ◆ Very few people can afford to buy their dream home when they buy their first home. In fact, according to the National Association of Realtors, 69 percent of first-time home buyers in the United States compromised on some features of their first home. So you make compromises, buy your first home, and start building equity. This approach takes you further and faster down the road to being able to own your dream home than if you hadn’t purchased a home at all.



# Step 1: Decide to Buy Continued...



- ◆ Purchasing your own home is a great investment that provides specific financial advantages, including equity buildup, value appreciation potential, and tax benefits. Its also a forced savings plan that you cannot get from renting! So instead of asking yourself “can I afford to buy” you should ask yourself “can I really afford to keep renting?”
- ◆ The next page will review a quick example.



# Example: Can I afford to keep renting?

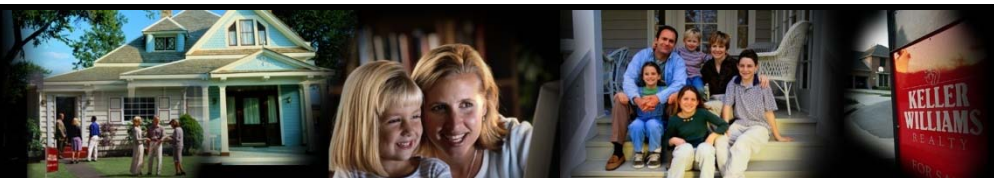


## ◆ Buying vs. Renting

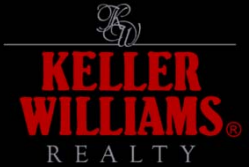
Sheila's \$900 mortgage includes \$700 of interest. Her total house payments are \$10,800 annually. At the end of the year, \$8,400 (12 months x \$700) is tax deductible in the United States. She is in the 28% tax bracket, so her tax savings are \$2,352 ( $\$8,400 \times .28$ ). Her actual housing costs for the year are \$8,448 ( $\$10,800 - \$2,352$ ) and Sheila has built \$2,400 in equity.

Sheila's friend Chris believes he "can't afford to buy". He pays \$800 in rent each month. Chris's housing costs for the year are \$9,600.

So, even though he thinks he's saving money by renting, he actually spends about \$1,150 more than Sheila- and he's not building equity!



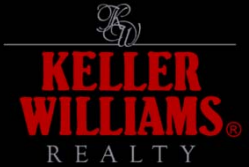
# Wrong or right time to buy?



- ◆ Fears and facts about buying a home:
  - Fear: I should wait until the real estate market gets better.
  - Fact: There is never a wrong time to buy the right home.
- ◆ There is never a wrong time to buy the right home. All you need to do in the short run is find a good buy and make sure you have the financial ability to hold it for the long run. The most important rule for keeping your stress to a minimum is that you don't have to know everything—leave that to your REALTOR®.



# Decide to Buy



- ◆ Buying your first home is an emotional decision- “Home is where the heart is.”
  - A home represents your personal tastes and provides a haven of stability and security for both you and your loved ones.
  - Provides a pride of home ownership, because it’s yours!

It’s also a rational decision- “Home is where your wealth is.”

Grow wealth via equity buildup, debt pay down, and value appreciation.

Example: In a few years, you can use your equity to trade up to a better home or you might consider using some of your home equity to invest in a rental property or a second home.

Condo, SFR, Unit Properties and Commercial (Apartments)...



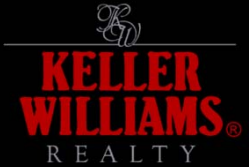
## Step 2: Hire Your REALTOR®:



- ◆ When you are looking for a real estate professional to help you, know that above all else REALTORS® put their clients first!
- ◆ The seven main roles your REALTOR® will perform include the following:
  1. Educate you about the market
  2. Analyze your wants and needs
  3. Guide you to homes that fit your criteria
  4. Coordinate the work of other needed professionals
  5. Negotiate on your behalf
  6. Check and double check paperwork and deadlines
  7. Solve any problems that may arise



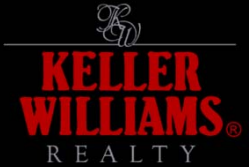
## Step 3: Secure Financing



- ◆ It's normal to ask how much you can afford, and you might begin by considering your monthly rent payment. You'll also need to factor in all of your expenses and then revisit your income. Lenders use fairly strict guidelines and formulas to dictate how much you can spend on your mortgage payment, which typically includes PITI (principle, interest, taxes and insurance). Your lender is a great resource to determine how much you can borrow, but you decide how much you can afford. Your REALTOR® can also be a good resource for helping you find a great loan officer.



# Step 4: Make an Offer



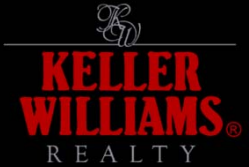
- ◆ Congratulations! So you have found a home!

Now you need to make a compelling offer. The three basic components of your purchase offer are price, terms, and contingencies. Price is obviously the dollar amount you are approved for, willing, and able to pay. Terms cover the other financial and timing factors that will be included in your offer. Contingencies are the clauses that let you out of the deal if the house has a problem that didn't exist or that you weren't aware of when you went under contract. Contingencies specify any event that will need to take place in order for you to fulfill the contract. Okay, it can get admittedly confusing here so look to your agent to guide you. Keep in mind, the right offer should reflect the fair market value of the home you want to buy. Your REALTOR®'s market research will help guide this decision.

A Seller's view on cash vs. loan (Fair Market Value)



# Step 5: Perform Due Diligence

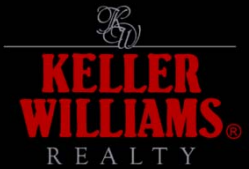


- ◆ Just because you love a particular property doesn't mean that its perfect.

In fact, this is where reason has to trump emotion. And you'll have help here, too. You'll need to have a property inspection (which we HIGHLY recommend you attend) that will hopefully expose all the issues a home might hide. This way you'll know exactly what you are getting into before you sign the closing papers. Your main concern is the possibility of structural damage. This can come from water damage, shifting ground, or poor construction when the house was built. And remember, don't sweat the small stuff. It's the inspectors job to mark everything discovered no matter how big or small. Things that are easily fixed can be overlooked. In case you have a big problem show up in the report you should bring in a specialist. And if the worst-case scenario turns out to be true, you might want to walk away from the purchase. Again, this is your home, so work with your agent and make the best decision for you. And remember, if your home passes inspection with flying colors, you'll still need to buy a homeowners insurance policy to protect against loss or damage to the property itself and against liability in case someone sustains an injury while on your property.



# Step 6: Close



- ◆ You've made an offer and performed due diligence, which means you're now in the "home" stretch, pun intended. But you have few pre-closing responsibilities, and these include staying in control of your credit and finances, first and foremost. You will also need to keep in touch with your REALTOR® and lender and return all phone calls and paperwork promptly. You might need to communicate with your REALTOR® at least once or twice a week, and verify with your lender that all mortgage funding steps are completed. If possible, conduct a final walk-through of the home with your REALTOR® as well. And finally, be sure to confirm with your REALTOR®, home insurance professional, and lender that you have the settlement statement, certified funds and evidence of insurance lined up prior to closing.



# Step 7: Protect Your Investment



- ◆ Whew. That was exhausting. But you're done! Well, sort of... You've closed and moved in, but now you'll need to protect your investment for years to come.
- ◆ Some ways you can do so...
  - Perform routine maintenance on your home's systems.
  - Watch for leaks, damage and wear. Fix any problems as soon as they come up. Fix small problems as they come up to save yourself from spending big money later.
  - My friend Brian Chou is up next to teach you how to protect your investment!

