

Sean Pope & Zachary Taylor's

MORTGAGE UPDATE



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What to Look for in a Home!

Searching for just the right home can be very exciting. You may plan ahead for the number of bedrooms and bathrooms that you desire. Or imagine preparing for dinner parties in a sun-filled kitchen. Although these things are important, there is more to a good home purchase than the number or types of rooms it contains. What follows are just a few suggestions that you may wish to consider before starting your search for your next home.

Take some time to make a list and determine which additional priorities are important to you. Some questions to consider and subjects to research could be listed something like this:

The List

For example, survey the neighborhood you're considering moving into during different times of the day and different days of the week. Are you comfortable with the noise, activity levels, traffic volume, the condition of other people's yards, etc.? If you have, or plan to have children, check with the local school board about the neighborhood schools. What is the student/teacher ratio? How are the test scores? How involved are the parents? What extracurricular programs and/or activities are available for

students, if any? Generally speaking, what kind of credentials and how much experience do the teachers bring to the task?

Is the foundation of your new home sound? Is it well built? Are the existing appliances sound or will they need to be replaced? Are the home's major systems such as electricity,

plumbing, heating/air, and roofing in good condition? Is the home energy efficient? How much major and/or cosmetic work will be required? What will your commute to your job look like? If possible, do a trial run during rush hour. What is the crime rate? What permits have been issued for new projects and/or construction in your new neighborhood? Will you be expected to pay homeowner association fees? If so, how

much? And are you comfortable with the covenants set forth by the association? Does the neighborhood provide sufficient recreational opportunities? Will you be moving into a home or joining a community? Is the local grocer clean and well-stocked?

Enlist the help of a good real estate agent, reputable home inspector and others to help find a home with more than just a pretty face.

Beyond Mortgage Payments

Owning a home involves far more than



(Continued on page 2)

(Continued from page 1)

Beyond Mortgage Payments

Owning a home involves far more than keeping current with your mortgage payments. There are a number of costs associated with home ownership that extend far beyond the basics (i.e., principal, interest, taxes and insurance). Assuming responsibility for these costs can be a big financial adjustment. This is particularly true if, as a renter, you are accustomed to responding only to fixed expenses (i.e., the rent) without much concern for variable expenses, such as broken pipes and new water heaters. Well, now you are the landlord and it is up to you to handle the mortgage, in addition to all of the variable expenses of home ownership. Routine and emergency maintenance issues are an inevitable part of homeownership. The dishwasher and other major appliances eventually will need to be replaced, the roof may begin to leak, or the furnace will give out.

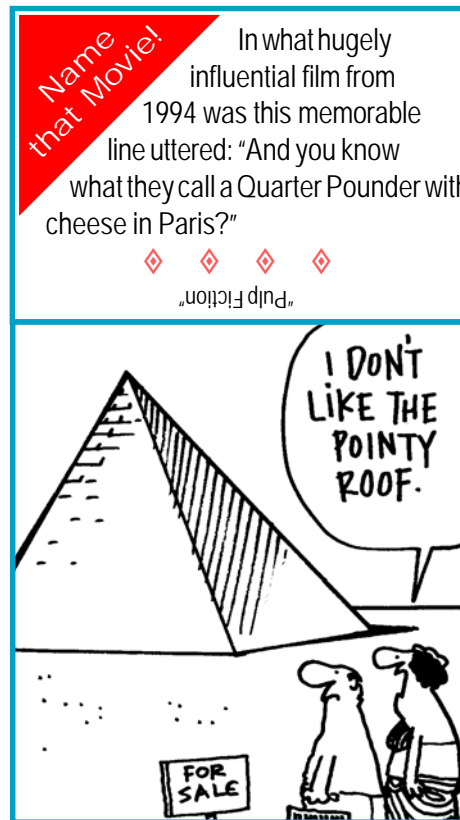
Plan Ahead with a Sensible Budget

You can minimize the financial fallout by

planning ahead and budgeting in anticipation of these expenses. Recommendations vary, but you would do well to save an amount equal to at least 2% of the cost of your home for annual upkeep and maintenance. Set aside funds toward this amount each month. In this way you will eliminate the scramble and panic of getting the funds together to get that tree off of your roof in the event of a major storm. In addition to maintenance and upkeep, there may be other costs you will need to absorb. These include water, sewer and sanitation expenses; homeowner's insurance, and property taxes.

Recommendations vary, but you would do well to save an amount equal to at least 2% of the cost of your home for annual upkeep and maintenance.

(Continued on top of next page)



Life Lesson of the Month: "You are free to do whatever you like. You need only face the consequences."— Sheldon Kopp

tidbits

The Top 10 Best Cities For Seniors!

A new study from Sperling's BestPlaces identifies those places which do the best job of caring for its elderly population. This unique new study, produced in partnership with Bankers Life and Casualty Company, identifies cities that offer the best resources for less active seniors. The study analyzed nearly 50 categories such as various senior living facilities, comprehensive medical care, specialized transportation services, and a significant senior population.

- 1) Portland, OR
- 2) Seattle, WA
- 3) San Francisco, CA
- 4) Pittsburgh, PA
- 5) Milwaukee, WI
- 6) Philadelphia, PA
- 7) New York, NY
- 8) Boston, MA
- 9) Cincinnati, OH
- 10) Chicago, IL

Source:
www.bestplaces.net

real estate & mortgage

You Can't Just "Come Up" With a Down Payment

When buying a home, it is not enough to just "come up" with the money. With the exception of "no asset verification" loans, lenders want to verify where the money comes from. This is partially a quality control feature to protect against fraud, and partially an underwriting tool to determine your qualifications as a borrower.

If you can document the funds come from your personal savings, the lender is more confident of your strength as a borrower. A savings history indicates a level of stability.

In addition, if you can verify you have additional assets that are not needed for the down payment, it is important to document those, too. Additional assets are "reserves" you can draw upon during times of trouble, such as unemployment, medical emergencies, and similar occurrences. Additional assets can also help to document that you have a history of saving money, which makes you a more dependable borrower.

It is extremely important to completely document the paper trail of any funds you use for down payment and closing costs. The sections that follow offer guidance on both verifying assets and

documenting them as a source of your down payment.

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in the form of a "gift." If you're really borrowing the money from your family member, intending



...What If it's a Gift?

Especially when buying a first home, some borrowers need help coming up with the down payment. Family members are often a good source of assistance. Mom, pop, grandparents, brothers, sister, aunts and uncles—all are acceptable. Gifts from non-family members are generally not acceptable unless you can document a close, past relationship. In other words, your friend or coworker is not generally acceptable.

If you do get help from a family member, lenders require this to come in the form of a "gift." If you're really borrowing the money from your family member, intending

(Continued on next page, see "Gift")

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It is important to understand the full cost of home ownership before you sign on the dotted line. You can build confidence in your ability to handle these new expenses by making a trial run. Do your best to estimate the total cost of home ownership. Using that information, draft a sensible budget. Before you find your next home and well before you ever sign on the dotted line, live



within that new budget and see how well you manage. You may find that you have more than adequate financial resources. That would be great! On the other hand, if you find that you are a bit short, you may need to make some adjustments concerning your budget. But being proactive now may help you understand all of your coming responsibilities that much better and in the end, arm you with the tools you will need to avoid foreclosure in the future.

"Gift" (Continued from previous page)

to pay it back later—your lender doesn't want to know about it.

Your lender should supply you with a form called a "gift letter." The gift letter states the relationship between the parties, the address of the purchased property, the amount of the gift, and sometimes the source of the funds used to make the gift. The gift letter also clearly states that the funds are a gift and not required to be repaid. You and the person

providing the gift will have to sign the letter.

With most lenders, the donor will have to also provide evidence that they have the ability to make the gift. This can be in the form of a bank or stock statement to show they have the funds available. You should also make a copy of the check used to make the gift and keep a copy of the deposit receipt when you deposit the gift funds into your bank account or escrow.



Things that make you go...

"Mmmm"

Invention Trivia

The first kind of pencil was a bunch of graphite sticks held together by string. Then someone decided it would be better to push the graphite into the inside of a hollow wooden stick and thus, the pencil was invented.

Joseph Rechendorfer was the first person to think of putting a piece of rubber onto the top of a pencil, which makes it real easy to rub out mistakes.

Did you know that the average lead pencil can draw a line that is almost 35 miles long or you can write almost 50,000 words in English with just one pencil? Unfortunately an eraser that can match that feat has yet to be invented.

Did you know that the first bicycle made in 1817 by Baron von Drais didn't have any pedals? People walked it along.

Quote of the Month: The need to be right is the sign of a vulgar mind. — Albert Camus

How Your Lender Calculates Your Income

When a loan officer prequalifies you, he/she works backwards to figure your maximum mortgage amount. You can learn to do the same thing. The first step is to determine your monthly income. But it isn't quite as easy as it sounds. Lenders only count income they can document through paperwork.

If you are a salaried employee, and don't earn bonuses, it's easy. Get out your paycheck. If you get paid twice a month, multiply by two. If you are paid every two weeks, then you multiply by 26 (the number of pay periods in a year) and divide by twelve. Unless, that is, you're a teacher. Teachers don't always work year round and they have special rules.

If you are an hourly employee who works a straight forty hours a week and don't earn overtime income, then that one's easy, too. Look at your paycheck, multiply your hourly rate by 40, multiply that total by 52, then divide by twelve.

If you earn overtime, bonuses, or commissions—it isn't as easy. Lenders don't give you credit for what you are currently earning. They average your income from those sources over the last two years, then add that to your regular salary or hourly monthly income.



If you want a shortcut that is usually close, get out your W2 forms for the last two years. Add them together and divide by twenty-four. That is your monthly income.

If you are a teacher, a nurse, a seasonal employee, in construction, or earn only part-time income—you can use the same shortcut. Add the figures from your last two year's W2's, then divide by 24. That calculation generally gets you close.

If you are self-employed or receive 1099 income, then you need at least a two-year track record. Lenders go by what you declare to the IRS as income, since that is documentable. Since some self-employed people overstate their expenses, this may understate your income. Look at the Schedule C of your tax returns for the last two years and the number at the bottom that says "profit" is your annual income. You can add any depreciation to that figure. Add them together and divide by twenty-four.

There are variations and exceptions (like those who own their own corporations) but the above should cover most people.



The first metal bicycle was called the High-Wheel or Penny Farthing. People had a hard time keeping their balance on this type of bicycle and often injured themselves if they fell off because it was so high off the ground.

Did you know the first toy balloon, made of vulcanized rubber, was invented in London, England in 1847?

Karl Benz invented the first gas powered car. The car had only three wheels. The first car with four wheels was made in France in 1901 by Panhard et LeVassor.

The first pick-up truck in the world was made by Gottlieb Daimler in 1886. Gottlieb also produced the world's first motorcycle in 1885.

Gottlieb Daimler also built the world's first taxi in 1897. It was called the Daimler Victoria and had a taxi meter. On June 16 of that year the taxi was delivered to Stuttgart transportation entrepreneur Friedrich Greiner who used it to start the world's first motorized taxi company.

The first steam powered train was invented by Robert Stephenson. It was called, "The Rocket."





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