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# REASONS TO BUY A HOME NOW!



REASON NO.

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## FIRST-TIME HOMEBUYER TIPS

### FIND YOURSELF A GOOD AGENT

A good real estate agent makes a big difference with any home purchase, but especially for a first-time homebuyer.

Look for an agent who is not only well qualified and knowledgeable about the area you want to live in, but also one who is patient and takes the time to really get to know your needs.

After all, an important role of an agent — especially for inexperienced buyers — is that of a teacher.

### REAL ESTATE GLOSSARY

#### BIWEEKLY MORTGAGE

— A home loan that lets you make payments every two weeks, which can help you pay off your home faster over time.

**SURVEY** — A map or drawing that shows the exact legal dimensions of a property.

**COLLATERAL** — Property used to secure a loan. In the case of a mortgage, the home itself is the collateral.

# Slash your tax bill

## Buyers can get big tax breaks from Uncle Sam

For years, the federal government has considered it important for Americans to own houses. Home ownership helps families build wealth, gives them a safe and stable place to stay, and creates communities of stakeholders who pull together to meet each other's needs.

Home ownership is so important, in fact, that the government does something exceptional to encourage people to own a house.

It gives a big tax break.

Generally, the interest someone pays on their home loan is deducted on their federal income tax filings. Depending on a person's income and how much they deduct, the savings can be substantial. It's another reason why owning a home is one of the greatest wealth-building tools a person can have.



One advantage of purchasing a home is that the federal government allows most people to deduct the cost of home loan financing from their income, which can result in a big tax break.

### TAX DEDUCTIONS

The United States Tax Code uses a lot of big words — it's one of the most complicated parts of our legal system, after all — but the logic behind the mortgage interest deduction is simple: If you're working to pay off a home, the government wants to give you a financial break.

For most people, interest paid on a home mortgage loan is deducted from their income so that they pay taxes as if they earned less money. If someone makes \$50,000 per year, for

example, and pay \$5,000 in mortgage interest, they would only pay taxes on \$45,000 of income.

That example may be overly simplified, and you should consult a tax professional to see how it would impact your specific situation. But's safe to say the mortgage interest tax deduction is used by millions of Americans to reduce the amount of money they pay to the IRS. It's a powerful incentive to buy a home and one that first-time homebuyers need to know about.

### TAX FACTS:

- 42 million taxpayers in the United States claimed a deduction for real estate taxes in 2008, deducting a total of \$172 billion.
- The average taxpayer claiming the real estate tax deduction subtracted \$4,090 from taxable income in 2008.
- Therefore the average taxpayer saved \$1,020 in taxes as a result of the real estate tax deduction..
- The total savings from the real estate tax deduction in the United States in 2008 was \$43 billion.

SOURCE: REALTOR.COM

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## FIRST-TIME HOMEBUYER TIPS

### MAKE SOME CHECKLISTS

Buying a home for the first time can be intimidating, but it's much easier if you break it down into small parts.

When shopping for a home, make a list of all the features you're looking for. You can mark them off and keep track your favorite parts of all the different houses you see.

And after you make an offer, work with your agent to make a checklist of all the steps you need to take before closing. Not only will it help you stay organized, but it also makes the whole process feel more doable.

### REAL ESTATE GLOSSARY

**PITI** — Principal, interest, taxes and insurance. This refers to the entire house payment, which includes more than just the loan payment.

**EARNEST MONEY** — A deposit made by the home buyer to prove they have serious interest in buying the home.

# Pride of ownership



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## Home feels better when it's actually yours

**T**hey're just three words, but they carry a lot of swagger. "It's my house."

That simple phrase has come to mean so much more as Americans have adopted home ownership as a national dream. It's what we strive for and how we set our goals, giving us a tremendous sense of accomplishment when we're handed the keys to our very own home.

We know it's not just a piece of property. When someone buys a home, it becomes their

own personal sanctuary, an oasis where they can let life's troubles melt away. Any home can feel good, but it's a far better feeling when the home actually belongs to you.

### THE PRIDE SHOWS

You can tell when you're driving through a neighborhood with a lot of owner-occupied homes. They're generally kept up better than neighborhoods with more rentals because people take pride in the property they own as opposed to property they're temporarily leasing.

Homeowners do simple repairs as they're needed, not

letting unsightly problems go long without being fixed. They keep their property neat and clean because it belongs to them and they have their own personal money at stake. They keep their lawn and landscaping in good shape so their home will leave a positive impression.

That all helps a home's value, but there's also a deeper reason for it. It's the intrinsic value people find in owning their own piece of America.

### LIVING THE DREAM

Home ownership is as much about fulfilling dreams as it is about having a comfortable

place to spend time.

When someone buys a home, they're making real their hopes and aspirations. Whether someone wants to buy a simple, humble home for the first time, move into a nicer neighborhood or live in a palatial castle, buying a home represents a dream fulfilled.

That's another reason buying a home is so appealing. From first-time home buyers to people who want to simply upgrade to the home they've always wanted, one thing will always be the same: It's a dream come true.

And now is a great time to see your dreams become reality.

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## FIRST-TIME HOMEBUYER TIPS

### PRE-QUALIFY FOR A LOAN

Before you start shopping for houses, it's a good idea to pre-qualify for a loan.

This will let you know what price range you should shop in, and it tells sellers that you're serious about your offer. It can also help speed up the process once you decide to buy a home.

### REAL ESTATE GLOSSARY

**DISCOUNT POINTS** — Essentially this is pre-paid interest, allowing the borrower to obtain a lower interest rate by paying an up-front fee. Often shortened to "points."

**PMI** — Private mortgage insurance. It protects lenders if a borrower defaults on their loan.

**APPRAISAL** — Written proof of how much your home is worth. It's generally based on what similar homes are selling for in nearby areas.

**TITLE** — The legal document that shows who owns a property.

# Make it your own



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## Owning a home gives you freedom

**N**o matter what your lifestyle or what you do for a living, your life ultimately revolves around your home. It's the place you wake up in the morning and the place you go to bed at night. It's where you make memories, have fun with your hobbies, eat meals, relax with friends and can simply be yourself.

That's why it's so important to make your home a reflection of yourself, both in function and style. There are as many homes as there are people, and finding the right home — then customizing it to meet your own personal needs — is one of the best ways to improve the way you live.

### FIND YOUR STYLE

A home isn't just a few walls and a ceiling. It's a unique reflection of who you are as a human. It can vary from wild and ostentatious to humble and cozy, and decorating your house to fit your personality is a great way to let yourself shine. It tells people who you are and how you like to live, from simple to extravagant.

When you own a home, you have a lot more flexibility with how it looks. You don't have to ask a landlord for permission to change the wall color, for example. You just pick up a paintbrush and paint your dining room red. Or orange.

Or beige.

Or, really, whatever the heck you want. It's your house, and it can be designed to match who you are.

### ON YOUR TERMS

Not only does buying a house give you more control over the decorations and style, but it also lets you find the perfect size, location and layout to meet your lifestyle.

Have a big family? You can buy a home with lots of bedrooms and a big back yard. Love big-city living? You can find a modern loft close to the city center, near all the action. Like quiet and solitude? You can find a country cottage at the end of a gravel road.

However you like to live, you can buy a house that fits your needs. And with more houses on the market at better prices today, you can be sure to find the place that makes spending time at home more enjoyable than ever before.

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## FIRST-TIME HOMEBUYER TIPS

### CHECK YOUR CREDIT SCORE

Your credit score can make a big difference in what kind of interest rate you'll pay on your home loan — or if you can qualify for a loan at all.

It's important to know your credit score up front. Not only will it help you know what to expect when shopping for a mortgage, it can also alert you to potential problems.

Credit reports aren't always accurate, so getting a copy of your report early in the buying process will give you time to iron out any issues that you might uncover along the way.

### REAL ESTATE GLOSSARY

**LOCK IN** — An agreement for a lender to offer an interest rate for a certain period of time. Buyers can pay lenders a fee to lock in a rate that they see as favorable.

**CLEAR TITLE** — A title that is free of legal questions or liens on the property.

# Paying yourself



## It's a big piggy bank

There are a lot of reasons someone might want to become a landlord — they would rather own real estate than stocks, or they know how to do handyman work — but at the top of the list is always making a profit.

That's not a bad thing, but it does rely on renters to help pay for that profit. The landlord doesn't just have to make enough money to cover the property, repairs, and any loans to pay for it, but also make enough profit from collecting rent to make it worth their trouble.

Still, renters don't always have to help their landlord get rich. When someone buys their own house, they're helping themselves profit instead of helping a landlord.

### BUILD UP EQUITY

Equity is the difference between what you owe on a property and what it is actually worth. Over time, as homeowners make their house payments and build up equity, that can amount to a sizable pile of cash. They owe less and less on a house that is worth more and more.

For some people, building equity in a house is an important part of their retirement plan. They may choose to pay off the house entirely, or they may sell it and use the proceeds to help

fund their golden years.

In any case, financial planners say buying a house is a smart idea for people who want to build wealth over the long run.

### GET CASH OUT

Sometimes emergencies arise that force people to dip into their savings. If someone has built up equity in their house, that's one more place they can turn for the money without raiding their retirement fund.

In most states, home equity loans help people who need to tap into that money, so making extra principal payments on a home can actually build a financial safety net. It's definitely a savings incentive — it won't be as easy to spend and waste as money sitting in a checking account — but it will be there if you ever need it down the road.

If you haven't already started building equity by owning a home, now is the time to begin. The earlier you start, the more equity you can build up over time.

As they say, time is money.

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## FIRST-TIME HOMEBUYER TIPS

### FIND A GREAT INSPECTOR

Every home someone purchases — even one that's brand new — ought to be inspected by a qualified, experienced home inspector.

The best inspectors are extremely thorough. They'll find every little problem with the home, which is vital to know up front. Buyers need to be aware of these things before making their final decision.

A good inspection will let you know exactly what to expect down the road. It's money well spent.

## REAL ESTATE GLOSSARY

**AMORTIZATION SCHEDULE** — A table that shows how your loan balance changes over the life of your mortgage. If you want to know what you'll owe on the home after 10 years of making payments, the amortization schedule will show you.

**ESCROW** — An account that can be used to pay property taxes and insurance premiums.

# Low interest rates



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## U.S. keeping rates low to spur home buying

A fraction of a percent may not sound like a lot, but when you're financing a home over 30 years — and sometimes longer — that change in interest rates can have a huge impact on how much you pay for the home over time.

That's why today's interest rates make buying a home so attractive.

Years ago, it wasn't uncommon for people to pay double-digit interest on their home loans, which pushed their monthly payments higher and made it harder for many people to afford a home. Those high rates also meant buyers would pay a fortune in interest fees over the life of the loan.

### GOVERNMENT PUSH

One reason today's interest rates are so low is that Uncle Sam wants it that way. The United States government believes keeping mortgage rates low will encourage more people to buy homes and help drive economic growth.

With that in mind, the Federal Reserve began purchasing U.S. treasuries to keep

mortgage rates at historic lows. It was an unusual step that may sound complicated, but the end result is simple: It's cheaper for you to borrow money to buy a house today.

No one knows how long the government will keep intervening to keep rates artificially low, though. That's another reason why now is the perfect time for people to buy a home.

### LONG-TERM PERSPECTIVE

Interest rates constantly fluctuate, sometimes changing several times in just one day. But when you look at it over the long term, today's interest rates are near record-low levels that simply can't be ignored. Buyers who lock in mortgage rates at today's levels are getting a

major bargain compared to the historically high rates of the past.

Interest can also make a major difference in how much you'll pay over the life of your loan.

Think of it this way: If you borrow \$200,000 on a 30-year loan, you'll pay nearly \$150,000 less in interest payments with a 6-percent loan than with a 9-percent loan. That 3-percent difference may not sound like much, but it sure changes how much you'll pay to the bank over the whole 30 years.

If you want to see the difference for yourself, search for "loan amortization calculator" on the Internet. You'll find lots of Web sites that can help you crunch the numbers for your situation, and you'd be amazed what a difference that interest figure can make.

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## FIRST-TIME HOMEBUYER TIPS

### WHAT YOU CAN AFFORD?

This is a decision that needs to be made up front, and there's no easy answer.

Mortgage companies can tell you what kind of loan you qualify for, but that's only part of the decision.

You also need to look at your personal budget and what kind of lifestyle you want to live. Be sure you include expenses like homeowner's insurance and property taxes in the planning process.

### REAL ESTATE GLOSSARY

**REALTOR** — A member of the National Association of REALTORS. Not all real estate agents are REALTORS.

**PROMISSORY NOTE** — A written promise to repay a loan over a certain period of time. Often shortened to "note."

**JUMBO LOAN** — Any loan over \$227,150, which is the top limit for Fannie Mae and Freddie Mac loans. Sometimes called a nonconforming loan.

# Putting down roots

## Owning a home provides a sense of stability

**R**enting can work for some people, like those who move around frequently from place to place.

But when you're ready to settle down, whether to raise a family or just have a nice place you can call home, nothing beats owning a house.

There's a sense of permanence you get when you own a home, one you just can't find in an apartment or duplex, where moving trucks mark the coming and going of neighbors on a regular basis.

### RAISING A FAMILY

It's important for children to have a place of their own — complete with room to explore as they learn and grow — and the best way to provide that kind of long-term stability is to purchase a home that meets your family's wants and needs.

A home isn't just a place to keep you warm and dry. It's the place your children will make most of their memories as they grow up, enjoying the holidays and spending time together as a family. It's a place they'll always remember.

And because today's real estate market offers more homes at lower prices, now is the perfect time for young families to buy their piece of the American dream.



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### KNOWING YOUR NEIGHBORS

Hosting a neighborhood barbecue is a right of passage for many American families. The sound of laughter, the smoky smell of meat on the grill, and the warm smile of a longtime friend can make your backyard feel like heaven.

But how can you develop

those neighborhood bonds when your neighbors are always moving?

If you own a house in a safe, stable neighborhood, you develop close bonds with the people who live around you, the folks who share your interests and are always happy to help you out when needed.

Putting down roots is a great way to forge friendships that

last a lifetime. It would be heartbreaking to lose those close connections if you're forced to move at the whim of a landlord, or your rent is raised so much that your home is no longer affordable over the long term.

It's another reason that finding the right house in the perfect neighborhood is a smart idea right now.

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## FIRST-TIME HOMEBUYER TIPS

### EDUCATE YOURSELF

Before you start the home-buying process — and as you're going through it — it's important to do your homework.

You need to know a lot of different things, like what types of loans are available, what to look for in potential neighborhoods, and the definition of lots of real estate terms.

The Internet has both solid information and some misleading Web sites, but a good agent can help you shorten the learning curve.

### REAL ESTATE GLOSSARY

**HUD-1 STATEMENT** — A document that provides an itemized list of all the funds that are paid at closing. It's a standard form that spells out exactly what you're paying for at the closing table.

**PREPAYMENT** — Money paid to reduce the balance on a loan before it's due. This can save you a lot of money over the long haul, but you need to know whether your loan has a "prepayment penalty."

# It's a buyer's market



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## More choices, better deals to be found

**I**t's no secret that the real estate market has slowed down in recent years. Houses aren't selling as quickly as they did in the white-hot market several years ago, which means people who are selling their houses today have to work harder than ever to make a deal.

And that's a great thing for buyers.

Overheated real estate markets, like we saw a few years ago, result in too many people shopping for too few houses. That drives up prices as multiple buyers make bids on homes and sellers hold out for the very top dollar.

In today's market, though, there are a lot more bargains to be found. Sellers have to price their homes more aggressively, making now the perfect time for smart buyers to get a great deal.

### BUY LOW, SELL HIGH

When someone invests in the stock market, they're advised to "buy low and sell high." This means to buy

stocks when their prices are depressed and sell when their prices have risen, and the same advice could apply to purchasing a house.

To be clear, housing hasn't been as historically risky as the stock market over the long run, and there are a lot of reasons to buy a house other than to make money when you sell. A home is truly a home, not just a line on your investment sheet.

But if you want to make money on your home over time, it makes sense to buy at a time when the prices have decreased rather than when they're at their peak.

### MORE CHOICES TO PICK FROM

If you tried to buy a home

several years ago but struggled to find the perfect place — or couldn't afford what you really wanted — you might be pleasantly surprised by today's market.

There are more homes for sale at better prices today, making it the perfect time for picky buyers. If your dream home was just out of your price range a few years ago, for example, you might find it's become affordable for you today. Neighborhoods that were out of reach could actually be attainable now.

That's the great thing about shopping in a buyer's market. Sellers are more willing to negotiate, and buyers have more options to pick from.

And in real estate, like so many other things in life, timing is everything.