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MORTGAGE UPDATE



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How to Buy a Home with Resale Value!

Buying a Home With a View

Homes with a pleasant view of the horizon often sell at a premium above similar homes without the view. However, if a view is important to you, buy it mostly for your own pleasure and not as an investment. Though you may place a considerable dollar value on the view, future buyers may not be so like-minded. It may take you longer to find a buyer when it comes time to resell the house. Or you may end up dropping your price to more match other sales prices in the neighborhood.

In short, if you are buying a house with a view, try to pay as little extra as possible. Otherwise, you might not get your money back.

Lot and Landscaping

Even though most real estate value is usually concentrated in the building, the lot is important, too. Obviously, it should be as level as possible. Assuming the property is in a typical neighborhood, the lot should be rectangular – no odd shaped lots or oddly situated lots.

Yard sizes are usually smaller in modern homes than in older homes, but there should still be a decent sized front and back yard. Do not buy a house where the entire back yard is taken up by a swimming pool, for example.

Do not purchase an over-landscaped property, either. You would normally pay a premium for that, which you may not be able to recover when you sell. You will get your best value if the house

is moderately landscaped or even under-landscaped for the area. You can always improve the landscaping during your ownership by improving the grass and adding bushes and trees.

House Size

In each residential neighborhood, houses will vary in size and the number of rooms, but they should not be too different. If resale value is an important consideration, you should not buy the largest model in the neighborhood. When determining market value, the homes nearest to yours are most important. If most of the nearby houses, for example, are smaller than your house, they can act as a drag on appreciation.

On the other hand, if you buy a small or medium-sized house for the neighborhood, the surrounding larger homes can help pull up your value. This is one of those times where determining your “wants” versus your “needs” can be extremely important. Buying what you *need* in a more prestigious neighborhood may provide more financial reward than getting what you *want* in a less desirable neighborhood.

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**On The
Inside:**

**Odds & Ends
Control
Borrow to Make Down Payment?**

CONTROL

*We are in control to the degree
that we make the decisions.*

*To affect the outcome of anything,
we must control the action at the
point of decision making.*

*If we let others make decisions
for us, we have no control.*

*When we control the decisions,
we control the actions.*

Continued from page 1

Bedrooms and Bathrooms

Three and four bedroom houses are the most popular among homebuyers, so if you can stay in that range you will probably have more potential buyers when it comes time to resell. Five is okay, too, as long as you do not have to pay too much extra for the additional bedroom.

There should always be at least two bathrooms in a house, preferably at least two and a half. One bathroom with a place to wash up for day-to-day visitors, one for the master bedroom, and at least one to be shared by the other bedrooms.

Closets, Garages and Laundry

Walk-in closets are extremely desirable for the master bedroom. For the rest of the house, just be sure there is plenty of closet space. Don't forget space for linens and towels.

Garages add to the resale value, too and you should always make sure to get at least a two-car garage. Lately, three-car garages have become desirable in most areas of the country.

The laundry facilities should be located somewhere convenient on the main floor of the house, but not in a place that will create an eyesore. Think about whether you want to walk up and down stairs when carrying loads of laundry.

The Kitchen

Family activity centers around the kitchen, so this is the most important room of the house. Larger kitchens are better, and they should be provided with modern appliances. Obviously, the dining room and breakfast nook should be located adjacent to the kitchen. In newer houses, the family room should also be very close to the kitchen.

There should be easy access to the back yard, as there will be occasions for barbecues and outdoor entertaining. In addition, it should be a short trek between the garage to the kitchen so hauling groceries in from the car does not become a difficult chore.

Fireplaces

The only room where you absolutely have to have a fireplace is the family room. A fireplace in the living room may be nice, but you will probably pay extra for it and then rarely use it. At best, it serves as a focal point of the living room, but does not add much in real value.

Swimming Pools

Swimming pools do not provide as much added value as they once did. Safety issues about families with younger children have become more publicized than in the past, so families with small children tend to avoid homes with pools. As a result, having a pool may actually reduce the number of potential homebuyers when you try to resell the home.

Buy a home with a pool for your own enjoyment, not as an investment. Since we are on the subject of swimming pools, here is a word of advice: If you want a pool, buy a home that already has a pool. Paying a contractor to install one for you can be very expensive. You will never get a dollar-for-dollar return on your investment



Go ahead, Make an Offer

When you prepare an offer to purchase a home, you already know the seller's asking price. But what price are you going to offer and how do you come up with that figure?

Determining your offer price is a three-step process.

First, you look at recent sales of similar properties to come up with a price range. Then, you analyze additional data, such as the condition of the home, improvements made to the property, current market conditions, and the circumstances of the seller. This will help you settle on a price you think would be fair to pay for the home. Finally, depending on your negotiating style, you adjust your "fair" price and come up with what you want to put in your offer.

Comparable Sales

The first step in determining the price you are willing to offer is to look at the recent sales of similar homes. These are called "comparable sales." Comparable sales are recent sales of homes that compare closely to the one you are looking to purchase. Specifically, you want to compare prices of homes that are similar in square footage, number of bedrooms and bathrooms, garage space, lot size, and type of construction.

If the home you are interested in is part of a tract of homes, then you will most likely find some exact model matches to compare against one another.

There are three main sources of information on comparable sales, all of which are easily accessed by a real estate agent. It is somewhat more difficult for the general public to access this data, and in some cases impossible. Two of the most obvious information sources are the public record and the Multiple Listing Service.



Every effort has been made to verify the accuracy of the information herein, but it is not guaranteed and should not be relied on without specific advice from a professional.

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Q
& A

Can I Borrow Money to Make a Down Payment?

For the most part, you aren't allowed to borrow to come up with your down payment. However, there is an exception. If the loan is secured against some asset, you can borrow the funds.

For example, if you take out an equity line on your present house, you can use those funds to make the down payment on your next home. A lot of people do this when they intend to rent out their previous home. It also works in case you aren't certain of the housing market. Since equity lines are very inexpensive, it is a simple process to line one up before you put your own house on the market and begin looking for a new home. That would allow you to make a "non-contingent" offer, giving you more viability as a potential buyer.

As long as the loan is secured, you can borrow for your down payment. If you own a car free and clear, then get a loan from your credit union against the car, that is an acceptable source of funds. If you have a stock portfolio and borrow against it, that is also an acceptable source of funds.

Of course, the payment on the loan is counted as one of your obligations when calculating your debt-to-income ratios.

A cash advance against your credit cards is not a secured loan. Therefore, it is not an acceptable source of funds. Neither is a signature loan from your credit union. Neither is a loan from your friend or family member. The loan must be secured against some asset you own.

Should I Trade My ARM for a Fixed Rate?

By switching to a fixed rate loan, you will not only reduce your payment, you will also likely lock in an attractive rate for as long as you own your home.

In fact, while one year ARMs currently offer tempting introductory rates averaging 5.59%, most experts recommend avoiding them, because you could easily find yourself facing sharply higher payments in the near future, even if interest rates don't rise. Why? Well, after the introductory rate expires, ARMs are typically pegged to the one year Treasury rate (recently 5.25%) plus 2.75 percentage points, with increases of as much as two points a year. Assuming interest rates don't change, you would pay 7.59% in the second year (the full two point increase) and 8% in the third year.

There are certain cases, however, where an ARM makes sense. If you are fairly certain you'll be moving within five years, you can save some money – and avoid rising payments – with a five year ARM, recently averaging 6.62%. Such loans offer a fixed rate for five years and adjust annually thereafter.



REMEMBER, MR. FOLEY...
LOCATION, LOCATION,
LOCATION...



*"If you don't run
your own life,
somebody else
will."*

– John Atkinson

ODDs & Ends

Weird Trivia

The U.S. produces 19 percent of the world's trash. The annual contribution includes 20 billion disposable diapers, 2 billion razors, and 1.7 billion pens.

The penguin is the only bird that can swim, but not fly. It is also the only bird that walks upright.

According to the National Safety Council, coffee is not successful at sobering up a drunk person, and in many cases it may actually increase the adverse effects of alcohol.

Thomas Alva Edison was one of several geniuses who did poorly in school. (Einstein, Newton, and Pasteur were three others.) Edison's mother, a schoolteacher, was so offended by his poor grades that she removed him from school and taught him herself.

During the time of Peter the Great, any Russian man who wore a beard was required to pay a special tax.

During an eclipse of the sun in 1868, spectral lines were located that were attributed to an unknown element that was called "helium," from the Greek word for "sun." Thirty years later, helium was discovered on Earth.

Primitive blue-green algae grow in hot springs near Yellowstone's steaming geysers, defying scientific expectations by enduring and thriving in water temperatures as high as 160 degrees F.

In the mid 1880s, until approximately 1910, American undertakers sold "Grave Alarm" Devices. These were elaborate rope and bell/pulley arrangements allowing those buried alive to summon help. The rope was placed into the hand of the (supposed) deceased, and it wound through a series of tubes to the bell outside the grave.

When Napoleon wore black silk handkerchiefs around his neck during a battle, he always won. At Waterloo, he wore a white cravat and lost the battle.

The only member of the R&B group ZZ Top that *did not* have a beard, was named Frank, and yep, you guessed it... his last name was Beard.





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