

Home Buying Series: 2008

STOP RENTING – BUY YOUR OWN HOME!

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CLICK MOUSE TO CHANGE SLIDES



SCOTT LYLE REALTORS

IF YOU ARE PAYING RENT NOW – YOU SHOULD STOP ONCE & FOR ALL AND OWN YOUR OWN HOME! REALIZE THIS DREAM!

THIS MAY BE ONE OF THE VERY BEST TIMES IN RECENT HISTORY FOR THOSE WHO NEVER THOUGHT THEY WOULD OWN A HOME – TO MAKE THAT DREAM A REALITY!

IF THE MONTHLY AMOUNT OF YOUR INCOME GOING TO OWNING YOUR OWN HOME COULD BE EQUAL TO WHAT YOU PAY IN RENT TODAY ... WHY WOULD YOU WANT TO KEEP PAYING RENT TO A LANDLORD?

We are in the business to simplify your home purchase by always representing your best interests in a professional and efficient manner!



IT STARTS WITH OUR VALUES

- Respect people at all times.
- I am completely honest. I have enough confidence in myself and others to always tell them the truth.
- I won't beat around the bush.
- I make promises carefully and then keep my commitment.
- I believe that if you are going to do something . . . you should give it your best and enjoy the process.
- Life is a loan of time and should be relished.
- Creativity is an art and adds spice to everything I do.
- Professionalism does not have to be stuffy.
- My family is the core of my life.
- Nothing should be wasted — not the environment, friendship, money, nor time.
- When receiving stimulus, take a good pause and formulate the best response.
- Stay focused on the desired outcome.
- Avoid the trivial.
- Improve in all areas of your life every day!



WHY YOU SHOULD WORK WITH A PROFESSIONAL REALTOR

1. You will have an expert to guide you through the process
2. Get objective information and opinions
3. Find the best property out there
4. Benefit from their negotiating experience
5. Property marketing power
6. Real estate has its own language and extensive regulations
7. REALTORS have done it all before
8. Buying and selling is emotional
9. Ethical treatment is part of a REALTOR's Code of Ethics



FOR HOME BUYERS

WE ALWAYS LISTEN

- Listening to you comes first!
- You will have unlimited access to our listings, and those of other companies.
- We carefully consider your needs and dreams as we find your perfect home.

KEEPING THE PROCESS SIMPLE AND CALM

- By being completely familiar with your needs and expectations, we build a solid foundation for a professional and respectful relationship.
- We build a true relationship with our Buyers so that we can represent their interests in the most effective manner possible.

REALIZE YOUR DREAM

- We also take a proactive approach to assist you with navigating the entire inventory of available homes in your preferred area.
- Our reputation is strong; our dedication to service ensures you rewarding results.



FOR HOME BUYERS

WE MAKE BUYING EASY

- Buying a home should be one of the most exciting financial transactions you'll ever make.
- We take the intimidation out of the process.
- Guided by our seasoned expertise, buying your home can be as relaxing and enjoyable as a day at the beach.

THE RIGHT RESOURCES

- Your happiness in a new home is our best motivator.

PROACTIVE CONSULTING

- Listening with a 30 year reputation for excellence in the local real estate community, we have developed and maintained remarkable, cooperative working relationships with all of the area's Realtors which expands our team's overall reach for finding the perfect new home for our valued Buyers.



7 REASONS TO OWN A HOME

1. Tax breaks. The U.S. Tax Code lets you deduct the interest you pay on your mortgage, your property taxes, as well as some of the costs involved in buying your home.

2. Appreciation. Real estate has long-term, stable growth in value. While year-to-year fluctuations are normal, median existing-home sale prices have increased on average 6.5 percent each year from 1972 through 2005, and increased 88.5 percent over the last 10 years. In addition, the number of U.S. households is expected to rise 15 percent over the next decade, creating continued high demand for housing.

3. Equity. Money paid for rent is money that you'll never see again, but mortgage payments let you build equity ownership interest in your home.

4. Savings. Building equity in your home is a ready-made savings plan. And when you sell, you can generally take up to \$250,000 (\$500,000 for a married couple) as gain without owing any federal income tax.

5. Predictability. Unlike rent, your fixed-mortgage payments don't rise over the years so your housing costs may actually decline as you own the home longer. However, keep in mind that property taxes and insurance costs will increase.

6. Freedom. The home is yours. You can decorate any way you want and benefit from your investment for as long as you own the home.

7. Stability. Remaining in one neighborhood for several years gives you a chance to participate in community activities, lets you and your family establish lasting friendships, and offers your children the benefit of educational continuity.



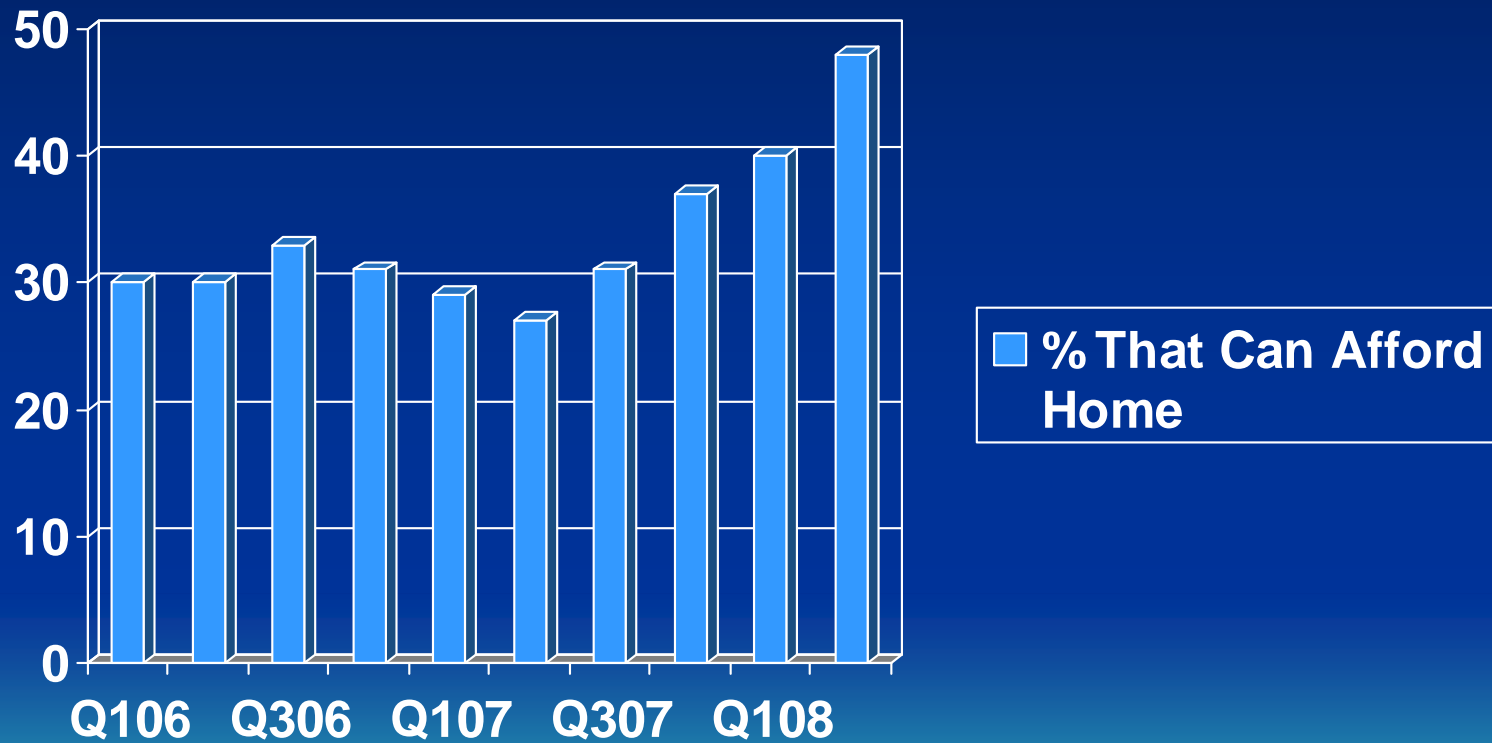
HOUSING DEMAND GROWS

- **80% Of All Renters Indicate They Expect To Eventually Purchase A Home**
- **47% of Renters Participating In The Poll Plan To Purchase A Home Within The Next 5 Years**
- **78% Of Prospective Home Buyers Say They Are Willing To Make Sacrifices To Save & Earn Extra Income For Down Payments & Will Compromise On Neighborhood Features In Order To Buy A Home**
- **81% Of Home Buyers Indicate They Remain Nervous About The Current Housing Market**
- **44% Believe That The Housing Market Will Improve When A New President Takes Office Next January**
- **2nd Greatest Barrier To Buying In Today's Market Is Coming Up With Downpayment (28%) Followed By Lack Of Confidence In The Economy (26%)**

source: Southern Cal. Builder Aug/Sep 2008



MORE CAN AFFORD HOMES



Source: Cal Assoc Realtors

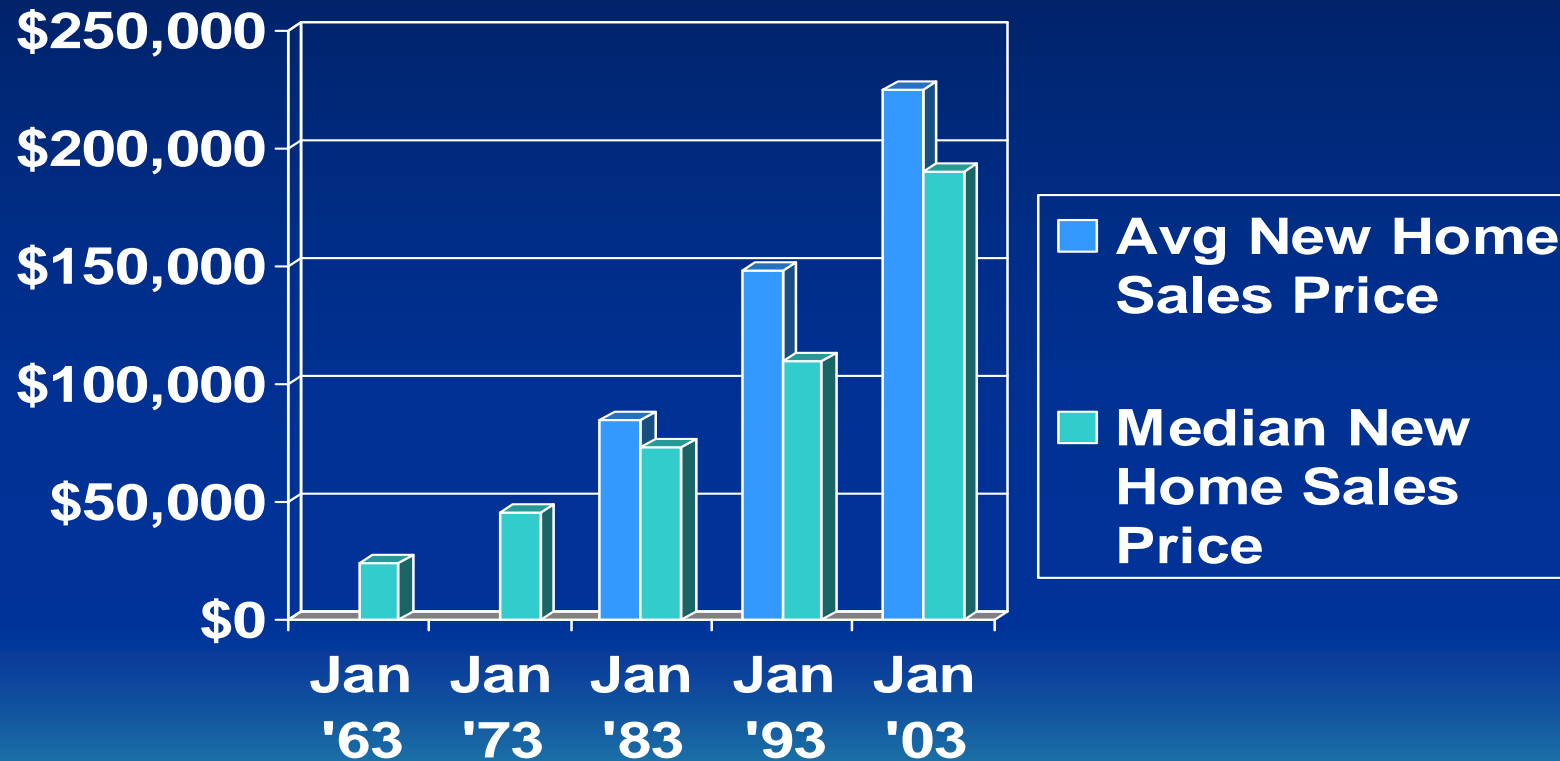


MORE CAN AFFORD HOMES

- **Q208 = 48% Of Residents Can Afford To Buy A Home**
- **Q207 = 31% Of Residents Could Afford To Buy A Home**
- With Lowered Prices – 17% More People Can Now Afford A Home
- Our Area = 1 of 8 Statewide That Reached “record-high” Affordability In Q208
- Reasons = Lower Median Prices & Increase In Available Foreclosures & Struggling Properties
- **In 2004 = Affordability Was 11% - 13% In The Desert**
- Calculation Are Based On Income Not “Wealth”
- July 2008 = 1257 Foreclosures Exist In Coachella Valley
- Bank-Owned Properties Are Now Beginning To Move Rapidly
- This Is The VERY BEST TIME For First-Time Buyers According To David Nazarian, Housing Specialist With Keller Williams Realty



MEDIAN & AVERAGE NEW HOME SALES PRICES 1963-2003



WHEN IS A GOOD TIME TO BUY?

Some Possible Factors To Consider:

Income Tax Benefits - In most cases, mortgage interest and property taxes are deductible from your income tax.

Wealth Accumulation - As you make mortgage payments which decrease the balance owed on your home, and factor in you may likely see “gains” in property values, you will experience “equity build-up”.

Future Borrowing Power - As you experience gains in home equity, you will have greater power to borrow against that equity. You can borrow funds to make home improvements, pay for school tuition or purchase other items.

Interest Rates - The lower the interest rate, the more home you will quality for.



LOCAL POLL SAYS A LOT!

A recent Desert Sun reader's poll asked the following:

Is the housing market ripe for would-be first-time home buyers?

70.3% = YES

29.7% = NO



BUYING VS RENTING

BUYING

ADVANTAGES

Tax Benefits

Greater Stability

One Of The Best Investments

You Build Equity

1st Home May Lead To Better

Fulfills American Dream

Pride In Ownership

DISADVANTAGES

Responsible for Property Taxes

Maintenance & Repairs

Monthly Costs May Be More

Cash Is Tied Up

Can't Always Sell A Home Fast

Less Mobility Than Renting



WHEN BUYING A HOME, ALWAYS...

- Get pre-approved for a loan prior to finding a home.
- Have your own Personal Buyer's Agent working for you.
- Have your agent provide a COMPARATIVE MARKET ANALYSIS on homes of interest, followed by an appraisal when you enter escrow.
- Demand to see the TRANSFER DISCLOSURE from the Seller.
- Get a HOME INSPECTION REPORT.
- Receive a copy of the STRUCTURAL PEST REPORT.
- Review PRELIMINARY TITLE REPORT for outstanding liens, encumbrances or zoning which might affect your ownership.
- Have an ALTA-R TITLE POLICY performed. It is more work for the Title Company, but often at the same cost.
- Have NET SHEETS completed disclosing all costs prior to making your offer.



REAL ESTATE NEWS MAY 2004 – AUG. 2006

- 5/28/04: Sales of American homes rose by 2.5% to near-record highs in April. New home sales, by contrast fell by 11.8% in April.
- 8/27/04: Median home price up 9.1%
- 1/26/05: Sales of pre-owned homes rose 9.4% to an all-time high of 6.68 million homes in 2004 as buyers enjoyed some of the lowest mortgage rates in decades.
- 4/25/05: Sales of existing homes & condos rose by 1% in March to the 3rd-highest pace on record. Nationwide median price jumped by largest amount in more than 14 years.
- 7/25/05: Sales of existing homes rose at an annual rate of 7.33 million homes in June, up 2.7% on the month and up 15% year-over-year.
- 9/26/05: Sales of existing homes rose to the 2nd-highest level on record in August to 7.29 million. The median price rose 15.8% to a record \$220,000.
- 11/29/05: Commerce Dept. reported that New Home sales rose by 13% in October to a record 1.424 million. The jump came from Western & Northeastern regions. Year-over-Year, new homes sales up 7.6%.
- 1/18/06: 43% of first-time home buyers put no money down.
- 1/19/06: U.S. New housing starts fell 8/9% in December (vs. November). For all of 2005, housing starts were up 5.6% & construction of single family homes hit a new record high of 1.714 million.
- 3/1/06: The average U.S. home increased 12.95% in value in 2005.
- 8/24/06: New home sales fell 4.3% in July. For 2006, new home sales were down 14% year-over-year.

REAL ESTATE NEWS OCT. 2006 – AUG. 2008

- 10/26/06: The median price for a new home sold in September was \$217,100, down 9/7% from September 2005. This is the lowest median price for a new home sine September 2004 & the largest year-over-year decline since December 1970.
- 2/12/07: The number of U.S. homes entering foreclosure rose to 130,511 in January, up 25% year-over-year.
- 5/25/07: U.S. existing home sales are down 2.6% from March & the lowest level in over 3 years. There is a 8.4 month supply, the most in 15 years.
- 8/26/07 U.S. Census Bureau said new home sales were at an annual rate of 870,000 in July, up 2.8% from June. So far in 2007, new home sales are down 21% year-over-year.
- 10/24/07 U.S. existing home sales fell 8.0% from August – the lowest since records began in 1999.
- 10/25/07 U.S. New Home sales fell 23% year-over-year.
- 1/28/08 U.S. New Home sales fell 4.7% month-over-month and 26% year-over-year. The median price of a New Home fell 10% year-over-year to \$219,200
- 4/23/08 U.S. New Home sales were an annual rate of 526,000 in March, down 8.5% from February and down 36.6% year-over-year. New homes for sale rose from 10.2 to an 11-month supply.
- 5/23/08 The number of pre-owned unsold homes on the market at the end of April jumped to 4.55 million from 4.12 million in March. This represents 11.2 months' supply at the current sales pace.
- 8/7/08 U.S. pending home sales rose 5.3% in June, better than expected. Year-over year pending home sales are down 12.3%.



TAX ADVANTAGES

CHERYL MEILS

CPA, MBA

**Lynne Bushore Certified Public
Accountants**



GET YOUR FINANCES IN ORDER

1. Develop A Household Budget

Use receipts to create a budget that reflects your actual spending habits. Factor in unexpected expenses, such as car repairs, as well as predictable costs such as rent, utility bills, and groceries.

2. Reduce Your Debt

Debt load of no more than 36 percent of income. Mortgage ranges between 25 and 28% of net household income. Get monthly payments on the rest of your debt down to between 8 and 10 percent of your net monthly income.

3. Look For Ways To Save

Try writing down *everything* you spend for one month. Spot great ways to save.

4. Increase Your Income

Now's the time to ask for a raise! If that's not an option, consider taking a second job to get your income at a level high enough to qualify for the home you want.

5. Save For A Down Payment

Create a separate HOME PURCHASE SAVINGS ACCOUNT!

6. Keep Your Job

While you don't need to be in the same job forever to qualify for a home loan, having a job for less than two years may mean you have to pay a higher interest rate.

7. Establish A Good Credit History

Get a credit card and make payments by the due date. Do the same for all your other bills, too. Pay off the entire balance promptly.





Rent vs. Buy

Price of home:	\$250,000	Cash on hand:	\$10,000
Interest rate:	6.250%	Term:	30 years
Property tax rate:	1.200% = \$3,000	Home insurance rate:	0.500% = \$1,250.00
Loan origination:	1.000% = \$2,457.14	Points paid:	1.00 = \$2,457.14
Other closing costs:	\$800	Assoc. & maintenance fees:	\$250 per month
Mortgage amount:	\$245,714	Total monthly payment:	\$2,219.46
Monthly rent payment:	\$1,800	After-tax investment return:	4.00%
Income tax rate:	25.00%	Expected inflation:	3.10%
Home appreciates at:	3.00%	Future sales commission:	7.00%

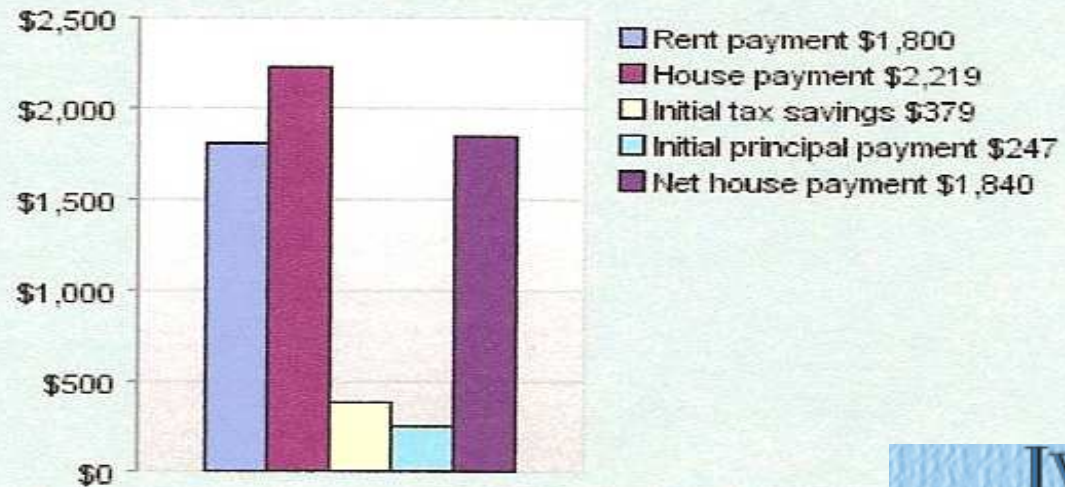
Chart selection:

- Monthly payment breakdown
- Projected monthly payments
- Home equity vs. investment
- Use of cash on hand

Other options:

- Limit downpayment to 20%
- Show schedule by year
- Show schedule by month

Monthly Payment Breakdown



Your \$2,219.46 monthly payment consists of:

Principal and interest	\$1,512.91
Monthly PMI	\$102.38
Taxes	\$250.00
Insurance	\$104.17
Association dues & maintenance	\$250.00

Your home purchase breaks even in approximately 2.5 years.

This is based on your home's estimated equity minus a 6.00% sales commission paid to brokers or real estate agents when you sell your home. It also assumes your home will appreciate at 3.00% per year and you have an income tax rate of 25.00%.

If you cannot remain in your home for at least 2.5 years you should consider continuing to rent.



Analysis of Future Payments

Year	House Payment (PITI)	Payment After Tax Savings	Rent Payment	Value of Investment	Home Equity
1	\$2,219.46	\$1,840.45	\$1,800.00	\$10,873	-\$3,360
2	\$2,237.83	\$1,860.92	\$1,855.80	\$11,348	\$6,889
3	\$2,256.77	\$1,882.14	\$1,913.33	\$11,396	\$17,550
4	\$2,276.28	\$1,904.16	\$1,972.64	\$10,990	\$28,643
5	\$2,296.38	\$1,927.00	\$2,033.79	\$10,097	\$40,189



1ST TIME HOME BUYER TAX CREDIT INCENTIVE

- Signed into law July 30, 2008 - part of Housing & Economic Recovery Act of 2008
- Must be FIRST TIME home buyer
- Must purchase home between April 9, 2008 & Before July 1, 2009
- In the case of married couples, both must be first-time home buyers
- The CREDIT is subtracted from the buyer's Federal income tax liability in the year of home purchase
- The AMOUNT OF CREDIT is based on purchase price of the home – 10% of the purchase price UP TO \$7500
- The tax credit IS NOT completely free & is similar to an interest free loan, paid back in full over 15 years
- If a qualifying home is resold before the credit is repaid, seller immediately pays the outstanding balance of the credit & if home is sold at a loss...nothing more is owed
- Other important eligibility conditions & tax implications apply so always consult a professional tax advisor



THE LOAN PROCESS

JON-ERIC LEHMAN

Senior Loan Officer
Cal-Metro Mortgage Services



ITEMS NEEDED FOR A CREDIT APPLICATION

- **EMPLOYMENT**
 - Addresses for 2 full years
 - Gross monthly income
 - W-2 forms, if available
- **CREDITORS**
 - All creditor's names, addresses & types of accounts
 - Account numbers
 - Monthly payments & approx. balances
 - Amount of child care expenses
- **BANKING**
 - Names & Addresses of savings institutions
 - Account numbers for all accounts
 - Types of accounts & present balances
- **MISC.**
 - List of assets in stocks, bonds, land
 - Life insurance cash value
 - Social Security # for all applicants
 - Veterans – Certificate of Eligibility & DD-214
 - Cash or check to pay for application fee
- **REALTORS**
 - Copy of sales agreement
 - Copy of listing on property
 - Instruction on how appraiser is to gain access to property



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WHAT IS NOT INCLUDED IN A CREDIT SCORE

- Race, color, religion, national origin, sex, age and marital status
- Salary, occupation, title, employer, date employed or employment history
- Where you live
- Interest rate being charged on a particular credit card or other account
- Child/family support obligations or rental agreements



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WHAT MAKES UP A CREDIT SCORE?

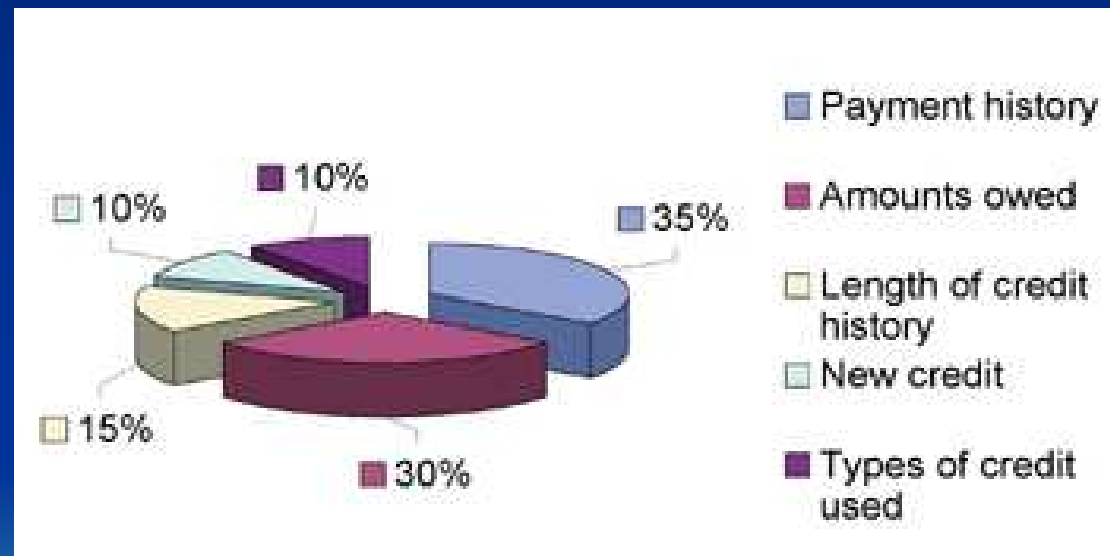
Payment History - 35%

Amounts Owed/Types of Credit Used - 30%

Length of Credit History - 15%

New Credit - 10%

Types of Credit Used - 10%



INCREASE YOUR CREDIT SCORE 100 POINTS IN 45 DAYS

- **PAY PAST DUE ACCOUNTS**
 - Pay All Accounts That Are Past Due
 - Past Due Accounts Can = 1 Day Late
 - Severely Hurt Credit Score
 - Past Due Accounts Do Not Include Judgments or Collections

CREDIT SCORE SIMULATIONS

Fico Score 1 Missed Payment – (25 – 60 Decrease)

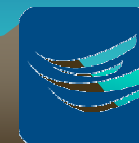
670

610-645

Fico Score Missed Payments & Bankruptcy (120-170 Decrease)

670

500-550

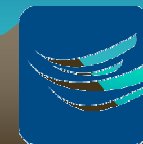


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INCREASE YOUR CREDIT SCORE 100 POINTS IN 45 DAYS

- **Have Late Payments Removed / Have Mistakes Corrected**
 - Phone Credit & Request Late Payments Be Removed & Mistakes Corrected
 - Rapid “Re-Score” System
 - Be Persistent: Work Your Way Up The Ladder
 - Always Get A Letter That Documents:
 - Name/Address/Account Number
 - Specific Late To Be Removed Or Mistake Corrected
 - On Company Letterhead – Signed By Employee



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INCREASE YOUR CREDIT SCORE 100 POINTS IN 45 DAYS

- **How Mistakes Are Made**
 - Person Applied For Credit Under Different Names (Robert Jones, Bob Jones, etc.)
 - Someone Made A Clerical Error In Reading or Entering Name or Address Information from a Hand-Written Application
 - The Person Gave an Inaccurate Social Security Number, or The Number Was Misready By The Lender
 - Loan or Credit Card Payments Were Inadvertently Applied To The Wrong Account



INCREASE YOUR CREDIT SCORE 100 POINTS IN 45 DAYS

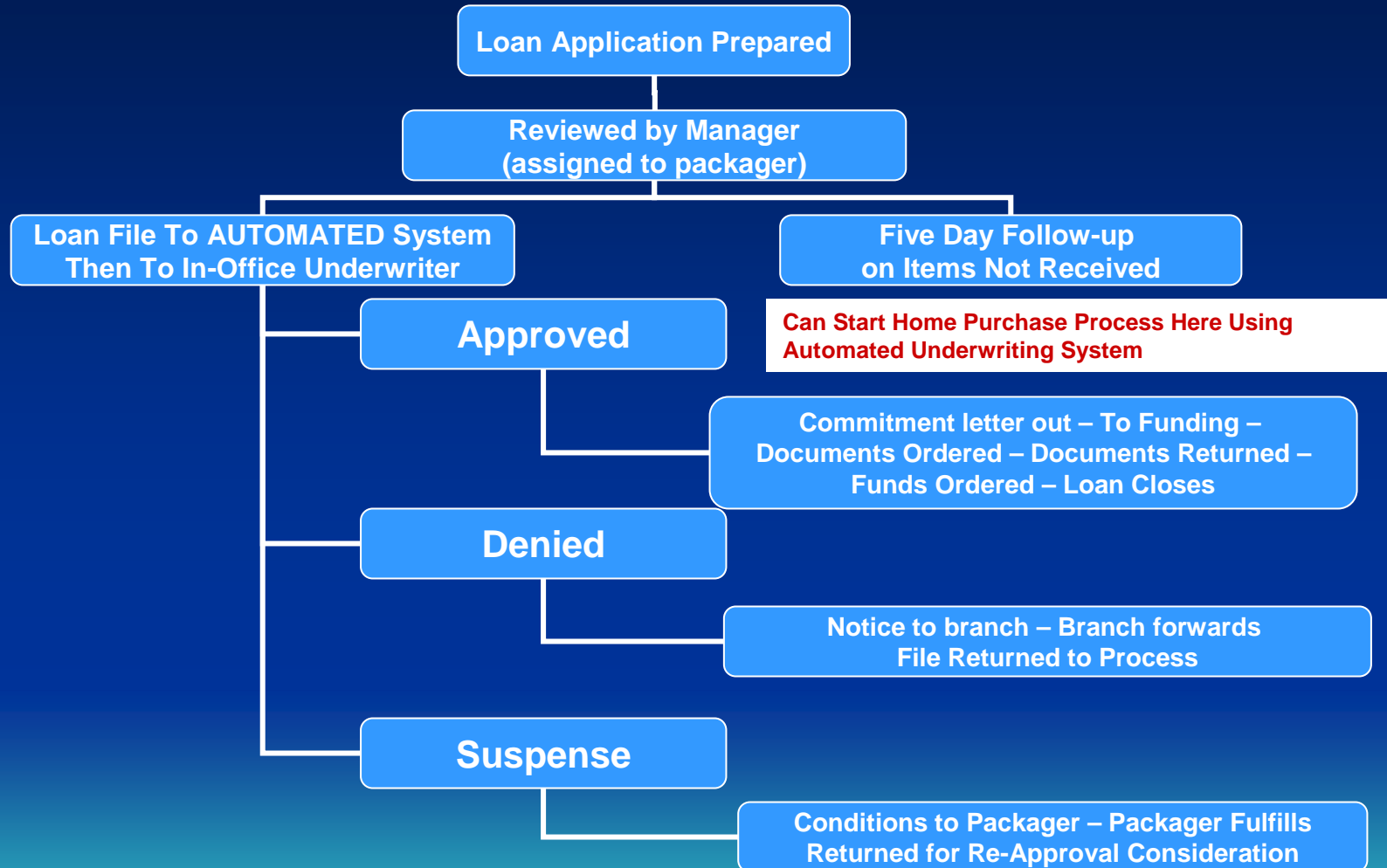
- **Increase Credit Limits**
 - Every Six Months, Request An Increase To Credit Limit On Credit Accounts
 - Have Creditor Base Increase On Credit History
 - If Creditor Must Pull Credit, Do Not Continue; Will Lower Your Credit Score

NOW GO & IMPROVE THAT CREDIT!

- **Borrow When You Do Not Need It**
- **Keep Balance To Limit Ratio LOW**
- **Keep Outstanding Balance At Maximum 25% Of Your Credit Line**
- **When Creditor Removes Late-Pays, Corrects Mistakes & Provides Letter = Use Credit Rescore System**
- **Never Payoff A Collection/Judgment When Applying For A Mortgage Loan**



THE LOAN PROCESS



50 WAYS TO BUY A HOME?

20% down conventional * 80-10-10 * Wrap around all inclusive *
10% down conventional * Seller carry back * Seller finance *
Auction * FHA loan * VA loan * Chafa money * CPM * ARM *
equity share with family member * Equity share with investor *
Developer financing * 30/5 * 30/7 * 15 year conventional * 5/35
* 30 year jumbo * 1 year ARM * EZ qualifier * Negative ARM *
Seller trade * Foreclosure sales * FSBO * 5 year fixed * 7 year
fixed * Tax sales * Divorce sale * Builders auction * RTC sale *
HUD sale * REO * Equity sale lender * Personal property down
payment * GPARM * FHA 30 year * FHA 15 year * 30/10 * 30/15
* Bank sale * 6 month ARM * Convertible loans * Bi-monthly
mortgage * Piggyback loan * 3/27 loan * Fannie May loan *
Freddie Mac * LiBor 95% loan



FHA LOANS: An Excellent Solution For Today's Market

- **What Is An FHA Loan?**

- A loan insured by the Federal Housing Authority
- Loan must meet FHA criteria
 - More flexible than other programs
- An approved lender provides the loan
 - FHA does not make loans itself

- **Why Ask For An FHA Loan?**

- Easier To Qualify
- Less Than Perfect Credit Is ... OK
- Low Down Payment
- Help You Keep Your Home In Hard Times



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FHA LOANS: An Excellent Solution For Today's Market

- **Other FHA Loan Benefits**

- Non-occupying co-borrowers - Occupying Borrower does NOT have to meet separate ratio guidelines with sufficient credit
- 2 years after bankruptcy, 3 years after foreclosures OK with good credit
- Standard debt ratio 31/43%
- Common sense approach toward values in declining market areas

- **FHA Loan Amount Limits**

- Vary by area; check <https://entp.hud.gov/idapp/html/hicostlook.cfm>
- One-unit limits range:
 - New temporary limits are set per county
 - Equal to 125% of the median home price or \$417,000, whichever is greater
 - Floor: \$271,050
 - Upper Cap: \$500,000



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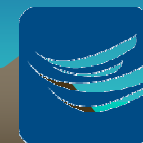
FHA LOANS: An Excellent Solution For Today's Market

- **Eligibility Requirements**

- All transactions must be owner occupied
- Full documentation ONLY
- 1-4 unit properties & FHA approved condominiums
- U.S. citizens, permanent resident aliens & non-permanent resident aliens

- **Eligible Properties**

- Single Family Home
- 2-4 Units
- Condos
- Planned Unit Developments
- Manufactured Homes



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FHA LOANS: An Excellent Solution For Today's Market

- **Cash To Close**

- Borrower must have a minimum of 3% investment (down payment & allowable closing costs combined)
 - Going up to required 3.5% October 2008!
- State Program = CALFHA
- Acceptable sources of 3% borrower funds
 - Savings, checking, stocks
 - Gift from an eligible donor (relative or significant interested parties)
 - Down payment Assistance Program (DAP)
 - Funds can be borrowed – must be fully secured by assets such as auto, real estate, 401k, etc. and must be included in DTI



WHY FHA LOANS ARE IMPORTANT TODAY

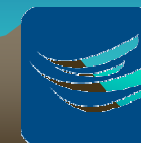
- **Guaranteed By The Government**
- **Not a loan product that will “disappear”, unlike**
 - Subprime
 - High Loan-To-Value
- **Seller may pay up to 6% toward closings costs and prepaids**
 - Helps close deals in slower markets
- **More eligible buyers**
 - Low down payment with financial assistance available
 - Flexible credit requirements
 - Flexible income requirements



COMMON CLOSING COSTS FOR BUYERS

You'll likely be responsible for a variety of fees and expenses that you and the seller will have to pay at the time of closing. Your lender must provide a good-faith estimate of all settlement costs.

- Down payment
- Loan origination
- Points, or loan discount fees, which you pay to receive a lower interest rate
- Home inspection
- Appraisal
- Credit report
- Private mortgage insurance premium
- Insurance escrow for homeowner's insurance, if being paid as part of the mortgage
- Property tax escrow, if being paid as part of the mortgage. Lenders keep funds for taxes and insurance in escrow accounts as they are paid with the mortgage, then pay the insurance or taxes for you.
- Deed recording
- Title insurance policy premiums
- Land survey
- Notary fees
- Prorated share of costs, such as utility bills and property taxes



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