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Hosting a Home Buyer Seminar – Step by Step
#68773

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STUDENT NOTICE

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The Georgia Real Estate Commission has approved this course for four (4) hours of continuing education credit. GAR school policy defines an instructional hour as 50 minutes.

To receive continuing education (CE) credit for this in-classroom course, the student must:

✓ be on time
✓ sign in with the course facilitator before the course begins
✓ be present in the course during all instruction periods
✓ return a completed evaluation to facilitator at the end of course
✓ not have taken this course for continuing education credit within the past 366 days.

There is no make-up session for this course.

Cell phones and other electronic devices can be distracting. Use of communication methods such as text messaging, E-mailing, web surfing, etc. is prohibited while class is in session if it poses a distraction to other attendees and shall be grounds for dismissal. Taking pictures of PowerPoint slides requires the permission of the instructor.

Entrance qualifications and standards of completion will not be based on race, color, sex, religion, national origin, familial status, handicap, sexual orientation, or gender identity.

No recruiting for employment opportunities for any real estate brokerage firm is allowed during this course or on the premises while this course is in session. Any effort to recruit by anyone should be promptly reported to the Director of Professional Development; Georgia Association of REALTORS®; 770-451-1831; 6065 Barfield Road; Sandy Springs, GA 30328; or to the Georgia Real Estate Commission; 404-656-3916; International Tower; 229 Peachtree Street, NW; Suite 1000; Atlanta, GA 30303-1605.

Hosting a Home Buyer Seminar

STEP BY STEP

Joi Bostic

Instructor

Hosting a Home Buyer Seminar: Step by Step

There are a lot of people who want to buy real estate for a variety of reasons. For some, it's because they need to "act like adults" while for others it's so they can start their family while for others it's to make a good investment. Regardless of the reason buyers find the process confusing and sometimes complicated. To that end, it is invaluable to educate buyers so that the home buying process will understandable, hassle free and more of a pleasure. A great way to educate buyers is through a seminar. So over the next few hours, you will be guided through the process of planning a home buyer seminar step by step. By the end of this class you should have the basic framework for *Hosting a Home Buyer Seminar*.

STEP 1
SET GOALS

Why do I want to conduct a home buyer seminar?

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What do I hope to accomplish in quantifiable terms?

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STEP 2
LOGISTICS

Who is my target audience?

- ❑ First-time home buyers
- ❑ Military buyers
- ❑ Buyers downsizing
- ❑ Retirees
- ❑ Buyers with financial challenges
- ❑ Buyers of foreclosed properties
- ❑ Other: ________________________
- ❑ Other: ________________________
- ❑ Buyers of short sales
- ❑ Real estate investors
- ❑ Single buyers
- ❑ Senior housing
- ❑ Immigrant buyers
- ❑ Buyers relocating to the area
- ❑ Other: ________________________
- ❑ Other: ________________________

On what topic area or type of real estate do you want to focus?

❑ Single family homes	❑ Green homes
❑ Luxury homes	❑ Vacation properties
❑ Condos	❑ Custom homes
❑ Town homes	❑ New homes
❑ Manufactured homes	❑ Tiny homes
❑ Other: ___________________________	❑ Other: ___________________________
❑ Other:	❑ Other:

Industry-related partners

- ❑ Lender:
- ❑ Insurance agent:
- ❑ Closing attorney:
- ❑ Home inspector:
- ❑ Appraiser:
- ❑ Housing organization:
- ❑ Home owners' association:
- ❑ Other:
- ❑ Other:
- ❑ Other:

Possible sponsors

- ❑ Community and/or service organization:
- ❑ Public service union:
- ❑ Community employer:
- ❑ Faith-based organization:
- ❑ Education institution:
- ❑ Public library:
- ❑ Local media outlet:
- ❑ Shopping mall/department store:
- ❑ Home improvement store:
- ❑ Restaurant:
- ❑ Other:
- ❑ Other:
- ❑ Other:

What benefits will you offer to your partner and/or sponsor?

What expectations will you have of your partner and/or sponsor?

Where can I have my home buyer seminar?

What is the best time for me to hold the seminar for the buyers I'm trying to attract?

Day:	Time:
Day:	Time:
Day:	Time:

Other considerations I need to make about my location and time:

Tables and chairs

Lighting

Restrooms

Parking

Child care

Fee or free

Refreshments

A/V needs

Assistants

Other

Other

Step 3
Promotion

What is my value proposition for those who will attend my home buyer seminar?

What will be the name of my home buyer seminar?

What media outlets will I use to promote my home buyer seminar?

When should I place my promotion in each outlet?

How will people register for my home buyer seminar?

Will I offer any incentives to attendees?

STEP 4
PRESENTATION

What do I want my attendees to learn in my home buyer seminar? Main concepts?

Why is my target audience interested in this information?

Who should present each concept?

Considerations for developing my seminar content.

Will I distribute handouts?

What will be included in my handouts?

Will I distribute any supplemental materials to my attendees?

What will I allow my partner/sponsor to distribute materials?

Considerations if I use presentation slides?

Presentation Tips

What will I want to know from my attendees in order to improve future seminars? Will I use a printed feedback form or request feedback electronically?

Tips and Techniques to Engage My Audience

Tips and Techniques to Handling Questions

Free option through Google+ Hangouts on Air

Why Hangouts On Air?

- Free alternative
- No limit of attendees
- Automatically records to YouTube
- Attendees can ask questions during the webinar which are tagged for future reference
- Capability to have up to ten presenters appear on camera
- Integrates with Google Slides, MS PowerPoint or Keynote
- Ability to promote the webinar through links on your website, social media, etc.
- Can create a trailer for the webinar
- Webinar is open to everyone, not just those who register
- Can edit the video with YouTube Editor
- Live streaming through your YouTube channel
- Your webinar will be searchable on Google and YouTube

How to use Hangouts On Air?

Step #1: Technical Set-up

a. Create a Gmail account
b. Open a Google+ account
c. Start a YouTube channel and verify your account
d. Link your Google+ account with your YouTube channel
e. Download and install the Hangouts plugin for your browser

Step #2: Set-up your webinar event.

1. Go to https://plus.google.com/hangouts/onair
2. Click “Create a Hangout On Air”
3. Enter the title, description (these will be the same on YouTube), date (Later), and time.
4. Set your audience to public. Add your Gmail address
5. Click Share.
6. Click “Edit Event” and select desired theme
7. If you want, create a trailer for your webinar which can get people excited/interested in attending your webinar

Step #3:

Do a Google and/or YouTube search for Hangouts On Air Tutorials.

Step 5
Follow-Up

Creating reasons to contact

Next seminar date

Written vs electronic communication

Buyer counseling session

Other

Step 6
Debrief

Assess my presentation methods and information

Identify areas of improvement

Review attendee evaluations

Home Buyer Kit

Before you shop for your first home, read our First-Time Home Buyer Kit to help make your experience a pleasant one!

GETTING STARTED

THE BEST TIME TO PURCHASE A HOME IS USUALLY NOW

When you consider buying a new home, keep in mind that interest rates and home prices tend to move in opposite directions.

Some people mistakenly believe buying a home is a bad idea when prices are up or when interest rates are high. In fact, either of those situations can create good buying opportunities.

History shows that high interest rates dampen demand for homes. With fewer buyers available, sellers can't raise their prices -- in fact, they may have to drop asking prices to get their homes sold. That's a good opportunity for buyers, who can always refinance their mortgages when interest rates drop, as they eventually will.

Low interest rates, on the other hand, bring buyers into the market, bidding home prices up. The low rates, however, make those higher prices more affordable.

DO'S AND DON'TS FOR HOME BUYERS

Buying a home is not as simple as buying a new sweater, or even a new car. There are a lot of things you should know. Here are a few basics:

Do

• Ask a real estate agent to be your buyer's agent.
• Project your future needs, as children multiply, get older and move out.
• Review last year's tax and utility bills.
• Consider privacy for you and your spouse.
• Walk the property boundaries with survey in hand, looking for encroachments on the site.
• Review the homeowner documents thoroughly.
• Purchase a home warranty for unforeseen breakdowns the first year.
• Keep meticulous records of home repairs once you move in for capital basis calculation once you sell.

Don't

• Accept as absolute truth statements by the seller or broker. Document everything.
• Make verbal agreements.
• Look for a home without financing pre-approval.
• Make your moving schedule too tight.
• Buy the biggest home in a neighborhood -- it's usually the hardest to sell.
• Purchase without a quality home inspection.

22 STEPS TO A SUCCESSFUL FIRST-HOME PURCHASE

If you've decided it's time to buy your first home, you may be a little overwhelmed about all the things you need to do and decide on. Here's a handy list of steps you should take on the way to your new home.

1. Select a professional real estate agent
2. Investigate mortgage programs
3. Contact a reputable lender
4. Get pre-approved for a loan
5. Develop a "needs and wants" list for your house
6. Research housing inventory with your agent
7. Tour homes
8. Pare down your choices using your "needs and wants" list
9. Write a purchase offer for the home with your agent
10. Negotiate the contract with the sellers
11. Sign the bottom line!
12. Schedule a home inspection
13. Schedule a pest inspection
14. Schedule a radon test (if necessary)
15. Attend the home inspection (wearing old clothes!)
16. Negotiate defects found on home inspection
17. Prepare for the move
18. Hire movers; or
19. Get lots of boxes and invite all your friends to help
20. Complete final walk-through of the home
21. Attend settlement
22. Move in and celebrate!

HERE'S WHO HELPS OUT WITH YOUR HOME PURCHASE

Lots of people need to be involved in the purchase of a home. If you're purchasing your first home, you may need introductions.

Real Estate Professional
Real estate agents play an invaluable role in the home-buying process. You can contract with a buyer's agent to represent your interests, rather than the seller's. An agent can show you every home available in your price range that meets your specifications. He or she can help you make a purchase offer and negotiate the terms of the contract, offering up-to-date information and advice all along the way. Once your offer is accepted by a seller, your agent will help keep you on track to the settlement table, where the terms of the contract are fulfilled.

Mortgage Broker
A mortgage broker provides home-purchasing funds from many investors, banks and lending institutions. This access gives them a wide array of mortgage products to offer buyers. Brokers account for more than 50% of the total residential loan origination volume in the United States.

Mortgage Banker
The other common lender is the mortgage banker, who works for a financial institution and provides company funds directly to the buyer. These loans are often quickly sold to the secondary mortgage market, to free up more funding for future borrowers. Some mortgage bankers hire loan officers to process their loans. These are sometimes called retail mortgage bankers, whereas wholesale mortgage bankers obtain business directly from mortgage brokers.

Title Company

The title company plays a very important role by guaranteeing the title to your house is free of problems and that you will actually own the property. The home buyer will purchase title insurance policies to protect himself and the lender in case hidden tax liens or other title problems surface down the road.

Settlement Agent
Your settlement agent (also called a "closing agent") could be an attorney, or an escrow or title company agent, acting as an impartial third party to the transaction and ensuring the process is completed properly and lawfully.

Appraiser
If you're buying a home with a mortgage, then you'll definitely be hearing from an appraiser. This professional determines the true market value of your house for you and your lender.

Credit Reporting Agency
Credit reporting agencies, such as Equifax, Experian and TransUnion, are companies that research your credit records and place these facts in a credit report. Their records include documentation from databases that store credit information; public records, such as judgments and bankruptcies; employers; banks; and previous landlords.

PMI Provider
The private mortgage insurance company insures the mortgage when it exceeds 80% of the value of the property. This policy protects the lender in case you default on the loan. The premium is included in your monthly payment.

Property Insurer
Hazard or property insurance companies cover the outstanding loan on the property against unforeseen accidents and will pay the lender for any outstanding debt on the loan.

Pest Inspector
The termite inspector protects the lender and buyer from hidden dangers of termite infestation. If the pests are discovered, the bank requires treatment of the problem before loaning money on the property.

Underwriter
One of the people you'll hear a lot about but probably never meet is the underwriter. This is the person who receives your mortgage application with all of its documentation and deciphers what it means as far as your creditworthiness. Your lender may call you during the application process, saying the underwriter needs clarifications on your paperwork.

HOW TO BUY A HOME WITH A FRIEND

If you're single and you want to buy a home, but your income isn't enough to purchase what you want, you could consider a buying partner. Especially in large, more expensive cities, there's a growing trend these days for friends to team up and purchase property together.

Buy More For Less

Drawing on two incomes, friends can buy a larger home with more amenities, while cutting their expenses for maintenance, repairs and improvements in half. To obtain financing, of course, both parties to the transaction must qualify for the loan.

Precautions

The biggest concern is what happens if one person decides to get married, moves out of the area, loses employment or simply stops making his or her share of the payments. Such questions should be answered long before they come up with legal arrangements that spell out specifics covering a myriad of possible situations. Not only should the transfer of property ownership be considered, you should have an agreement on the disposition of furnishings. Discuss what you'll do with decor, repairs and remodeling costs. Decide in advance how any disagreements will be handled.

In most cases, unrelated homeowners will want to hold the title as "tenants in common." That way if one person dies, the decedent's share of the property will go to his or her heirs (rather than to the buying partner). They should also consider buying the property as two individuals rather than by creating a partnership (which might require higher interest rates and fees on a loan). Most importantly, consult an attorney before entering into the final agreement.

ARE YOU READY TO BUY NEAR HOME?

Most renters end up purchasing a house not far from where they live, according to a recent Fannie Mae National Housing Survey.

If you're a buyer and like your neighborhood, be sure to work with a real estate agent who knows your area -- even if that means overlooking a friend or a family member who sells real estate, but isn't familiar with your area.

If you're looking to sell your house, your purchaser could be a renter living just down the street from you. Or they could live right on your block -- many renters live in single-family developments as well.

Do renters want to buy? You better believe it. The survey revealed that 60% of renters polled said buying a house is either their No. 1 priority or a very high priority.

HOW MUCH CAN YOU BUY

HOW UNCLE SAM PUTS MONEY IN HOME BUYERS' POCKETS

Think you can't afford to buy a home? Think again. As a homeowner, you could deduct all the mortgage interest you pay from your taxes, every single year. In effect, the government would be subsidizing your housing costs. Here's how.

If you can afford a mortgage payment of $1,000 (principal and interest only) you can buy a home worth $151,426 if you put 10% down on a 30-year mortgage at 8% interest. If your payments started in January, you would pay $10,862 in interest for the first year in the home. That entire amount is deductible on your federal income tax return!

Assuming you are in the 15% tax bracket, you would save $1,629 in taxes, or $136 per month. So your $1,000 payment is really only $864 when you factor in the homeowner's tax advantage. If you're in a higher bracket, your savings would be even greater. And that's just what you save in federal income taxes!

Give us a call to find out how affordably you could own a home.

DEBT-TO-INCOME DEFINES HOW MUCH MORTGAGE YOU CAN AFFORD

If you've looked into how much you might be able to borrow for a home purchase, you may have run into a the term "debt-to-income ratio." This ratio compares a borrower's monthly payments for long-term debt to his or her gross monthly income. Monthly payments are then divided by gross monthly income to reach a percentage figure.

For example, if Larry's long-term debt payments (e.g., car loans, installment loans, credit cards) are $1,500 per month, and his gross monthly income is $8,000 per month, Larry's debt-to-income ratio would be 18.75%, not including a house payment.

Many mortgage lenders apply a 28/36 guideline when approving borrowers for mortgage amounts (although other guidelines are used). That is, no more than 28% of a buyer's income can be used for the mortgage payment; and the mortgage payment combined with all other monthly installment payments cannot exceed 36%.

In Larry's case, he could qualify to pay as much as $2,240 per month for a home based on the 28% standard, but because of his outstanding long-term debt, he might be limited to a $1,380 house payment using the 36% guideline -- ($1,500 + $1,380)/$8000 = 36%.

PLAN FOR HOMEOWNING EXPENSES BEYOND THE MORTGAGE

Having a new monthly payment isn't the only consideration for a new homeowner. There will most definitely be residual expenses that come with a home purchase.

In order to avoid becoming "house rich but cash poor," you may not want to borrow the maximum a lender will allow. Don't forget to consider the expenses below when making up a budget for your new home:

• **Commuting costs.** If you're driving farther to work, this is going to affect your budget with larger gas bills, more auto repairs and possibly new tolls. Be sure to weigh in these expenses.
• **Redecorating allowance.** Many homeowners purchase a home, and then find they want to dress it up. That means more money, so be sure to budget for these items.
• **New furniture.** Is the home larger? Then you'll probably want to fill it with some new chairs, end tables and the like. They'll add up!
• **Maintenance expenses.** If you were renting, you now will discover the joys of homeownership you didn't have before -- replacing hot-water heaters, paying for air conditioning or heating system check-ups, and other expenses that used to be absorbed by the landlord.
• **Higher utility bills.** If the home is larger than your last dwelling, you might be paying more for household utilities to heat and cool the place. Take a look at the previous owner's utility bills if you can.

YOUR MONTHLY PAYMENT IS A "PITI"

Your monthly mortgage payment is likely to include four elements: Principal, Interest, Taxes and Insurance -- referred to as PITI.

For most loans, the PI (principal/interest) payment is "amortized" so the borrower pays the same amount each month. In the loan's early years, a majority of the PI payment goes to interest.

On a loan of $100,000 at 8% over 30 years, for example, the PI payment would be $733.76. Of the first month's PI payment, $666.67 would pay for interest, while $67.09 would go to paying off principal. As more principal is paid back, the interest payment drops and the principal payment increases.

Many borrowers pay their property taxes and hazard (or property) insurance through an escrow account handled by their lender. Along with the monthly payment for principal and interest, the homeowner pays a 1/12th portion of their annual tax and insurance bills, which the lender then uses to pay the taxing authority and insurer as bills come due.

Getting A Mortgage

SOLUTIONS TO ALMOST ANY HOME-FINANCING CHALLENGE

Even with the ebb and flow of interest rates, America remains in one of the best home-buying markets we've seen in decades. The number-one obstacle most home buyers face is simply a lack of knowledge. Below, we've listed some of the most common hurdles buyers face and how to overcome them.

Problem: "I don't have enough cash for the down payment."
Solution: Some common mortgage programs require down payments as low as 3%. If you have a strong income and excellent credit, you may qualify.

The Federal Housing Administration accepts down payments as low as 3.5%. Conventional loans require minimum down payments of 3% to 5%.

You might even consider borrowing your down payment from yourself. As long as the extra debt would not adversely affect your buying power, your current assets, such as a car, boat or life insurance policy, could be resources to draw upon. In addition, first-time buyers can withdraw from their Individual Retirement Accounts to purchase a home, without an early withdrawal penalty. (Restrictions apply.)

Problem: "I don't have enough money for -- or I don't want to pay for -- up-front fees and points."
Solution: Look for no-cost programs. These days, investors offer finance packages that require no points and no fees. A point equals 1% of the loan amount and, in essence, is pre-paid interest to give you a lower interest rate. While you may have to pay a slightly higher interest rate (and therefore a higher monthly payment) a no-points/no-fees loan can get a buyer into a house when there's just not enough money left after the down payment.

Problem: "After making my down payment and closing costs, I don't have money left for up-front mortgage insurance."
Solution: Buyers who put down less than 20% must purchase private mortgage insurance to protect the lender in case of default. In today's market, however, some insurance companies will let buyers finance the up-front mortgage insurance over time.

There are also "self-insure" programs available to you if you are able to handle paying a higher interest rate.

Problem: "I want to buy a home, but I have a bad credit record."
Solution: What seems like bad credit to you may actually be sufficient to get you into your next house. If you know for certain your credit is blemished, but with good reason -- such as illness or loss of job -- a letter of explanation goes a long way with the underwriter.

For those who have bad credit with no explanation, all is not lost! Change your credit habits, consolidate debt and pay your bills on time. It's going to take 12 to 24 months of good credit history to clean up your record, but the benefits of home-ownership are worth it.

Problem: "I have a special situation that would prevent me from getting a loan."
Solution: The bottom line in qualifying for a home mortgage includes a combination of income, debt ratios and credit ratings. Anything outside those three can usually be explained or documented. Below are some

special situations and how to work around them.

• Self-employed or commission-paid borrowers must provide federal tax forms for the past two years, along with a current year-to-date profit and loss statement.
• Divorced or separated borrowers will need to provide a copy of the divorce decree and separation agreement, plus documentation of any alimony or child support payments they are required to make. If alimony or child support payments are to be considered as income, proof of this income (such as the clerk of court's history of payments or canceled checks for the past 12 months) must be included.
• Retired borrowers and others receiving pension, disability, Social Security or any form of public assistance benefits as income will need to provide a copy of an award certificate or a check from the issuing agency
• Bad-credit borrowers who have bankruptcy, foreclosure or other judgments against them in the past seven years should provide information on the proceedings. Information on bankruptcies should include a copy of the bankruptcy discharge and a schedule of both debts and assets. Judgments against the borrower should include an attorney's letter that discusses the outcome of the proceedings.

HOW YOUR CREDIT SCORE IS GRADED

The newest method used by lenders to determine credit worthiness is credit scoring. Lenders now have an objective way to assess a borrower's application, which also removes bias and helps lenders offer better terms to those with high scores.

Credit scoring is based on a numeric scale, using data provided by the "Big Three" credit reporting agencies: Equifax, Experian and Trans Union. The scores help lenders determine the level of credit risk a borrower may present to investors. Depending on the score, the borrower is rated A, B, C or D. Obviously, the higher the score, the lower the risk of default. This improves the options for the borrower and can reduce overall borrowing costs.

"A" CREDIT
Scores above 660 are usually considered A credit, according to HSH Associates, a mortgage and consumer-loan information publisher. You can score above 660 even if you were 30 days late on an installment loan or 60 days late on a revolving credit account once within the past two years. But more than one occurrence will drop your score quickly.

"B"s And "C"s
Late payments and high credit balances lower the score and the grade. If you have had a number of late payments, you will probably receive a B or C grade, possibly increasing your interest rate and hurting your chances of getting a loan.

Near Failing
D credit ratings are usually given to someone who recently filed for bankruptcy or has had extensive credit difficulties.

It's All Relative
Keep in mind, however, that a score of 660 may be considered good by one lender and mediocre by another. There's more to approving a loan application than just the credit score.

Once your application is complete, it is usually examined by an automated underwriting system and by actual human beings! Both Freddie Mac and Fannie Mae (the two largest mortgage holders in the country) tell lenders that applications should not be approved or declined based only on credit scores.

More than 100 variables are used to determine your score. There are, however, five primary categories of credit information, according to Fair Isaac, the leading firm in the area of credit scoring. They are, in order from most to least important:

1. Late payments, delinquencies, bankruptcies
2. Outstanding debt
3. Length of credit history
4. New applications for credit (inquiries)
5. Types of credit currently in use

While a lot of information goes into determining a credit score, there are some areas that are definitely not included, including ethnic group, religion, gender, marital status and nationality. These categories cannot even be considered in a loan application. Federal law protects all potential borrowers from discrimination in the lending process.

A BUILT-UP MORTGAGE CAN SAVE YOU CASH

A built-up mortgage can allow cash-poor buyers to get into a home without paying private mortgage insurance (PMI). (PMI is often charged by lenders when borrowers have a down payment less than 20%.)

A built-up mortgage involves two trusts and a smaller-than-traditional down payment. For example, an 80-10-10 loan requires a 10% cash down payment with a 10% second trust to subsidize the 80% first mortgage. There are even 80-15-5 loans where the buyer only needs a 5% down payment. These mortgage programs help save buyers money each month, and hundreds annually, by avoiding PMI costs.

FANNIE MAE HELPS "CREDIT CHALLENGED" BUYERS

Fannie Mae recently introduced a program to help home buyers with less-than-perfect credit. Called the Timely Payment Rewards mortgage, qualified borrowers can finance a home at rates 2% lower than other borrowers with impaired credit, for whom mortgage rates can be in the double digits.

After two years of timely mortgage payments, the borrower receives an automatic 1% reduction in the interest rate. For more information, contact your lender or Fannie Mae at (800) 732-6643.

MORE LOW-CASH LOANS NOW AVAILABLE

The number-one reason consumers claim they can't buy a home is because of the down payment. More liberal loan programs have helped overcome that hurdle for many. Some of the programs introduced in the last few years include low- and zero-down payment mortgages instead of the traditional 10% to 20%.

Lenders have also become more flexible regarding debt-to-income ratios. In the past, your housing costs combined with payments for long-term debt could not exceed 36% of your income, but some programs available now allow 41% debt ratios.

Buyers without a lot of cash on hand no longer have to come up with all the down payment alone. New rules allow the money to come from a gift or loan from an IRA account. Fannie Mae even allows down payments to be placed on credit cards!

HERE'S WHAT TO EXPECT ON SETTLEMENT DAY

You've signed a contract to purchase a home, the home inspection is complete and all the contingencies have been satisfied. Is it yours yet? Not quite. You still have one last hurdle to clear before you own your new home: the settlement.

Settlement Day is when all parties to the transaction sit down to determine whether the contract has been served and, if so, to finalize the deal. If all goes well, keys are handed over and moving trucks go into gear.

At settlement, you'll likely see a form called the HUD-1. It's a government form produced by the Department of Housing and Urban Development, used at most settlements to list all the expenses required at the table from both the buyer and the seller. Charges are shown in two columns: one for the buyer, one for the seller. Just so you're not surprised, here are some of the line items you'll see and what they mean.

• **Appraisal.** This usually shows on the buyer's expense side and is required by federal and state regulations.
• **Credit report.** Your lender orders this very early in the purchase process to determine whether you are likely to be a good credit risk; usually paid for by the buyer.
• **Private Mortgage Insurance.** Depending on the type loan you acquire, you may see a lump sum for the first year's premium. Lenders require PMI when borrowers place less than a 20% down payment on the loan. It protects the lender in case the borrower defaults.

You'll see lots more paperwork too. But don't worry, if you've hired us to represent you, we'll make sure you understand every facet of settlement and that you come through it without a hitch.

http://www.yourhome123.com/scripts/BuyerKit.asp?userid=85808

Mortgage Loan Kit

Obtaining a mortgage for your home purchase is no simple matter. Learn everything you need to know to get the right mortgage by clicking on the categories below.

BASICS

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Mortgage Broker
A mortgage broker provides home-purchasing funds from many investors, banks and lending institutions. This access gives them a wide array of mortgage products to offer buyers. Brokers account for more than 50% of the total residential loan origination volume in the United States.

Mortgage Banker
The other common lender is the mortgage banker, who works for a financial institution and provides company funds directly to the buyer. These loans are often quickly sold to the secondary mortgage market, to free up more funding for future borrowers. Some mortgage bankers hire loan officers to process their loans. These are sometimes called retail mortgage bankers, whereas wholesale mortgage bankers obtain business directly from mortgage brokers.

Real Estate Professional
Real estate agents play an invaluable role in the home-buying process. You can contract with a buyer's agent to represent your interests, rather than the seller's. An agent can show you every home available in your price range that meets your specifications. He or she can help you make a purchase offer and negotiate the terms of the contract, offering up-to-date information and advice all along the way. Once your offer is accepted by a seller, your agent will help keep you on track to the settlement table, where the terms of the contract are fulfilled.

Title Company
The title company plays a very important role by guaranteeing the title to your house is free of problems and that you will actually own the property. The home buyer will purchase title insurance policies to protect himself and the lender in case hidden tax liens or other title problems surface down the road.

Settlement Agent
Your settlement agent (also called a "closing agent") could be an attorney, or an escrow or title company agent, acting as an impartial third party to the transaction and ensuring the process is completed properly and lawfully.

Appraiser
If you're buying a home with a mortgage, then you'll definitely be hearing from an appraiser. This professional determines the true market value of your house for you and your lender.

Credit Reporting Agency
Credit reporting agencies, such as Equifax, Experian and TransUnion, are companies that research your credit records and place these facts in a credit report. Their records include documentation from databases that store credit information; public records, such as judgments and bankruptcies; employers; banks; and previous landlords.

PMI Provider
The private mortgage insurance company insures the mortgage when it exceeds 80% of the value of the property. This policy protects the lender in case you default on the loan. The premium is included in your monthly payment.

Property Insurer
Hazard or property insurance companies cover the outstanding loan on the property against unforeseen accidents and will pay the lender for any outstanding debt on the loan.

Pest Inspector
The termite inspector protects the lender and buyer from hidden dangers of termite infestation. If the pests are discovered, the bank requires treatment of the problem before loaning money on the property.

Underwriter
One of the people you'll hear a lot about but probably never meet is the underwriter. This is the person who receives your mortgage application with all of its documentation and deciphers what it means as far as your creditworthiness. Your lender may call you during the application process, saying the underwriter needs clarifications on your paperwork.

HOW YOUR CREDIT SCORE IS GRADED

The newest method used by lenders to determine credit worthiness is credit scoring. Lenders now have an objective way to assess a borrower's application, which also removes bias and helps lenders offer better terms to those with high scores.

Credit scoring is based on a numeric scale, using data provided by the "Big Three" credit reporting agencies: Equifax, Experian and Trans Union. The scores help lenders determine the level of credit risk a borrower may present to investors. Depending on the score, the borrower is rated A, B, C or D. Obviously, the higher the score, the lower the risk of default. This improves the options for the borrower and can reduce overall borrowing costs.

"A" CREDIT
Scores above 660 are usually considered A credit, according to HSH Associates, a mortgage and consumer-loan information publisher. You can score above 660 even if you were 30 days late on an installment loan or 60 days late on a revolving credit account once within the past two years. But more than one occurrence will drop your score quickly.

"B"s And "C"s
Late payments and high credit balances lower the score and the grade. If you have had a number of late payments, you will probably receive a B or C grade, possibly increasing your interest rate and hurting your chances of getting a loan.

Near Failing
D credit ratings are usually given to someone who recently filed for bankruptcy or has had extensive credit difficulties.

It's All Relative
Keep in mind, however, that a score of 660 may be considered good by one lender and mediocre by another. There's more to approving a loan application than just the credit score.

Once your application is complete, it is usually examined by an automated underwriting system and by actual human beings! Both Freddie Mac and Fannie Mae (the two largest mortgage holders in the country) tell lenders that applications should not be approved or declined based only on credit scores.

More than 100 variables are used to determine your score. There are, however, five primary categories of credit information, according to Fair Isaac, the leading firm in the area of credit scoring. They are, in order from most to least important:

1. Late payments, delinquencies, bankruptcies
2. Outstanding debt
3. Length of credit history
4. New applications for credit (inquiries)
5. Types of credit currently in use

While a lot of information goes into determining a credit score, there are some areas that are definitely not included, including ethnic group, religion, gender, marital status and nationality. These categories cannot even be considered in a loan application. Federal law protects all potential borrowers from discrimination in the lending process.

DEBT-TO-INCOME DEFINES HOW MUCH MORTGAGE YOU CAN AFFORD

If you've looked into how much you might be able to borrow for a home purchase, you may have run into a the term "debt to income ratio." This ratio compares a borrower's monthly payments for long-term debt to his or her gross monthly income. Monthly payments are then divided by gross monthly income to reach a percentage figure.

For example, if Larry's long-term debt payments (i.e., car loans, installment loans, credit cards) are $1,500 per month, and his gross monthly income is $8,000 per month, Larry's debt-to-income ratio would be 18.75%, not including a house payment.

Many mortgage lenders apply a 28/36 guideline when approving borrowers for mortgage amounts (although other guidelines are used). That is, no more than 28% of a buyer's income can be used for the mortgage payment; and the mortgage payment combined with all other monthly installment payments cannot exceed 36%.

In Larry's case, he could qualify to pay as much as $2,240 per month for a home based on the 28% standard, but because of his outstanding long-term debt, he might be limited to a $1,380 house payment using the 36% guideline -- ($1,500 + $1,380)/$8000 = 36%.

HOW TO PREPARE FOR YOUR LOAN APPLICATION

There are some steps you need to take in working with a lender to make the process work smoothly. Below is a standard list of items you will need to complete a loan application. (Other information may be required depending on your circumstances.)

• Automobiles owned
• Checking and savings account information
• Construction/permanent loan
• Copy of sales contract or offer
• Credit information, including creditor names, addresses, account numbers, payment amounts, current balances, date paid in full with copy of statements with zero balances
• Divorce/separated borrowers must bring copy of divorce decree or maintenance agreement
• Employment history for last two years
• Life insurance policies
• Other income
• Overtime income
• Recent paycheck stubs
• Personal check to cover appraisal and credit report
• Property information sheet or MLS sheet
• Real estate owned
• Gift letters
• Retirement plan
• Social Security Numbers
• Stocks, bonds, investment accounts
• Other assets
• Tax returns for the following types of applicants: self-employed, a tradesman, employed in a family business, receiving all or part of your income from bonus, commission, partnership or trust income. Or if you own rental property, garner income from non-verifiable sources, such as corporate ownership, installment sales, tips, etc.

8 QUESTIONS TO ASK A MORTGAGE PROFESSIONAL

Home buyers sometimes overlook one important step that can save thousands of dollars: shopping for the right loan. Finding a low interest rate is important, but lenders package loans in various ways, which can make comparisons difficult. Take a good look at the whole package before making a final decision.

Before you go loan shopping you'll need to decide a few things. Select the type of loan that is best for you, the amount you will need to borrow, and the term -- or length -- of the loan. Once you have this information in front of you, begin asking your lender the following questions.

1. Rates
Ask what rate is available today. Remember, the lowest interest rate is not necessarily the best loan. Additional fees and charges can sometimes increase your loan costs considerably.

2. Points
How many points will you need to pay to get that rate? A loan with a low interest rate and many points costs thousands of dollars more up front than a higher-rate loan with fewer points. However, discount points, like mortgage interest, are deductible on the buyer's income taxes, even if the seller paid the points!

3. Fees
What fees will you be charged? Some lenders will quote very low interest rates and points, then charge higher fees.

4. Lock-In
Ask about the procedures for "locking in" an attractive rate for a short time. There may be a fee for such a service, ranging up to 1% of the loan amount. Be sure your lock-in is in writing and includes both the rate and points because either can change. If rates and points are rising, the one-time lock-in fee may save you money at settlement and over the life of a loan.

5. Processing
How long will it take to process your loan? Processing is simply the gathering of all the documents necessary for an "approved application." If time is of the essence, you will want a quick processing and funding turnaround time. Providing a complete application can speed up this process, so be thorough when you apply.

6. FHA/VA
Are you eligible to receive a loan backed by the Federal Housing Administration or the Department of Veterans Affairs? Programs from these agencies can be very helpful for first-time and lower-income buyers. But there are restrictions and requirements.

7. PMI
Will you need to pay for Private Mortgage Insurance? If you can't afford to put 20% down, you need to insure your loan in one of several ways. Traditional PMI is the most common choice, involving a monthly premium payment that will end automatically once you have 22% equity in your home. There are also single-premium plans that can reduce your monthly payment. Find out what your options are.

8. Prepayment
What if you decide to pay off your loan early? Some homeowners decide to make additional payments to pay off their mortgage more quickly, but this can incur a penalty with some loan programs. Also, if you have a low interest rate, you might be better off investing the extra cash anyway.

HOW, WHY AND WHEN MORTGAGE LOAN RATES CHANGE

When the Federal Reserve Board (the Fed) goes on a rate cutting spree or decides to raise interest rates, many borrowers expect mortgage interest rates to follow closely behind. In fact, they often don't budge.

Short Vs. Long Term Rates
The Fed controls short-term interest rates -- the rates banks charge each other to borrow money. Fixed-rate mortgages, on the other hand, are long-term investments. Their rates are more affected by what's going on in the bond market, tracking closely with yields on the 10-year U.S. Treasury bond.

In fact, those who invest in bonds usually anticipate Fed rate changes weeks in advance, and factor those changes into their calculations. Only when the Fed makes a surprise cut or hike in rates are you likely to see mortgage rates respond immediately.

The Tie To Bonds
Consider what happens when mortgage-loan investors loan out all their money to home buyers. To be able to make more loans, the investors (lenders) raise money by selling off the loans they have on their books. These transactions comprise the secondary mortgage market. The 10-year Treasury bond is the closest competing investment to 30-year mortgages because, on average, consumers only hold mortgages about 10 years before paying them off (either by selling or refinancing). Therefore, whatever is happening in the 10-year Treasury bond market will heavily influence rates in the real estate mortgage market.

Bond Prices, Inflation
Inflation is a good indicator to watch to determine where mortgage interest rates are headed. Because Treasury bonds are issued with a fixed rate of return, inflation can decrease their value. A 6.5% return, for example, can buy more in a low inflation economy than in a high inflation one. Thus, when inflation heats up, the price of Treasury bonds decreases. By paying less to buy a bond, investors increase their yield, which means their effective interest rate increases. For mortgages to remain competitive with Treasury bonds, their interest rates also must rise.

When the economy weakens, however, the price of bonds escalates, the return on the investment drops, as do the returns for similar investments, e.g., mortgage loans. Because one investor can sell these mortgages to another investor for a lower rate, those savings will be passed on to new borrowers -- mortgage rates will drop.

COFI Index
Another index that affects mortgage rates is the Cost of Funds Index. Mortgages based on this index are referred to as COFI (pronounced "coffee") loans. The 11th District Cost of Funds Index, for example, is the weighted average of the cost of borrowings (funds) to member banking institutions of the Federal Home Loan Bank of San Francisco (the 11th District).

Mortgages pegged to this index are attractive because the index tends to lag market interest-rate adjustments. The index is also relatively stable because institutions borrow money for varying terms and do not pay market rates for all of their funds.

For example, institutions most commonly borrow from depositors in the form of certificates of deposit (CDs). The terms on CDs vary from several days to several years and the interest rates paid are determined at the time of the deposit.

The COFI is reported monthly, and the mortgage loans based on this index are adjustable-rate mortgages. COFI rates are generally lower than the more popular U.S. Treasury bond-based rates. They don't move up as quickly as the Treasury bond, but then once they do move up, they don't move down as quickly, either.

TWO TITLE INSURANCE POLICIES PROTECT LENDER AND BUYER

When a home buyer takes out a mortgage on a property, lenders require the borrower to purchase a lender's title insurance policy. This policy protects the lender in case it turns out later that the property's title is not clear.

Proof Of Ownership
The title of a property is supposed to prove to the courts and others that the owner actually has a right to the property. A title can be "clouded," however, if someone else can lay legitimate claim to the property.

For instance, a spouse of a former owner, who did not legally relinquish ownership rights when the home was sold, could say he or she is the rightful owner of the property. If the courts agree, the current owner would have to turn the property over to the former owner. The title insurance policy would then pay off the mortgage to the lender.

What about the current owner's interest in the property? Unless, at the time of purchase, the borrower took out a title insurance policy for himself -- in addition to the lender's policy -- he would lose any equity he had in the property.

Cost
The title insurance premium is a one-time charge. Because the same research is conducted to issue a lender's policy as to issue an owner's policy, the premium for issuing the two policies at the same time is about a third lower than if the policies are purchased separately.

Duration
The lender's policy is for the mortgage amount and remains in effect as long as the mortgage exists. If the owners were to refinance the home, they would need to purchase a new policy to protect the lender's interests.

An owner's title insurance policy, however, is written for the purchase price amount and covers the owner as long as he or she owns the home -- even after.

ESCROW ACCOUNTS PROTECT ALL PARTIES TO A LOAN

A mortgage payment doesn't just pay the mortgage. In most cases, your money will also go to insurance companies and your local government. This is done through an escrow account established with the lender. The benefits of escrow accounts include:

• **Guaranteeing that bills are paid on time.**
• **Unexpected increases in taxes or insurance are taken care of.** Lenders cover shortages when taxes or insurance payments increase. (If this occurs, you'll see an increase in your monthly escrow payment at the anniversary date of your mortgage.)
• **Mortgage rates and down payments remain lower with the use of** escrow accounts by protecting the investor (lender). With automatic insurance and tax payments, the investor is protected from an outside party placing liens on the property for non-payment of these items.
• **Local governments save money.** Since the lenders make the payments through the escrow accounts, local governments don't have to resort to more expensive ways to collect taxes.

STRATEGIES

PLAN FOR HOMEOWNING EXPENSES BEYOND THE MORTGAGE

Having a new monthly payment isn't the only consideration for a new homeowner. There will most definitely be residual expenses that come with a home purchase.

In order to avoid becoming "house rich but cash poor," you may not want to borrow the maximum a lender will allow. Don't forget to consider the expenses below when making up a budget for your new home:

• **Commuting costs.** If you're driving farther to work, this is going to affect your budget with larger gas bills, more repairs and possibly new tolls. Be sure to weigh in these expenses.
• **Redecorating allowance.** Many homeowners purchase a home, and then find they want to dress it up. That means more money, so be sure to budget for these items.
• **New furniture.** Is the home larger? Then you'll probably want to fill it with some new chairs, end tables and the like. They'll add up!
• **Maintenance expenses.** If you were renting, you now will discover the joys of homeownership you didn't have before -- replacing hot-water heaters, paying for air conditioning or heating system check-ups, and other expenses that used to be absorbed by the landlord.
• **Higher utility bills.** If the home is larger than your last dwelling, you might be paying more for household utilities to heat and cool the place. Take a look at the previous owner's utility bills if you can.

MORTGAGE PRE-QUALIFICATION VS. PRE-APPROVAL

Shopping for a home before you are pre-qualified for a mortgage is like putting the cart before the horse. The same can be said about writing a contract to buy a home if you aren't pre-approved.

The first step in preparing to buy a home is understanding how and why lenders loan money. They will want to know where you stand financially, so you should figure this out before you do anything else. You need to determine how much money comes into your household each month -- and how much goes out.

Where You Stand
First, calculate your total monthly gross income. On a clean sheet of paper, write down all your income. You can count more than just your regular pay. Other sources of "hidden" income may include a raise that's due before your first mortgage payment; a history of bonus income; a history of overtime income; and income from investments and rental property. If you receive child support or alimony, these can also be included in your income.

Then write down all your monthly debts such as credit cards, student loans, car payments, etc. Do not include your monthly household expenses, like utilities, groceries and your phone bill. These are not considered in your debt/income ratios.

The next step is to write down any assets you could use for a down payment: savings, gifts from a relative or friend, stocks and other investments. In today's competitive lending market, new programs are coming out all the time to help buyers make a down payment that's right for them.

If you have good credit, some programs allow you to buy a home with as little as 3% as down payment. Veterans are eligible for a Veterans Affairs loan that requires no down payment and also allows the veteran to finance some closing costs. Another popular government loan is the FHA-insured mortgage, which requires as little as 3.5% down. A conventional loan can also require as little as 3% to 5% down, as mentioned earlier, but most borrowers make larger down payments.

After you compile all of these numbers, you now have a picture of where you stand financially. The next phase deals with pre-qualification and pre-approval.

Pre-qualification
Pre-qualification is simply a verbal exchange in which the lender estimates how much money a buyer can afford to borrow. The lender looks at your statement of income and debt and, assuming no extenuating circumstances, determines how much money you could afford to spend on a mortgage. This is called pre-qualifying and will only give you a guideline.

Once you have a rough idea of how much you can afford, it is a lot easier to go home shopping.

While writing a contract with a pre-qualification is better than writing a contract without one, there is still another step you can take.

Pre-approval
When it comes time to actually purchase a home, the lender starts verifying all the information on the loan application and may find some inaccuracies in your application or some problems in your credit file that even you didn't know about. If this happens, settlement could be postponed or even canceled altogether. Being pre-approved before writing a contract can prevent such headaches.

A loan pre-approval is an actual commitment from a lender to provide you with a loan for a specified amount. This means he or she has verified everything you've placed on the application: income, employment, debts, credit history and more.

A decade ago, real estate agents had to plead and beg with buyers just to get pre-qualified. Buyers were afraid to share personal financial information, not realizing it actually put them in a better negotiating position. It's important to go that extra step and get a pre-approval -- removing a seller's fears that something may ruin the deal at the last minute.

Pre-approval also gives the buyer better negotiating power in a multiple-offer situation. A seller is more apt to go with pre-approved buyers who are ready to move in, rather than buyers who don't really know if they can even get a loan. The home shopping process is simply easier once you're pre-approved. With a pre-approval, you'll feel like you have a credit card in your pocket that will let you buy a home on the spot.

A pre-approval also gives you peace of mind -- and no one can put a price tag on that!

PREPARE YOUR CREDIT TO GET THE BEST MORTGAGE

Ignorance is not bliss when it comes to your credit worthiness. Maintaining good credit is an active, rather than passive, pursuit. One of the first steps to maintaining a good credit report is to know what is in it.

Here are a few tips to help you keep your credit report clean:

• **Check your credit report periodically.** This is the first step in credit maintenance. You may find errors on the report. If so, it is better to find out sooner than later -- especially when you're up against a deadline while applying for a loan. By law, you are entitled to a free credit report every year from each of the three major credit reporting agencies -- Equifax, Experian, and TransUnion. To order a report, call (877) 322-8228 or go online to www.AnnualCreditReport.com
• **Make your payments on time.** You would think this is common knowledge, but not always. Some consumers believe that as long as they get their payment in before the next statement comes in the mail, they're in good shape. Not so. Late payments indicate a lack of fiscal discipline, and can be a stumbling block when you apply for credit in the future.
• **Close old accounts.** The more accounts you have open, compared to your level of income, the less lenders will be willing to loan you. If you no longer use a particular account, close it.
• **Carry low balances.** It is better to have three credit cards with low balances than one with a high, close-to-the-limit balance. To prevent your balance from climbing out of control, it's best to get in the habit of paying for your purchases in full when you receive your statement.

LENDERS SOMETIMES NEGOTIATE RATES, FEES

Just because interest rates go up, doesn't mean you have to take it sitting down. Au contraire, you can cut the cost of a mortgage by brushing up on their negotiating skills.

Even in a fast-paced market where houses are selling left and right -- and loan applications are numerous -- lenders still have to compete for the business. If your credit is A-1, you are a hot commodity for a lender.

A loan applicant with a top-rated credit score is going to make the loan officer's job a lot easier -- and that's worth something to many lenders. With fluctuating interest rates, some lenders are willing to reduce closing costs, which can add up to 5% of the total loan amount.

If interest rates are firm, you can still ask for a reduction in other expenses such as document preparation, processing, courier or copying fees. Some lenders may be willing to reduce underwriting, appraisal or even application fees.

Other reductions might include: fewer or no points, the lender's attorney's fee, the commission rate (for mortgage brokers), and the credit check fee. Buyers interested in an adjustable-rate mortgage should go ahead and ask for a reduction in the rate to start with. The worst that can happen is the lender says "no".

SOLUTIONS TO ALMOST ANY HOME-FINANCING CHALLENGE

The number-one obstacle most home buyers face is simply a lack of knowledge. Below, we've listed some of the most common hurdles buyers face and how to overcome them.

Problem: "I don't have enough cash for the down payment."
Solution: Some common mortgage programs require down payments as low as 3%. If you have a strong income and excellent credit, you may qualify.

The Federal Housing Administration accepts down payments as low as 3.5%. Conventional loans require minimum down payments of 3% to 5%.

You might even consider borrowing your down payment from yourself. As long as the extra debt would not adversely affect your buying power, your current assets, such as a car, boat or life insurance policy, could be resources to draw upon. In addition, first-time buyers can withdraw money from their Individual Retirement Accounts to purchase a home, without paying an early withdrawal penalty. (Restrictions apply.)

Problem: "I don't have enough money for -- or I don't want to pay for -- up-front fees and points."
Solution: Look for no-cost programs. These days, some investors offer finance packages that require no points and no fees. A point equals 1% of the loan amount and, in essence, is pre-paid interest to give you a lower interest rate. While you may have to pay a slightly higher interest rate (and therefore a higher monthly payment), a no-points/no-fees loan can get you into a house when there's just no cash left over after the down payment.

Problem: "After making my down payment and closing costs, I don't have money left for up-front mortgage insurance."
Solution: Buyers who put down less than 20% usually have to purchase private mortgage insurance to protect the lender in case of default. In today's market, however, some insurance companies will let buyers finance the up-front mortgage insurance over time.

There are also "self-insure" programs available to you if you are able to handle paying a higher interest rate.

Problem: "I want to buy a home, but I have a bad credit record."
Solution: What seems like bad credit to you may actually be sufficient to get you into your next house. If you know for certain your credit is blemished, but with good reason -- such as illness or loss of job -- a letter of explanation goes a long way with the underwriter.

For those who have bad credit with no explanation, all is not lost! Change your credit habits, consolidate debt and pay your bills on time. It's going to take 12 to 24 months of good credit history to clean up your record, but the benefits of home-ownership are worth it.

Problem: "I have a special situation that would prevent me from getting a loan."
Solution: The bottom line in qualifying for a home mortgage includes a combination of income, debt ratios and credit ratings. Anything outside those three can usually be explained or documented. Below are some special situations and how to work around them.

• Self-employed or commission-paid borrowers must provide federal tax forms for the past two years, along with a current year-to-date profit and loss statement.
• Divorced or separated borrowers will need to provide a copy of the divorce decree and separation agreement, plus documentation of any alimony or child support payments they are required to make. If alimony or child support payments are to be considered as income, proof of this income (such as the clerk of court's history of payments or canceled checks for the past 12 months) must be included.
• Retired borrowers and others receiving pension, disability, Social Security or any form of public assistance benefits as income will need to provide a copy of an award certificate or a check from the issuing agency.
• Bad-credit borrowers who have bankruptcy, foreclosure or other judgments against them in the past seven years should provide information on the proceedings. Information on bankruptcies should include a copy of the bankruptcy discharge and a schedule of both debts and assets. Judgments against the borrower should include an attorney's letter that discusses the outcome of the proceedings.

WHEN SHOULD YOU PAY POINTS TO GET A LOWER INTEREST RATE?

Among the first things people ask when shopping for a mortgage loan is what the interest rate will be. The answer they get is rarely a straight percentage rate; it's a percentage rate with points -- for example, 7% plus 3 points.

Have you ever wondered what those points are all about? (You wouldn't be alone!) Sometimes called loan discount points or an origination fee, a point is equal to 1% of the loan amount. Thus, on a loan of $100,000, a borrower would pay 1,000 per point to the lender.

But why would borrowers want to pay points to the same organization that's lending them money? The answer is simple: By paying points, borrowers can get a lower interest rate than lenders could otherwise afford to offer. In other words, some borrowers pay points to "buy down" the mortgage interest rate, thus reducing their long-term interest expense on the loan.

It is certainly possible to take out a mortgage without paying points. In fact, many borrowers opt to do so if they are short of cash for their home purchase or they don't expect to own the home for long. But for many people, getting a lower interest rate is worth the upfront payment of at least some points.

What confuses many loan shoppers are the different combinations of rates and points available from lenders. Is a 7% loan with 3 points, for example, a better deal than a 7.5% loan with no points? If you consider that each point is worth about 1/8% to 1/4% drop in interest rate, the two loans are roughly comparable. Yet one of those loans may be better for the borrower, depending on his or her particular circumstances.

Run The Numbers
Say you pay 3 points ($3,000) for a 7% rate on a $100,000, 30-year mortgage. Your principal-and-interest payments would be about $407 per year lower than if you had taken a 7.5% loan with no points. You would, however, have to own the home a little more than 7 years for your savings to pay back your $3,000 points expense.

But what if you move sooner? You'll lose more money in points than you'll have saved with the lower-rate loan. Consider, too, that you could have taken the higher-rate, no-point loan and invested your $3,000 elsewhere. Whether you win or lose with this strategy will depend on the investment's rate of return.

Another factor to consider when comparing financing options is how your tax bill will be affected. Paying less interest means a smaller mortgage-interest tax deduction, reducing the real savings achieved by buying down the rate. On the other hand, points are tax deductible in many cases. Consult IRS Publication 936 for further details.

Pay For The Long Haul
Paying points may be a great idea if you plan on owning your home for a while -- how long depends on how much difference in interest rate your points can buy. If 3 points could buy you a 3/4% drop in interest rate (rather the the 1/2% we calculated earlier), you could recoup your cost in just 5 years of homeownership.

If you owned the home in our example for the full 30 years, your savings could top $12,000!

Finance The Points
If you think paying points is a sound choice but you are short of cash, you may be able to roll the points into your mortgage loan. In our example, you would finance $103,000 at the 7% rate.

DON'T SABOTAGE YOUR MORTGAGE APPLICATION

Your credit score is a snapshot of how well you manage credit. It meanders up and down depending on how much debt you have, how many inquiries are made into your credit history, and your frequency of late payments, judgments and bankruptcies.

Many times we've seen buyers innocently, yet adversely, affect their credit right when they are applying for a home mortgage. Here are some tips from the National Association of Realtors on how to attain the best possible credit score during the application process.

• **Don't order any furniture or appliances** for a new home even if no payment is immediately due, such as the no-payment-till-spring deals.

• **Don't let any stores run a credit check** for a new credit card when you're shopping or looking for new furniture or appliances.
• **Don't get new credit cards,** even when stores offer a discount in return for applying for a card.
• **Pay all credit card bills on time,** even if it means paying utility bills late.
• **Refuse increases in your credit limit** if the increase is more than you need or is high in relation to your income.
• **Pay off and close any existing accounts with finance companies,** since they're viewed negatively in the scoring.
• **Close out unused credit card accounts.**
• **Maintain at least one of your oldest cards** to show a lengthy credit history.

Loan Types

HOW TO PICK THE PERFECT MORTGAGE FOR YOU

Ask any real estate professional what the first step in the home-buying process is and you'll be told: "Figure out how much you can afford to borrow."

What comes next? Well, the second most important step is to find out what type of loan is right for you. The right loan can even help you afford a larger mortgage than you'd expect.

Not all loans are created equal and neither are borrowers. That's why the mortgage industry has devised many types of loans. The most popular, of course, is the 30-year fixed-rate mortgage. But then there are different types of fixed-rate mortgage programs. Are you looking for a conforming loan? Conventional? Government insured?

To determine your loan type, forego the number crunching and take a look at your lifestyle instead. Your financial situation, obviously, is a dominant factor. Your career, projected income growth, plans on having children or getting married, how long you'll be in the house you want to buy and your financial circumstances are all factors you should take into consideration when looking at loan programs.

Believe it or not, the lowest interest rate may not be the best option for you. Generally, the lowest fixed rate you will find is through a 15-year program. While you pay off your home quicker, you qualify for less. Even if you get the low interest rate, you may not be able to get the house you really want. Interest rates are just one piece of this very large mortgage finance pie.

Ask Yourself:

• **How long will I be in the house?** If you think it will be just a few years (less than seven) you may want to consider an adjustable rate mortgage. Even if we are in a low-rate environment, why not take advantage of even lower rates with an ARM that doesn't adjust for five or seven years?
• **How fast will my income grow?** With a fast-paced income trend, you may want to purchase with an ARM, which will allow you to buy more home with the expectation your monthly cash flow will increase to handle higher payments in the future. On the other hand, if your income is not expected to increase at a very fast pace, maybe you should look at a more stable fixed-rate program.
• **Is my family situation changing in the future?** Are you single? Then when will you be looking to marry? Are you married? What about children? If you're part of the growing "sandwich generation" you may have to take into account that your parents could be moving in with you in the future, meaning you'll need a larger house.

Other considerations include whether or not you want the lowest monthly payment possible or if a fast pay-off is most important to your financial strategy. There are even special programs for buyers with very little money available for a down payment. As you can see, finance questions are not the only considerations when selecting a loan program.

QUIZ YOUR MORTGAGE KNOWLEDGE

Do you think you understand mortgages? Try your hand at our lending quiz. Match up each mortgage program with the best description. The answers appear below. (No peeking!)

1. ARM
2. 30-year fixed rate
3. 15-year fixed rate
4. 7/23 Balloon
5. 80/10/10
6. Zero Down

__ A. Avoids mortgage insurance
__ B. Requires excellent credit
__ C. Variable interest rate
__ D. Fixed/adjustable rate combo
__ E. Lower payment/most popular
__ F. Fast payoff

1. - C. The interest rate on an adjustable-rate mortgage slides up and down according to the rate charged on a particular index, such as Treasury Bonds.

2. - E. A 30-year fixed rate allows the longest amount of time to pay off a loan, thus giving you a smaller payment than a shorter-term loan. It's also the most common home mortgage.

3. - F. Obviously, a 15-year loan is paid off more quickly than others.

4. - D. A 7/23 balloon mortgage begins as a fixed-rate mortgage for the first seven years, then a balloon payment is due. Usually, the remaining balance is refinanced to another loan with a new (higher or lower) interest rate.

5. - A. An 80/10/10 mortgage avoids mortgage insurance by issuing two loans: the first at 80% loan to value, the second at 10% loan to value. The borrower makes a 10% down payment.

6. - B. To be eligible for a zero-down-payment mortgage, a borrower must have an excellent credit rating.

MORE LOW-CASH LOANS NOW AVAILABLE

The number-one reason consumers claim they can't buy a home is because of the down payment. More liberal loan programs have helped overcome that hurdle for many. Some of the programs introduced in the last few years include 3% to 5% down-payment mortgages instead of the traditional 10% to 20%.

Lenders have also become more flexible regarding debt-to-income ratios. In the past, your housing costs combined with payments for long-term debt could not exceed 36% of your gross income, but some programs available now allow higher debt ratios.

Buyers without a lot of cash on hand no longer have to come up with all the down payment alone. New rules allow the money to come from a gift or loan from an IRA account -- yours or a relative's.

ADJUSTABLE-RATE MORTGAGES OFFER OPTIONS

When interest rates are rising, more home buyers look seriously at adjustable-rate mortgages (ARMs). Because the rates on ARMs are lower than for fixed-rate mortgages, sometimes by a couple of points, buyers are often willing to take their chances with the adjustments that will eventually follow.

Low Rate, Early Move
If you know you're likely to own the home for a relatively short period of time -- say, 3 to 5 years -- you may be able to take out an ARM and never have to pay a higher adjusted rate. The idea is to sell the home before the initial rate period expires. (Beware, however, some ARMs charge an early-payoff penalty if the loan is paid off before a specified number of years.)

Longer Initial-Rate Periods
The most popular adjustable-rate mortgage has been the 1-year ARM. Many buyers get edgy about ARMs, however, thinking this is the only option -- the payment rising and falling with the market after the first year. Fortunately, there are several other types of ARMs that allow borrowers to hang onto a lower rate for a number of years before adjusting. These programs could save you thousands of dollars even over the relatively short period of time you hold the mortgage.

For instance, a 3/1 ARM gives you a lower initial rate for 3 years, then adjusts each year after that. A 3/3 ARM holds the initial rate for three years, then adjusts every three years. With a 7/23 or a 5/25 ARM, the low initial rate is held for 7 or 5 years, respectively, then is adjusted again to a higher rate for the remaining term of the loan.

ARMs may not be the best choice for everyone all the time. When interest rates are rising, however, they can offer an attractive option for short-term homeowners.

15-YEAR MORTGAGES: GET THE WHOLE PICTURE

During the past few years, 15-year mortgages have gained popularity because of low interest rates. A 15-year mortgage can save you money on interest payments, increase equity in the home and pay off debt faster than the traditional 30-year mortgage.

Keep in mind, however, most great financing options include factors you need to consider carefully.

Remember that a 15-year home loan comes with monthly payments that are higher than a 30-year mortgage. For example, the monthly payment for a 15-year, $100,000 mortgage at 8% would be about $955 (principal and interest). The payment for that same loan amortized over 30 years would be $733.

Before making the obligation for an additional $2,664 per year out of your pocket for the next 15 years, you may want to consider other options that achieve the same result. You can increase your equity more quickly with a 30-year loan by simply adding a little more money to each month's payment, which will be applied to the principal.

A second disadvantage to a 15-year mortgage is that the borrower loses a large tax deduction once the mortgage is paid off.

203(K) MORTGAGES COVER COSTS OF REMODELING

One of the most underused but beneficial loans available to consumers today is the Federal Housing Administration's 203(k) program. Buyers can buy a single-family home that needs fixing up and borrow money to complete the work all in one loan. The program may even be used on properties that are going to be demolished or razed in the rehabilitation process, as long as the existing foundation system remains.

Here's how it works: Find a home you want to purchase that needs repair or rehabilitation. Then prepare a detailed plan of the work you intend to do on the property. This will be needed to justify the amount of the loan.

Then borrow the money to both buy the home and refurbish the property. The loan amount will be based on the projected value of the home once the work is completed.

A BUILT-UP MORTGAGE CAN SAVE YOU CASH

A built-up mortgage (sometimes called a piggy-back mortgage) can allow cash-poor buyers to get into a home without paying private mortgage insurance (PMI). (PMI is often charged by lenders when borrowers have a down payment less than 20%.)

A built-up mortgage involves two trusts and a smaller-than-traditional down payment. For example, an 80-10-10 loan requires a 10% cash down payment with a 10% second trust to subsidize the 80% first mortgage. There are even 80-15-5 loans where the buyer only needs a 5% down payment. These mortgage programs help save buyers money each month, and hundreds annually, by avoiding PMI costs. However, they are harder to find in today's tighter mortgage market.

FANNIE MAE HELPS "CREDIT CHALLENGED" BUYERS

Fannie Mae recently introduced a program to help home buyers with less-than-perfect credit. Called the Timely Payment Rewards mortgage, qualified borrowers can finance a home at rates lower than other borrowers with impaired credit, for whom mortgage rates can be in the double digits.

After two years of timely mortgage payments, the borrower receives an automatic 1% reduction in the interest rate. For more information, contact your lender or Fannie Mae at (800) 732-6643.

HOW BRIDGE LOANS HELP BUYERS OVER THE GAP

Nobody wants to carry two mortgage on two homes at the same time. Sometimes, however, an overlap between buying a new home and selling the old one occurs. Here's where a bridge (or gap, or swing) loan can take the pressure off the monthly budget and provide down payment money.

A bridge loan is a short-term loan for which the equity in your old home (and sometimes in your new one) serves as collateral. Various lenders charge different interest rates, often 1 or 2 percentage points above the current prime rate, or a bit higher than the current regular mortgage rate. Depending on lenders' requirements (appraisal, title search, etc.), closing costs can be anywhere from 0.5% to 1.5% of the loan amount.

You may pay the loan off when you sell your home, or in monthly or quarterly installments. If your home does not sell within the specified term (often 6 months to a year), the loan is usually renewable.

REVERSE MORTGAGES KEEP EVOLVING

Reverse mortgages, which seniors sometimes use to tap their home equity, have recently been affected by several changes.

Retaining Appreciation
One of the latest changes is Fannie Mae's discontinuation of the equity share cost option on its "HomeKeeper" loans. The equity share option received heavy criticism from consumer groups, which cited exorbitant costs of such loans because of the shared appreciation aspect of the program. When homeowners paid off these mortgages at the end of their terms, they would also have to hand over a portion of their home's appreciation to the lender. In areas where property experienced high appreciation, some seniors who paid off their reverse mortgages early were paying an effective interest rate of 40%.

Increasing Equity Limits
In other reverse mortgage news, some homeowners may be able to convert more of their home equity into cash due to increases in reverse mortgage equity limits set by the federal government.

The limits on federally-insured "Home Equity Conversion Mortgages" (HECMs) and on Fannie Mae's "HomeKeeper Mortgage" can change at any time. Contact your local office of the Department of Housing and Urban Development for current HECM limits. For "HomeKeeper Mortgage" limits, call your local Fannie Mae office.

In both programs, the amount of cash a homeowner can get is a percentage of the home's value or of the equity limit, whichever is less. The specific percentages are based on factors such as the borrower's age and current interest rates.

REFINANCING SECOND MORTGAGES

IS REFINANCING RIGHT FOR YOUR GOALS?

Today's relatively low interest rates are sparking quite a few homeowners to calculate the benefits of refinancing. Is it time for you to jump on-board?

Forget the misleading adage about needing a 2-percentage-point spread between your old rate and the current one. Whether refinancing is a safe move for you depends on several factors. The rate you're currently paying is important, but you should also consider how long you plan to stay in your home and whether refinancing can help meet your other financial goals.

Consider refinancing your home if any of the following situations applies to you.

1. Available rates are lower than your current mortgage rate. Even a half-percent drop in interest rate can mean hundreds of dollars per year in mortgage-payment savings -- if you'll stay in your home long enough to justify the cost of refinancing.

For example, if your current mortgage rate is 8.5% and you reduce it to 8%, you'll annually save more than $400 per $100,000 borrowed on a 30-year, fixed-rate loan. Assuming closing costs of $2,500, you would recoup your costs on a $100,000 mortgage in 6-1/2 years. For the average homeowner, who stays in a house for 12 years, refinancing for even a half-point advantage might be a solid financial move.

2. You have an adjustable-rate loan. Although your variable-rate loan may adjust lower as interest rates drop, it's likely to adjust higher eventually. Why not lock-in a low fixed-rate mortgage while you have the chance?

Will you be refinancing at the very lowest point of the interest-rate cycle? There's no way to tell ahead of time, but "close enough" could mean substantial savings during the duration of your homeownership. In addition, your new fixed-rate mortgage will provide a set monthly payment that's easier to budget for, relieving you of rate-watching anxiety.

3. You have a second mortgage. Check your rate -- is it higher than those currently available? Refinancing could cut the total of your monthly mortgage payments (for both loans) and save interest costs in the long term. The idea is to roll both loans into one new loan at a lower overall rate. Again, you'll need to determine whether you are likely to own your home long enough to recoup the cost of refinancing.

4. You have significant consumer debt. During the last few years, homes in many areas of the country have significantly increased in value, thereby giving their owners more equity. If you have owned your home for a while, or you've benefited from recent appreciation, you could put your home's equity to work retiring other higher-cost debt -- credit cards, installment debt, auto loans, etc.

You could, for example, retire $20,000 in credit-card debt by refinancing your home for $20,000 more than you owe on your current loan, using that additional loan amount to pay-off your installment debt. You'll benefit by having a lower interest rate on that $20,000 and lower monthly payments overall. In addition, you'll be increasing your annual mortgage-interest-expense tax deduction.

The key to financial success with this approach is making sure you don't run credit-card balances and other debts back up again after you paid them off.

5. You want to invest your equity elsewhere. Many homeowners look at their equity as a means of investing in rental or vacation property. Refinancing for an amount higher than your current loan could give you the cash to expand your real estate portfolio.

Investing in a rental or second home can yield additional tax deductions, cash income or equity growth. If this interests you, give us a call to talk about our various investor loan programs.

6. You want to pay for a "special" need. Refinancing could allow you to tap your home's equity for retirement expenses, medical bills, college costs, a much-needed vacation, and more. If you've been feeling "house rich and cash poor," refinancing your home at today's interest rates might be the smartest financial move you ever make!

CASH-OUT REFI'S CAN SAVE MONEY, LOWER PAYMENTS

There are plenty of reasons to refinance your mortgage, but be sure you maximize the benefits of doing so when you are looking at taking out cash. Below are various ways to get money out of your house, save money on interest, and lower your payment all at the same time.

Lower Payments
The #1 reason homeowners refinance an existing mortgage is to lower their monthly payment. For instance, if you have a mortgage balance of $65,000, on an original mortgage of $100,000 at 8.5% amortized over 30 years, the original payment would be $768.91. If you took out $30,000 in cash and refinanced the loan to $95,000 ($65,000 balance plus the $30,000 cash) with an interest rate of 7.5% for 30 years, the payment would drop to $664.25 ($104.66 lower per month). The annual savings would be $1,255, plus you would have $30,000 to invest elsewhere or spend on something important.

Say you were in the above situation and wanted the cash but didn't want to amortize the loan over 30 years again. Taking out a new 15-year mortgage at 7.25% (most 15-year loans come with lower rates than their 30-year counterparts) would make the payment $867.22. In essence, the extra $30,000 cash would cost about $99 more per month than the 30-year loan. By shortening the term, you pay less interest over the life of the loan, keeping more money in your pocket in the long run.

Consolidate Debt
Another wise way to use your home's equity is doing a cash-out refinancing to pay off high-interest credit cards and other installment debt. Although consumer interest is not tax deductible, debt secured by your home, in most cases, is. By rolling that debt over into one lump-sum mortgage payment, the interest is totally deductible.

Let's use our first scenario again. If you took the $30,000 and paid off a car loan of $20,000 (with an interest rate of 9%; payment of $415 over 5 years); and two credit card balances of $5,000 each (one at 15% and the other at 21% interest; and payments of about $150 per month total), you would save non-deductible interest payments each month of about $300 (roughly $3,600 per year).

With the new 30-year $95,000 mortgage, all your mortgage interest is deductible, which in the first year would be about $7,080. If you are in the 27.5% tax bracket, that's a tax savings of nearly $1,947 for the first year. In addition, you would reduce your total monthly payments by almost $670 ($104.66 in house-payment savings + $415 from retired car loan + $150 from paid-off credit cards).

Increase Returns
If you think your home has appreciated as much as it's going to, and you're looking for a faster growing investment, you could take your $30,000 from a cash-out refi and place it in other investments. Despite the volatility of the stock market, many funds are still making money. In addition, recent lower stock prices make them more affordable. Bonds may also be a safe place for investment funds. Be sure to talk with a financial planner before making this type of decision.

PLAY THE TAX GAME SMART WHEN YOU REFINANCE

When interest rates drop, refinancing is a great choice for many homeowners. Replacing their current mortgage with a new one at a lower rate can help them improve their financial picture as well as meet other important goals.

If you're thinking about refinancing, you should first determine whether you're likely to live in your home long enough to recoup the costs of the new loan -- points, settlement costs and fees. Just as important, you should consider how refinancing will impact your income-tax situation. The tax code treats refi's a bit differently than original mortgages. In addition, you'll want to ensure that your new lower-interest loan doesn't carry with it a high annual tax bill, perhaps even a higher tax bracket.

Different Deductions
Does your current mortgage include a prepayment penalty? If so, you can deduct that cost on your tax return for the year you refinance.

Another more important difference involves points. If you paid points to buy down the interest rate on your original loan, you may remember that you were allowed to deduct the entire amount in the tax year of the loan. The rules are less generous for points paid to refinance -- you must amortize them, deducting a portion of them each year over the life of the loan.

For example, say you owe $100,000 on your home and you decide to refinance that amount on a 30-year loan, paying 3 points to lower your interest rate. Since a point is 1% of the loan amount, your expense for points would be $3,000. You would be allowed to deduct 1/30th of those points ($100) each year over the life of the loan.

If you refinance for an amount higher than the balance on your current mortgage, other rules may apply to points associated with the difference. The tax code gets a bit complicated here, so be sure to consult a tax pro if this situation applies to you.

Refinancing A Refi
What if your current loan is already a refi? If there are unamortized points from that loan, you can deduct them all in the year you pay off the loan.

For instance, say you refinanced five years ago, paying $3,000 in points for a 30-year loan. To date, you would have deducted just $500 of those points. If you refinance this year, the IRS will allow you to take all of the remaining points, $2,500, as a deduction on this year's tax return.

Safeguard Deductions
Are you considering refinancing to lower your monthly payment or pay off your home earlier? Remember, the less mortgage interest you pay each year, the less mortgage interest you'll have to deduct on your tax return.

If, for example, you're in the 15% tax bracket, for every $100 you save on interest charges, your tax liability will increase by $15. That certainly sounds like a worthwhile trade-off for most people, though they should make sure to budget for the higher tax bill.

But what if your income is likely to increase in the near future or you are already close to being in the next higher tax bracket before you refinance? Reducing your mortgage-interest tax deduction could push you over the edge, causing your income to be taxed at a higher rate.

If you're in this situation, refinancing a larger amount than the current loan balance might be the perfect answer. You would still get to take advantage of today's lower rates, while the refinancing would provide you with cash to pay for other needs -- retiring expensive credit-card debt, paying for college expenses, purchasing a second home, perhaps adding on to or remodeling your current home.

Run The Numbers
Before you make a final decision about which loan to choose for your refinancing, be sure to consult your tax professional to find out how your tax liability is likely to change.

HOW TO SAVE ON YOUR REFINANCING

With interest rates at attractive, affordable levels, record numbers of homeowners have refinanced or purchased homes this year. The good news is: It isn't too late to take advantage of the current market. If you decide to refinance, keep in mind these six inside tips for additional savings:

• **Lower your monthly payment.** You may be able to achieve the most savings by reducing your monthly mortgage payment. For every $100,000 in loan amount, a 1% reduction in your 30-year interest rate will reduce your monthly payment by about $70. That provides more cash in hand every month for spending or investing.

• **No-cost closing.** To eliminate your out-of-pocket expenses, simply add the settlement fees to the new loan balance and pay off the entire amount over time. That way, you won't have to dip into savings for settlement.

• **Re-issue your title insurance.** A special rate for refinancing your title insurance could be as little as half the cost of a brand-new policy. Be sure to ask.

• **Re-certify your old survey.** Use the survey company that did your original property survey. Assuming the property hasn't changed significantly and your original survey isn't too old, a re-certification of the survey may be all that's needed. Re-certification costs less than an actual on-site survey.

• **Dump your PMI payment.** For homeowners with 20% equity or more who have been paying Private Mortgage Insurance, refinancing is an opportunity to use the current appraisal to cancel the PMI premium. By dropping PMI you could save $120 or more each month on a $200,000 loan. PMI typically runs between .5% and 1% of the loan amount, per year, based on your loan-to-value ratio.

• **Pay off your equity loan.** If the interest rate of your current equity loan is above current market rates, you'll save on combined monthly payments by rolling the equity loan balance into your new first mortgage at a lower interest rate.

SECOND MORTGAGE TAX DEDUCTIONS

One of the great things about second mortgages is (along with home equity loans and equity lines of credit) that the interest you pay is deductible on your income taxes up to $100,000, regardless how you use the loan proceeds. If you use some or all of the loan to make home improvements, the $100,000 limit increases by that amount. (The above limits apply so long as all debt secured by the home does not exceed its fair market value.)

The points you pay for a second mortgage or equity-backed loan used to improve a principal residence are only deductible if you meet the following five criteria set forth by the IRS.

1. Your loan is secured by your main home. (Your main home is the one you live in most of the time.)

2. Paying points is an established business practice in the area where the loan was made.

3. The points paid were not more than the points generally charged in that area.

4. You use the cash method of accounting. This means you report income in the year you receive it and deduct expenses in the year you pay them. Most individuals use this method.

5. The points were not paid in place of amounts that ordinarily are stated separately on the settlement statement, such as appraisal fees, inspection fees, title fees, attorney fees and property taxes.

If you meet these criteria, you can fully deduct the part of the points related to the improvement in the year paid. You can deduct the rest of the points over the life of the loan.

Be sure to consult a tax professional about your specific situation.

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Student Course / Instructor Evaluation

Course Name ______________________________

Instructor _________________________________

Date ______________________________________

PLEASE FILL IN THE BUBBLES COMPLETELY SO ANSWERS ARE SCANABLE.

Please do NOT use check marks, x's or any other type of mark.

The instructor encouraged my participation through questions and answers or exercises.

- ◯ Strongly Disagree
- ◯ Disagree
- ◯ Neutral
- ◯ Agree
- ◯ Strongly Agree

The instructor presented ideas clearly and made the subject matter interesting.

- ◯ Strongly Disagree
- ◯ Disagree
- ◯ Neutral
- ◯ Agree
- ◯ Strongly Agree

The use of the outline / handouts for study and / or reference was helpful.

- ◯ Strongly Disagree
- ◯ Disagree
- ◯ Neutral
- ◯ Agree
- ◯ Strongly Agree

The topic is relevant / helpful to my real estate activities.

- ◯ Strongly Disagree
- ◯ Disagree
- ◯ Neutral
- ◯ Agree
- ◯ Strongly Agree

I would want this instructor back.

- ◯ Strongly Disagree
- ◯ Disagree
- ◯ Neutral
- ◯ Agree
- ◯ Strongly Agree

Additional Comments:

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Thank you for your input. (Revised 5-2017)

