Buyer Information Package

Provided by Your Real Estate Professional

Navy to Navy Homes

Prepared especially for Richard & Mary Putnam

Realtor, GRI, MRP, FMS, SRES
Navy to Navy Homes
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Reasons to Buy a Home

- Pride of ownership
- Good investment
- Tax deductions
- Capital gain exclusions
- Preferential tax treatments
- Amortization builds equity

Which of these is most important to you?
Describe Your Dream Home

How many bedrooms? ________________________________________________
How many baths? _________________________________________________
How many living areas? _____________________________________________
What size garage? _________________________________________________
What area do you want to live? _______________________________________
What style home do you like? ________________________________________
When do you want to occupy? _________________________________________
What is most important to you in a home? _______________________________
_______________________________________________________________
_______________________________________________________________
_______________________________________________________________
Are schools important?  Yes □  No □ If yes, which ones and why:______________
_______________________________________________________________
_______________________________________________________________
_______________________________________________________________
Where do you work? _______________________________________________
When is the best time to look? _______________________________________
If we found the right home for you today, is there be any reason that could keep you from buying it? ________________________________
Does anyone else have to approve of your purchase?____________________
Notes:  ____________________________________________________________
_______________________________________________________________
_______________________________________________________________
_______________________________________________________________

Financing Decisions

Start
↓
Cash
↓ No
Financing
↓
Assumption
→ Cash to Equity
↓
New Mortgage
↓
Type
→ Fixed Rate
↓
Down Payment
→ 0%
↓
Term
→ 30 year
↓
Concessions
→ None
↓
End

Yes → Verification of funds
↓
Cash+2ⁿᵈ Mortgage

↓ No
Assumption
↓ Cash to Equity
↓ New Mortgage
↓ Type
↓ Down Payment
↓ Term
↓ Concessions
↓ End
Home Buying Process

Initial Interview
↓
Pre-Approval → Verifications → Letter
↓
Show Homes → MLS → Builders → FSBO
↓
Offer Written → Negotiated
↓
Contract
↓
Escrow Opened
↓
Appraisal → Earnest Money → Title Search → Underwriting
↓
Inspections
↓
Settlement
↓
Possession
Positioned to Assist You

We help people understand the tax advantages, financing alternatives, and investment aspects of homeownership and what makes now an incredible time to buy.

We can assist you:
- Find the “right” home to purchase
- negotiate the terms of the sale
- with price negotiations
- with paperwork
- with comparable sales data
- with lender selection
- with financing alternatives
- to increase bargaining power
- with neighborhood knowledge

Your cost of housing is determined by price and financing and we want to help with the decisions along the way.

Agents are trained and equipped with tools to address buyers’ and sellers’ specific needs.
Most people tend to react to the market based on what everyone else is doing. If a person buys at the top of the market, there is the lowest chance for opportunity and the highest degree of risk. On the other hand, if a person buys at the bottom or near the bottom, there is a higher opportunity for an increase in value with lower risk of loss.
The Time to Buy is NOW!!!

**Good Selection**

**Low Prices/Good Value**

**Low Interest Rates**

**Tax Incentives**

Inventories of homes are higher than they have been in recent years that allow buyers to choose the property that meets their needs instead of having to settle less desirable alternatives.

Sales prices have dropped considerably in most markets and in many instances, are lower than it would cost to rebuild the home at today’s prices. Foreclosed homes in some markets have artificially driven down the price of homes in the neighborhoods. Once the inventory has been absorbed, it would be reasonable to see prices increase.

Interest rates are lower than they have been in generations and may never be this low again. Fixed rate mortgages with excellent terms are available for those buyers who can qualify.

There are significant tax incentives for the homeowner and for those people who can act now.
Homeowners have a higher net worth than renters as is exhibited in the 2007 Federal Reserve Survey of Consumer Finances. Between 1998 and 2010, a homeowner had between 31 and 46 times greater net worth than that of a homeowner. Most of that net worth is due to the equity in their home.

Even taking into consideration that values in real estate have come down considerably in the last few years due to the housing crisis, NAR estimates that homeowners still have 41 times more net worth than renters.

Combine all of the reasons cited along with the low, low mortgage rates that are available today but may be starting to creep up and now is a GREAT time to buy a home...if you can afford it and have good credit. If you don’t own a home currently, it certainly is worth exploring your individual situation with an expert. There may never be a better time to buy a home than now.
Tax Deductions

Acquisition Debt
Up to $1 Million

Home Equity Debt
Up to $100,000

The interest on up to $1,000,000 of acquisition debt and up to $100,000 of home equity debt and the property taxes may be deducted from a homeowner's Schedule A on their principal residence. The effect of the savings depends on the marginal tax bracket of the taxpayer. For more information, see IRS publication 936.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Price</td>
<td>$250,000.00</td>
</tr>
<tr>
<td>Mortgage Amount</td>
<td>$241,250.00</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>5.00%</td>
</tr>
<tr>
<td>First Year’s Interest Only</td>
<td>$12,062.50</td>
</tr>
<tr>
<td>Plus Property Taxes</td>
<td>$3,125.00</td>
</tr>
<tr>
<td>Total Tax Deductible Items</td>
<td>$15,187.50</td>
</tr>
<tr>
<td>Owner’s Marginal Tax Rate</td>
<td>25%</td>
</tr>
<tr>
<td>First Year’s Tax Savings</td>
<td>$3,796.88</td>
</tr>
<tr>
<td>Monthly Tax Savings</td>
<td>$316.41</td>
</tr>
</tbody>
</table>
The benefit of the tax savings is generally realized when the homeowner files their federal income tax return after the money has been spent for the interest and property taxes. It is possible to adjust the deductions being withheld from the homeowner’s salary so they realize the benefit of the savings prior filing their tax returns.

Homeowner’s considering this strategy should seek tax advice and discuss it with their human relations department at work.
Capital Gain Exclusion

The gain on the sale of a principal residence that has been owned and used at least two of the last five years has a $250,000 exclusion for single taxpayers and $500,000 exclusion for married taxpayers filing jointly. If the gain exceeds these amounts, the gain is taxed at long term capital gains rates currently at 15% maximum.

Married/ Jointly
Up to $500,000

Single
Up to $250,000
Decision Making Tools

**Rent vs. Own**

$777.13 Net Cost of Housing

<table>
<thead>
<tr>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Mortgage Amount @ 5.00% for 30 years</td>
<td>$108,175</td>
</tr>
<tr>
<td>Total Monthly Payment (PITI)</td>
<td>$1,343.29</td>
</tr>
<tr>
<td>Net Cost of Housing</td>
<td>$777.13</td>
</tr>
<tr>
<td>Monthly Rent for Comparison</td>
<td>$1,500</td>
</tr>
<tr>
<td>Monthly Cost of Renting vs. Owning</td>
<td>$722.87</td>
</tr>
<tr>
<td>Annual Cost of Renting vs Owning</td>
<td>$8,674.47</td>
</tr>
</tbody>
</table>

**Effect of Leverage**

<table>
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<tr>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Estimated Equity after 7 Years</td>
<td>$43,576</td>
</tr>
<tr>
<td>Down Payment</td>
<td>15.66%</td>
</tr>
<tr>
<td></td>
<td>$6,825</td>
</tr>
<tr>
<td>Appreciation</td>
<td>22.20%</td>
</tr>
<tr>
<td></td>
<td>$14,066</td>
</tr>
<tr>
<td>Amortization</td>
<td>52.06%</td>
</tr>
<tr>
<td></td>
<td>$22,694</td>
</tr>
</tbody>
</table>
Interest Rates have a Dramatic Influence on Cost of Housing

- $200,000 Mortgage / 30 years
- 5% $1,073.64 per month
- 6% + $125.46 per month
- 7% + $256.96 per month
The “Right” home without financing will never have the Buyer’s address!

PRE-APPROVAL GIVES YOU CONFIDENCE

- Amount you can borrow decreases as interest rates rise
- Looking at “Right” homes price, size, amenities, location
- Find the best loan rate, term, type
- Uncover issues early time to cure possible problems
- Bargaining power price, terms, & timing
- Close quicker verifications have been made

Items Needed for Pre-Approval

- Photo ID
- Two months current pay stubs
- Last two year’s W2s and income tax returns
- Complete copies of checking and savings statements for last three months
- Copies of statements for IRAs, 401k, savings, CDs, money market funds, etc.
- Employment history for last two years with addresses and contacts
- Proof of commissioned or bonus income
- Residency history for last two years with addresses and contacts
- Assets for down payment, closing costs, and reserves; must provide paper trail
- If self-employed, last two years tax returns, current profit and loss statement and balance sheet; copy of partnership/corporate tax returns for last two years if owning more than 25% of company
- FHA requires driver’s license and social security card
- VA requires original certificate of eligibility and DD214
- Other things may be required such as previous bankruptcy, divorce decree
# Financial Information

What size monthly payments do you want: $___________
What price range are you looking: $___________
How much cash is available: $___________
Does this include closing costs? Yes ☐ No ☐
Do you currently own? Yes ☐ No ☐
Do you need to sell before buying? Yes ☐ No ☐
How much do you think your home is worth: $___________
What is the unpaid balance? $___________ Interest rate %, term yrs. dated / / __
type of loan ____________________________________________

Monthly payment $___________
If renting, how much is your rent? $___________

**List your regular monthly payments (installment debt, revolving charges, student loan, etc.)**

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<td>__________________</td>
<td>$___________</td>
</tr>
<tr>
<td>__________________</td>
<td>$___________</td>
</tr>
</tbody>
</table>

Are all debts current? Yes ☐ No ☐
Is there any problem with your credit? Yes ☐ No ☐
What is your monthly income: $___________
Employed ☐ Self-employed ☐
What is your spouse’s monthly income? $___________
Do you have any other monthly income? Yes ☐ No ☐
If yes, how much? $___________

Where are you employed? ____________________________________________
How long have you been employed there? _____________________________

Have you or your spouse ever taken bankruptcy? Yes ☐ No ☐
If yes, explain: ___________________________________________________

Have you or your spouse had a home foreclosure? Yes ☐ No ☐
If yes, explain: ___________________________________________________
I can show you all available homes

Foreclosures
Builders
For Sale by Owner

MLS & other companies

The fastest, easiest way to learn about the new homes on the market...
Which Level of Service Do You Want?

Buyer Agency can benefit you. With buyer agency, your interests will be represented in the purchase of your home. This is different from a typical sub-agency transaction where the buyer is not technically represented.

Agency is a legal relationship and a written agreement should be completed to explain all the duties and responsibilities.
Mutual Commitment

If I will:

Make my best effort to find the home that meets your needs until you either find a home or tell me to stop looking,

Commit my time, resources, and experience to find exactly what you want, while incurring my own expenses

____________________________
Navy to Navy Homes Agent

Will you:

Tell me what you like and dislike about the homes we look at?

Tell me if you want to look at a home listed with another broker, builder, or for sale by owner?

Tell me if you feel the need to talk to another agent?

Let me know if your plans change?

Work with me until we find you the right home?

____________________________
Buyer