

Discovering the Finance Difference

Making listings more marketable, convincing buyers to buy now and closing more transactions are the bottom line benefits of discovering the finance difference. This course will provide agents the information and tools they need to satisfy common unfulfilled needs of buyers and sellers necessary to make better decisions in today's confusing market.



Mastering this type of information will provide a point of difference to create a niche in the marketplace virtually ignored by the vast majority of licensed agents. The agent's unique marketing position can be summarized in one, easy-to-remember statement:

"I help people understand the tax advantages, financing alternatives, and investment aspects of home ownership and why now is an incredible time to buy."

This course will give you the information necessary to create this valuable point of difference in a way that is easily understood by all buyers and sellers. However, it doesn't stop there; the Residential Finance Consultant course also gives you the tools necessary to implement the advantage immediately.

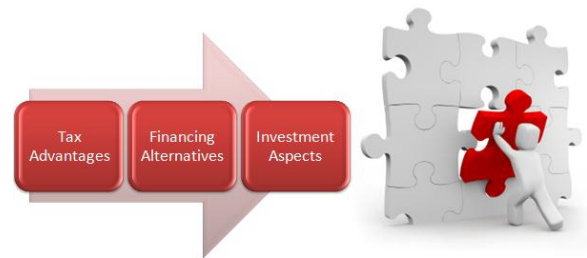
Each student receives access to a series of fill-in-the-blank financial web applications ready to provide insight to some of buyers and sellers most challenging questions. In addition, you'll receive convincing seller's and buyer's presentations that will differentiate you from your competition while showcasing the knowledge and services you can provide.

Imagine being able to know what to say to "get buyer's off the fence and have exhibits that support your position. You'll love the opportunity to answer the objection "I want to think it over" when you know what to say and can substantiate it. It will be so easy to show renters that they are buying a home for their landlord and exactly what they're losing by continuing to rent.

Getting the information and tools necessary to implement the strategies presented in the class makes this course a great investment in your real estate career. Each student will be challenged with assignments that are detailed so they implement the techniques into their business immediately following the course.

You'll also have access to an online forum where students can share information, questions, and developments with each other. By collaborating with other agents who have sought the same financing advantage you have, your success in seeing results will be accelerated.

Point of Difference



You are entitled to attend monthly webinars to advise you of important changes, new programs, techniques, dialogues, and sales strategies. Your instructor will answer questions that have arisen due to practical, in-the-field usage. He'll remind you of some of the concepts shared in the class and the best way to achieve success from their execution.

This class will provide you the advantage you need in today's challenging sales environment. You can sell anything you can finance and this course will help you package your listings so they're more marketable without lowering the price.

The class with its cutting-edge information and easy-to-use tools is worth several times the investment. The online forum and follow-up webinars make it a real bargain but there is more.

By completing the course and successfully passing the test, you will be awarded the RFC, Residential Finance Consultant designation. Your first year's membership is included in the cost of the course. This entitles you to use the designation on your cards, email signature, and website. You have access to the public side of the website and the services offered to its members behind the password.

Annual renewal of the membership entitles you to any updated materials like calculators and presentations or any other new tools that are added to the class. You have access to the online version of the calculators that can be viewed from a computer or an Internet-access Smartphone. Imagine the convenience to have access to the same forms you learned in class anywhere your phone is available.

Understanding the tax advantages, financing alternatives and investment aspects of homeownership will increase the marketability of your listings so they sell for higher prices in shorter periods of time and will earn buyer loyalty by helping them make more informed decisions with confidence.

Summary

- Web apps available online – computer or Smartphones
- Information that will give you a significant point of difference
- Detailed workbook
- Marketing materials including buyer and seller presentations
- Step-by-step action plan to integrate strategies into your current business
- Online Forum to share information and experience with other students
- Follow-up webinars to increase your implementation through accountability
- Successful completion of course awards the RFC designation
- Course tuition includes first year's membership to the Residential Finance Council



About Us

The Residential Finance Council is an organization dedicated to providing quality education and tools to its members specializing in residential sales. The objective is to create a significant point of difference by providing buyers and sellers financing and tax information that will help them make better decisions.

Pat Zaby began his career with a bachelor's degree in real estate from the University of North Texas. His contributions to the industry through speaking, teaching, writing, and development have earned him the recognition and respect as one of the industry's authorities.



He developed the CRS 205 Tax and Finance course in 1986 and created all the forms that are used in the class. He has been developing financial software since 1994 that allows agents to quickly and easily produce information that helps buyers and sellers make better decisions.

He authors one of the largest and most widely read e-mail newsletters for real estate professionals found at www.PatZaby.com. He has been a favorite speaker at the National Association of REALTORS' convention since 1979 as well as numerous franchise and state conventions.

Pat has been a REALTOR® since 1968 involved in all facets of real estate including residential and commercial, sales and management including his own multi-office company for 11 years. He holds four professional designations. Pat successfully developed software that over ten years became one of the leading agent productivity packages with over 20,000 users.

Pat served as President of the REALTORS National Marketing Institute® in 1993 and the President of the Council of Residential Specialists® in 1990. He is the recipient of Omega Tau Rho, National Association of REALTORS® and the RNMI Quill Pen Award.

Financial Web Applications will be available to designees on the website in computer browser and Smartphone format. First year's dues are included in the cost of the course. Renewal dues are \$100 annually and include the use of the apps, monthly webinars, online forum, marketing materials and use of the RFC designation.

Computers –

Members.ResidentialFinanceConsultant.com

Alternate site – Members.PatZaby.com

If your Smartphone has a QR Code Reader, you can simply read this and bookmark it to your phone.



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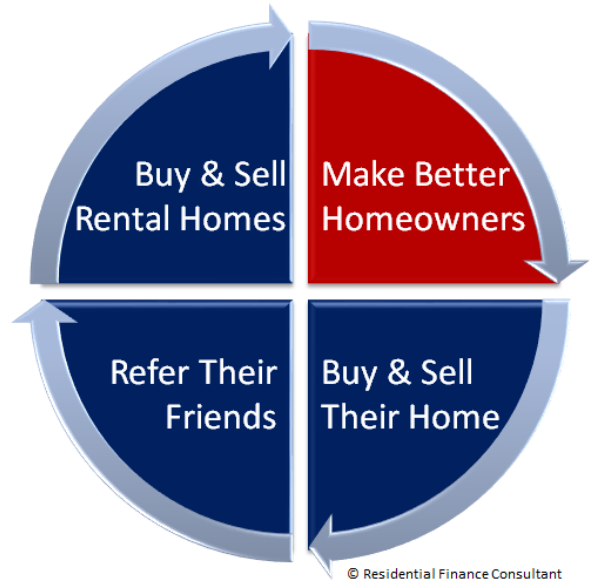
Resources 101

Embed & Link 101

Introduction

There is a fine line between providing information and giving advice. Most, if not all, real estate licensing authorities prohibit or discourage licensees from the unlawful practice of law and giving tax or financial advice when the agent is not qualified to do so. Obviously, a one-day course will not qualify a person as an expert on tax or financing.

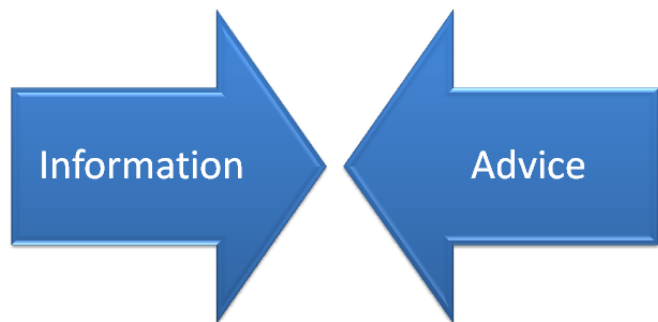
This does not relieve the agent of the responsibility of being familiar with all parts of a real estate transaction. Agents must inform their clients of areas of concern and recommend that they seek expert advice from a legal, tax, or mortgage professional.



The purpose of this course is to make the agent aware of how federal income tax and financing can benefit the homeowner. It is meant to provide the agent with tools to explain concepts and opportunities to homeowners.

What's the Difference?

The purchase of real estate, as with all investments, involves risk. There are variables that can affect the outcome of any investment, including a home. The possible risk and reward coexist within each real estate opportunity.



While the reward is certainly a powerful motivation to proceed into an investment, prudence dictates that you assess the possible risk involved also. After careful consideration, a buyer or seller can make a decision and if the buyer or seller feels they need expert advice, they should seek it with the encouragement of the agent.

Agents must always put their clients' best interests above their own according to the fiduciary responsibility that is created. It is also important that agents treat all parties, client or not, fairly.

An agent acts as a guide through the home buying and selling process. The agent needs to be familiar with the entire process and have a general knowledge of the different areas. It is the agent's job to point out possible pitfalls and when necessary, to recommend expert advice be sought. Ideally, a journey from start to finish without incident is the goal of all parties.

The role of the Residential Finance Consultant is to be familiar with financing alternatives and federal income tax implications involving home ownership and to work with professionals who can advise buyers and sellers.

What Buyers Want Most from Agents



NAR Profile of Home Buyers and Sellers 2010

Exhibit 4-8



Principal Residence Tax Issues

Types of Property

There are four types of property recognized by the Internal Revenue Service.

A principal residence is the place you live or expect to return. You may only have one principal residence at a time. The confusion comes because a taxpayer can deduct the interest and property taxes on two homes on the Schedule A of their tax return. Only one of the homes is the principal residence and the other is a second home which is technically, investment property.

A significant benefit of a principal residence is to exclude up to \$250,000 of gain for single taxpayers and up to \$500,000 for married taxpayers filing jointly. Any gain in excess of these exclusions is taxed at favorable long-term capital gains rate.

Rental property, also known as section 1231 property, is used for income purposes. It includes homes, condos, apartments, shopping centers, office buildings, warehouses and any improved property which generates rental income. Income tax on the gain may be deferred through the use of qualified exchanges. When gain is recognized, favorable long-term capital gains rates are available on any property owned for more than 12 months.

Vacation property is rental property that is used for personal purposes less than 14 days a year or 10% of the total time it is rented.

Investment property is real estate primarily held for an increase in value. It can be improved property or vacant land. Income tax on the gain may be deferred through the use of qualified exchanges. When gain is recognized, favorable long-term capital gains rates are available on any property owned for more than 12 months.



Home Received as a Gift

If the donor's adjusted basis at the time of the gift was more than the fair market value of the home, the basis is the same as the donor's adjusted basis at time of the gift. If the donor's adjusted basis at the time of the gift was Equal to or less than FMV at that time and you received the gift after 1976, the basis is the same as the donor's adjusted basis plus the part of federal gift tax paid that is due to the net increase in value of the home.

Example of Home Received as a Gift

Donor's basis in home	\$100,000
Fair market value of home at time of gift	\$250,000
Donee's basis in home	\$100,000
Potential gain	\$150,000

Mortgage Forgiveness Relief Act of 2007

- Eligible for Principal Residence only
- up to \$2M of mortgage debt forgiveness (\$1M if filing separately)
- Must be acquisition indebtedness
- Effective 1/1/07 until 12/31/12
- Debt Forgiven must be reported on Form 982

Prior to Mortgage Forgiveness Relief Act

Mortgage Debt Relieved	\$600,000
Taxed at long-term capital gains rate	15%
Tax liability on gain	90,000

Example Mortgage Forgiveness Relief Act

Mortgage Debt Relieved	\$600,000
Acquisition debt	400,000
Gain subject to tax	200,000

Special tax relief and debt forgiveness income may be available if your mortgage debt is partly or entirely forgiven during tax years 2007 and 2012. Under the Mortgage Forgiveness Debt Relief Act of 2007, you may be able to exclude up to \$2,000,000 of debt forgiven on your principal residence; married filing separately is limited to \$1,000,000. The forgiven debt is limited to acquisition debt. Form 982.

Mortgage Lending Principles

Primary lenders refer to the companies who make the loans to the borrowers and Secondary lenders purchase those packaged loans from the originators.

Mortgage Bankers lend their own money from deposits or have borrowed funds. They have their own underwriting departments and will deal directly with the Secondary market.

Mortgage Brokers will originate loans and sell them for a fee to Mortgage Bankers. They are basically matchmakers between the lender and the borrower.

Mortgage brokers consider it an advantage to be able to shop all of the available money sources to locate the best rate and terms for the type of loan package a borrower needs. In most cases, the mortgage broker will take the application, check the credit, make verifications, arrange for title search, and order the appraisal. Usually, the mortgage broker will then select the lender and submit the package to them for approval.

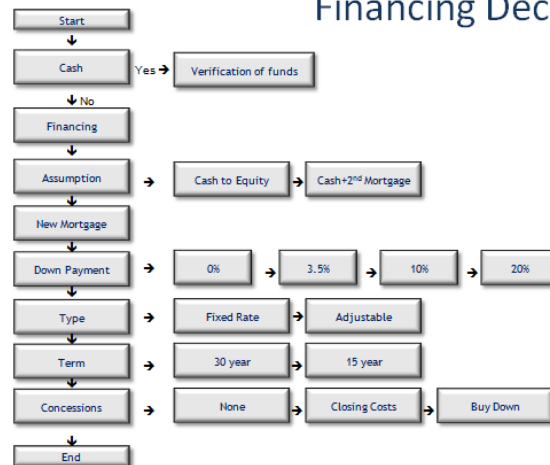
Finding the Right Lender

Horror stories abound regarding the borrower who makes a decision on a lender who quotes the lowest rate. In some situations, the closing date arrives and the borrower is informed that the rate isn't available. While the borrower is certainly disappointed, there may be little that can be done.

Common business sense would suggest that an agent who gave 10, 20, or more loans to a loan officer during a year would be valuable to them. As a preferred customer, the loan officer might make every possible effort to deliver on any and all promises made to the agent's borrowers. The leverage that comes from multiple transactions throughout the year can certainly benefit the borrower.

Reputation, past performance, ability to handle tough situations, and testimonials are all things that can indicate a successful loan closing. An agent's experience with companies and loan officers specifically can be a valuable asset to be shared by buyers and sellers alike. The lender's ability to get things done in a timely manner at the costs anticipated without unnecessary stress to the parties involved is paramount to a successful transaction.

Financing Decisions



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
- 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



Up-Front FHA Mortgage Insurance Premium

Effective 10/4/2010

Purchase Money Mortgages & Full Qualifying Refinances)	1.00%
Streamline Refinances	1.50%

Annual FHA Mortgage Insurance Premium

Purchase Money Mortgages, Full Qualifying Refinances, & Streamline Refinances

LTV	Annual for Loans >15 Years)	LTV	Annual for Loans ≤ 15 Years
> 95	1.15% effective 4/18/11	> 90	.25%
≤ 95	1.10% effective 4/18/11	≤ 90	-None-

FHA Mortgages - 203(b) – Standard | 203 (k) – Rehab | 251 – Adjustable Rate Mortgage | 234(c) - Condo

Assumption Example

FHA loans closed prior to December 14, 1989 and VA loans closed before March 1, 1988 are assumable and do not require the borrower to qualify. After those dates, FHA and VA loans are still assumable at the note rate but require buyer to qualify.

Assumption Comparison

Purchase Price

Existing Mortgage

Mortgage Amount

Interest Rate

Term (Years)

Payments Made

New Mortgage

Down Payment

Interest Rate

Term (Years)

Second Mortgage After Assumption

Interest Rate

Term (Years)

Holding Period

Appreciation Rate

Results

[Show Details](#) [Download PDF](#)

Monthly Savings \$187.33
Increased Equity \$18,094

Buyer Scenario #1

Purchase Price	\$215,000
10.00% Down Payment	\$21,500
Mortgage @ 8.00% for 30 Years	\$193,500
Payment	\$1,419.83
Future Value @ 2.00% Appreciation in 7 Years	\$247,280
Future Equity	\$68,336

Buyer Scenario #2

Purchase Price	\$215,000
10.00% Down Payment	\$21,500
Assume Existing Mortgage @ 5.00% for 23 Remaining Years	\$151,859
Assumed Payment	\$926.96
New Second Mortgage @ 8.00% for 30 Years	\$41,641
Payment on Second Mortgage	\$305.55
Total Monthly Payment	\$1,232.50
Monthly Savings	\$187.33
Future Equity	\$86,430
Increased Equity	\$18,094
Percentage Increase	26.48%

If savings is applied to principal monthly on 1st mortgage

Increased Equity	\$105,225
Percentage Increase	54%

This is not intended to be an offer of credit but is an estimate of a possible mortgage based on the lender's underwriting guidelines.

FHA Assumptions

Buyers wanting to assume an existing FHA mortgage must be owner-occupants and meet the current FHA guidelines. They include a 600 minimum credit score, total debt with house payment to be assumed cannot exceed 41% of their monthly gross income and other standard income, credit and qualifying standards.

The fee for an assumption is \$500 plus the cost of the credit report. Once approved by FHA, the mortgage will be transferred to the homeowner and the original owner will not be responsible for the loan. A release of liability for the original maker of the note is suggested. If the seller is concerned, they should consult their legal counsel.

Type of Assumption	Mortgage Original Closing Date	Owner-Occupancy Requirements	Investor Limitation
Required credit worthiness review	After 12/14/89	Life of mortgage	Cannot be assumed by an investor
Release of Liability (with required credit worthiness review)	After 12/14/89	Life of mortgage	Cannot be assumed by an investor

Assumption Package can be ordered from 800-340-0570

FAQ - <http://www.hud.gov/offices/hsg/sfh/nsc/faqassum.cfm>

Owner Financing

Homeowners may consider carrying the mortgage on a home to facilitate the sale or simply because it gives them a greater yield on their investment than conventional alternatives. The SAFE (Secure and Fair Enforcement for Mortgage Licensing) Act was passed on 7/3/08 and signed into law requiring the licensing of residential mortgage loan originators. It provides minimum licensure requirements for originators of mortgage loans. It applies to everyone who provides financing for 1-4 family residences except a person selling his primary residence or a person selling to a direct family member.

It is not uncommon for a seller to carry a loan whose payment amortizes for a standard 30 year term but has a call or balloon on it in a shorter period of time such as five to seven years.

Example of Owner-carried 2 nd Mortgage		Payment	Balance
Sales Price	\$250,000		
80% Conventional 1 st lien mortgage @ 5% for 30 years	\$200,000	\$1,073.64	
10% Owner-carried 2 nd lien mortgage at 6% payment amortized for 30 years due in five years	\$25,000	\$149.89	\$23,263.59

Owner financing can be secured by the property with similar documents used with conventional mortgages like deeds of trust that make provisions for foreclosure. Full disclosure of any seller participation in financing must be included in the contract of sale.

- Less Monthly Appreciation – 1/12 the estimated annual appreciation based on compounding the given appreciation rate
- Less Monthly Principal Reduction – 1/12 the first year’s principal reduction due to amortization of the mortgage
- Plus Estimated Monthly Maintenance – 1/12 of the estimated annual maintenance
- Net Cost of Housing – The total payment, principal, interest, taxes and insurance less the monthly benefits due to tax savings, appreciation, and principal reduction.
- Monthly Cost of Renting vs. Owning – monthly rent less net cost of housing; a positive number indicates that it cost more to rent; a negative number indicates it costs more to own
- Estimated Future Equity after 7 years – the difference between the estimated future value using the appreciation stated and the unpaid balance due to amortization after the stated holding period

Rent vs. Own

Property

Purchase Price:

Annual Appreciation:

Annual Maintenance:

Loan Terms

Down Payment:

Interest Rate:

Term (Years):

Taxes and Insurance

Use estimated taxes and insurance

Tax Rate:

Insurance Rate:

Comparison

Buyer's Tax Bracket:

State Tax Bracket:

Rent:

Results

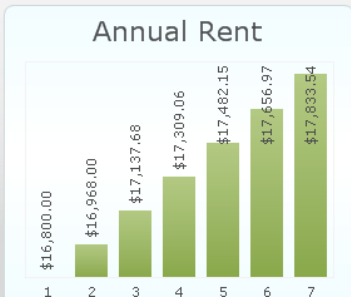
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\$804.50 Net Cost of Housing

Mortgage @ 5.00% for 30 years	\$170.564
Monthly Payment (P & I)	\$915.62
Monthly Tax & Insurance Escrow	\$255.21
Total Monthly Payment (PITI + MIP)	\$1,298.75
Less Monthly Principal Reduction	\$209.70
Less Monthly Appreciation	\$145.83
Less Monthly Tax Savings	\$222.05
Plus Estimated Monthly Maintenance	\$83.33
Net Cost of Housing	\$804.50
Monthly Rent for Comparison	\$1,400
Monthly Cost of Renting vs. Owning	\$595.50
Annual Cost of Renting vs Owning	\$7,146.02

Effect of Leverage

Estimated Equity after 7 Years	\$37,621
Down Payment	16.28% \$6,125
Appreciation	29.07% \$10,935
Amortization	54.65% \$20,561



Class Problem – You know a couple who are renting and are about to renew their lease for another year at \$1,700 per month. You want to show them how much it is costing them to rent when they could own their home. You suggest a \$250,000 home with 3% appreciation, \$1,400 insurance, \$4,000 in taxes. Estimate \$1,000 for annual maintenance. They can get a FHA loan at 5.5% interest. They're in the 28% tax bracket.

Complete the form and role play with a partner. Don't explain too much; make them feel comfortable with the savings and investment effects of home ownership.

Rent vs. Own

Property

Purchase Price:

Annual Appreciation:

Annual Maintenance:

Loan Terms

Down Payment:

Interest Rate:

Term (Years):

Taxes and Insurance

Use estimated taxes and insurance

Annual Taxes:

Annual Insurance:

Comparison

Buyer's Tax Bracket:

State Tax Bracket:

Rent:

Results

[Hide Details](#) [Download PDF](#)

\$796.92 Net Cost of Housing

Mortgage @ 5.50% for 30 years	\$243,663
Monthly Payment (P & I)	\$1,383.49
Monthly Tax & Insurance Escrow	\$450.00
Total Monthly Payment (PITI + MIP)	\$2,016.24
Less Monthly Tax Savings	\$404.12
Less Monthly Appreciation	\$625.00
Less Monthly Principal Reduction	\$273.53
Plus Estimated Monthly Maintenance	\$83.33
Net Cost of Housing	\$796.92
Monthly Rent for Comparison	\$1,700
Monthly Cost of Renting vs. Owning	\$903.08
Annual Cost of Renting vs Owning	\$10,836.99
Estimated Equity after 7 Years	\$91,057
Down Payment	9.61% \$8,750
Appreciation	60.46% \$55,056
Amortization	29.93% \$27,251
Year	Amount
1	\$20,400.00
2	\$21,012.00
3	\$21,642.36
4	\$22,291.63
5	\$22,960.38
6	\$23,649.19
7	\$24,358.67
Year	Cumulative Amount
1	\$20,400.00
2	\$40,800.00
3	\$61,200.00
4	\$81,600.00
5	\$102,000.00
6	\$122,400.00
7	\$142,800.00

Equity Accelerator Form

By making regular additional principal contribution on a fixed rate mortgage, interest will be saved and the term shortened. This calculation assumes that the same increased monthly payment will be made from the beginning of the mortgage until it is paid in full.

When additional principal contributions are made on adjustable rate mortgages, the term will not be shortened but the payment adjustments each period will be based on the lower principal balance.

Equity Accelerator

Mortgage Amount:

Interest Rate:

Term (Years):

Additional Principal Contribution:

Unpaid Balance:

First Payment Made:

Alternatively

Payoff in Years:

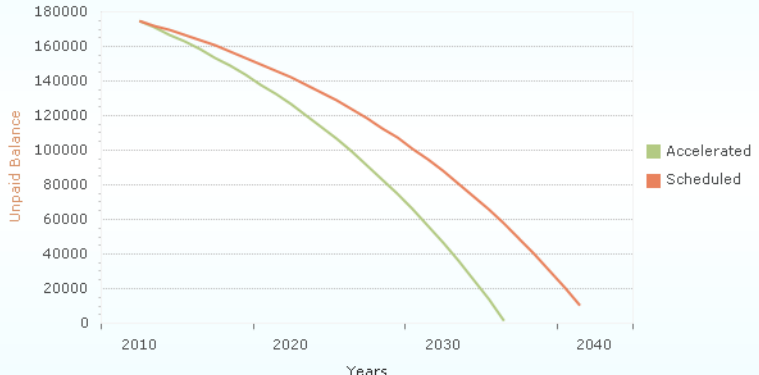
Results

[Download PDF](#)

5.75 Years Saved

	Current Payment	Increased Payment
Principal & Interest	\$939.44	\$1,039.44
Total Number of Payments	360	291
Total Principal & Interest Paid	\$338,198.40	\$302,477.04
Interest Savings		\$35,721.36
Savings in Years		5.75
Loan will be Paid Off on		January 1, 2035
Extra principal required to payoff in 15 years		\$444.45
Interest Savings		\$89,098.41

Amortization Schedule



Assumes regular, additional monthly principal contributions on a fixed rate mortgage beginning with the first payment.

Cost of Waiting to Buy Form

Occasionally, you're working with a person who thinks the market is going down and if they wait a little longer, they'll be able to buy the home for less money. This form is meant to show the buyers that there are two dynamics that affect the cost of a home. Price is one but equally, or maybe even more important is the interest rate.

A suggested dialog might be: "Let's assume you are correct and if you wait a while, you'd be able to buy this home for 5% less. However, while you're waiting for the house to come down, if the interest rate goes up by one percent, you'll pay \$XX.XX dollars more each and every month to live in the very same home for as long as you have this mortgage on the home."

Cost of Waiting to Buy

Sales Price

Down Payment

Interest Rate

Term (Years)

Wait for home to decrease

[Calculate](#)

Results [Download PDF](#)

\$79.01 Increased Payment

	Now	Waiting
Sales Price	\$250,000	\$237,500
Mortgage	\$241,250	\$229,188
Current Rate vs. Possible 1% Increase	5.00%	6.00%
Monthly Payment	\$1,295.08	\$1,374.09
Payment Difference		\$79.01
Additional Cost for 7 Years		\$6,637.07
Additional Cost for 30 Years		\$28,444.57

Description of Terms for Cost of Waiting to Buy

- Sales Price – the price of the home being considered for the example
- Down Payment – the amount of money expressed as a percentage of purchase price
- Interest rate – the rate to be paid the note on the new mortgage
- Term – the number of years to be paid on the new mortgage; typically 30 years
- Wait for home to decrease – an amount expressed as a percentage of the Sales Price a buyer expected that the home would go down over some period of time
- Current Rate vs. Possible 1% Increase – if while the buyer is waiting for the home to go down in value, the interest rate on the mortgage were to go up by 1%
- Payment Difference – the payment based on the lower price but the higher interest rate
- Additional Cost for 7 years – combination of higher payments the buyer would pay over a 7 year period
- Additional Cost for 30 years – combination of higher payments the buyer would pay over the term of the mortgage

Your Best Investment Form

Sometimes, people are simply paralyzed by all of the different decisions they’re faced with and they actually are afraid to do anything. This form will illustrate that the best place to put their money may be in the home they’re considering.

A suggested dialog might include something like this: “You’ve saved the money for your down payment and if you are not going to buy at this time, at least invest the money so you’ll have it when you do buy. If you were to put it in a CD, you wouldn’t make a lot of money but it would be safe. On the other hand, you could put it in the stock market and may make more but of course, there is more risk involved. On the other hand, if you were to go ahead and invest it in the down payment of the home we’re talking about, the equity would grow in five years to be many times the original investment. Where do you think the best place is to put your money?”

The reason the home generates such a large amount is partially due to positive leverage. You’re using borrowed funds to control an asset and that characteristic is not available in most investments because you have to pay cash for them. The other dynamic is that each payment includes a principal contribution to amortize the loan.



Hold or Sell & Buy

Current Home

Current Value	\$300,000
Appreciation Rate	2.000 %
Original Mortgage	\$225,000
Interest Rate	6.000 %
Term (Years)	30
Number of Payments Made	42
Holding Period (Years)	7
Sales Expense	7.500 %

Future Home

Purchase Price	\$450,000
Down Payment	10
Interest Rate	5.000 %
Term (Years)	30
Acquisition Costs	3.000 %
Appreciation Rate	3.000 %
Savings Rate	2.000 %

Calculate

Results

 Hide Details  Download PDF

28.42% Increase By Selling

Hold Current Home

Current Value	\$300,000
Original Mortgage	\$225,000
Payment (P & I)	\$1,348.99
Current Unpaid Balance	\$214,561
Value in 7 Years	\$344,606
Unpaid Balance in 7 Years	\$185,817
Wealth Position in 7 Years	\$158,789

Sell Current Home and Buy Another Home

Equity from Sale of Current Home	\$62,939
Price of New Home	\$450,000
Mortgage	\$405,000
Payment	\$2,174.13
Acquisition Costs of New Home	\$12,150
Balance of Equity	\$5,789
Value of Equity in 7 Years	\$6,650
Unpaid Balance in 7 Years	\$356,177
Value of New Home in 7 Years	\$553,443
Wealth Position of New Home in 7 Years	\$203,916
Difference in Wealth Positions	\$45,127
Percentage Change	28.42%

This is not intended to be an offer of credit but is an estimate of a possible mortgage based on the lender's underwriting guidelines. Appreciation and Yields are estimates and are impossible to predict.

2/1 Buy Down Form – This is a procedure for reducing the payments for a specified period of time by pre-paying the interest at closing. The payments are calculated at two percent less than the contract rate for the first year and one percent less for the second year. The payments for the third and remaining years of the mortgage are at the contract rate. The cost of the buy down is the difference in the payments in the first and second year from what they should have been. This subsidy is usually paid by the seller.

2/1 Buydown

Sales Price:

Down Payment:

Interest Rate:

Term (Years):

[Calculate](#)

Results

[Download PDF](#)

\$5,207 Cost of Buy Down
2.08% of Sales Price

	Reduced Price	Buy Down		
Sale Price	\$244,793	\$250,000		
Down Payment	\$8,568	\$8,750		
Mortgage Amount	\$236,226	\$241,250		

Monthly Payments		1st Year	2nd Year	Remainder
Interest Rate	5.50%	3.50%	4.50%	5.50%
Payments	\$1,341.26	\$1,083.32	\$1,222.38	\$1,369.79
Monthly Savings		\$286.47	\$147.41	

Monthly Payments



Description of Terms for 2/1 Buy Down

- Sales Price – the price of the home being considered for the example
- Down Payment – the amount of money expressed as a percentage of sales price
- Interest rate – the rate to be paid the note on the new mortgage
- Term – the number of years to be paid on the new mortgage; typically 30 years
- 1st year – payments are based on 2% less than the note rate
- 2nd year – payments are based on 1% less than the note rate
- Remainder – the balance of the term after the 1st and 2nd years
- Monthly Savings – the difference in the payments in the first or second year and the payment at the note rate.

Benefits to Buyer

- Lower initial payment
- Fixed rate mortgage
- Tax deduction on buy down paid by seller
- FHA/VA mortgages are assumable at existing rate with qualification of purchaser

Refinancing Analysis Form

The decision to refinance should be based on the costs to refinance and will the savings be recaptured before he sells the property. An analysis will disprove some of the common rules of thumbs about when a home should be refinanced such as there needs to be a 2% difference in the new rate and the old rate. Another myth is that if you have refinanced in the last two years, you probably shouldn't refinance now.

Remember that points paid by a homeowner to refinance a principal residence cannot be deducted as interest in the year paid but have to be amortized over the life of the mortgage. In the example shown, assume there is one point to be paid which would be \$3,208.00. It could be written off as interest over 30 years or \$106.93 per year. Most tax advisors think that paying "par" value for the rate which is fully deductible is better than paying the point upfront (in cash or financed) to get a lower rate.

Refinance Analysis		Results	
Current Mortgage		 Download PDF	
Original Mortgage	<input type="text" value="\$325,000"/>	\$231.09 Monthly Savings	
Interest Rate	<input type="text" value="6.000 %"/>	Current Unpaid Balance	\$314,930.00
Term (Years)	<input type="text" value="30"/>	Closing Costs to be Financed	\$5,000
Unpaid Balance	<input type="text" value="\$314,930"/>	New Mortgage Amount @ 5.00% for 30 years	\$319,930.00
Refinanced Mortgage		New Mortgage Payment (P & I)	\$1,717.45
<input checked="" type="checkbox"/> Finance Closing Costs	<input type="text" value="\$5,000"/>	Monthly Savings	\$231.09
Interest Rate	<input type="text" value="5.000 %"/>	Recapture Period: 1 Year and 10 months	
Term (Years)	<input type="text" value="30"/>		
<input type="button" value="Calculate"/>			



How much will you save?



Will you recapture the costs?

Practical applications of classroom materials

WEEK ONE

1. Memorize the point-of-difference statement (modify if needed). Walk around the room and introduce yourself and make your statement. Listen for interesting variations.
2. Go to www.REALTOR.org and print the **Home Buyers and Sellers Profile #186-45-09**
3. Contact two sellers and ask them to improve the marketability of their home by offering a specific dollar amount of financing concessions. Complete the Financing Concessions spreadsheet to show how they can do a simple 2/1 Buy Down or include closing costs also. If it is in an appropriate price range, introduce the idea of the seller carrying a second lien to afford the buyer an opportunity to get an 80/10/10 to avoid PMI. Get any concessions in writing. Post it to MLS paying attention to Regulation Z.
4. Set up a folder for collecting the closing statements of every home you sell during the year; place a copy from every home sold this year to date in the folder. Continue to add closing statements for buyers and sellers throughout the year. In late December, early January, send the End-of-Year letter to each homeowner with a copy of their closing statement.

WEEK TWO

5. Contact past buyers and give them a Capital Improvements Register and teach them to save the receipts and cancelled checks for any expenditure on the home that isn't a house payment or utility bill.
6. Contact the suggested consumer website and order your FREE three credit reports and review them. This will not only make you aware of the condition of your credit but give you a first-hand understanding of what your buyers will be doing when you suggest this.
7. Identify a homeowner/prospect that has a home and may be thinking of selling. Prepare a Hold or Sell and Buy analysis and make an appointment to share the information.
8. Mail your contact list with the following offer: "Don't rely on rules of thumb if you're thinking about refinancing your home. I have a simple spreadsheet that can provide you valuable information within two minutes that will help with your decision. It would be my privilege to provide this information to you without obligation."

WEEK THREE

9. Prepare Income Estimators for each of your listings and take them to the houses.
10. Customize the Seller closing costs spreadsheet for your area and the homes you sell with the typical fees. Use it every time you present an offer to the seller to show them what they can expect to net from the transaction.
11. Customize the High-Low spreadsheet to show the approximate equity the seller can expect based on getting a high or low offer. Use this form each time you take a listing to show the seller what to expect when you bring them a contract to sell their home.
12. Customize the Buyer closing costs spreadsheet for your area and the homes you sell with the typical fees. Use it every time you write an offer for a buyer to show them what they will need to close the transaction. It can even be done in the initial interview.

WEEK FOUR

13. Use the Initial Qualifier and Buyer presentation on your first meeting with a buyer. Explain what you have to offer and use it as an incentive to meet. If the buyers are first-time buyers, use the Rent vs. Own; if they own a home, use the Homeowner's Analysis.
14. Contact two recent buyers and show them the Equity Accelerator and how making additional principal contributions will shorten their mortgage term and save them thousands in interest.
15. Using the Buyer presentation on the member website, make notes for any changes you might need to make. Add notes to add any pages about specific programs you offer that are not represented in the presentation. Open the Word document and make the necessary changes and save. Use it each time you meet with a buyer for the first time. Make a PDF and post it to your website. Make a user-defined form in Outlook with this attached that you will send to potential buyers you communicate with.
16. Using the Seller presentation on the member website, make notes for any changes you might need to make. Add notes to add any pages about specific programs you offer that are not represented in the presentation. Open the Word document and make the necessary changes and save. Use it each time you meet with a homeowner about selling their home. Make a PDF and post it to your website. Make a user-defined form in Outlook with this attached that you will send to potential sellers you communicate with.

Asking the Seller to Make Financing Concessions – “An effective way to increase the marketability of your home is to offer favorable terms in the form of financing concessions. For a relatively small amount of money you can offer a 2/1 Buy Down and the balance applied to the buyer’s closing costs.”

I Can’t Wait for the Benefit of the Annual Tax Deductions Until I File – “If that’s the only thing keeping you from buying this home, I have a something that will make the difference. You can increase the number of deductions on your W-4 to have that amount less taken from each paycheck. Does that satisfy your concern?”

Equity Accelerator Explanation – “If you can afford to make an additional principal contribution monthly, you’ll shorten the life of your fixed rate mortgage and save thousands in interest.”

Isn’t It Worth It – “We’re such a small amount apart from getting you this home. Do you realize that it is only this much a month...which is only this much per day?”

If the Rate Goes Up - “I can certainly appreciate you wanting to think it over. However, I do want you to know that if the interest rate rises by ½% while you’re waiting to think it over, the payment on this mortgage would go up \$XX.xx each and every month to live in the very same home. Would you mind sharing exactly what it is that you want to think over?”

Cost of Waiting to Buy - “You may be right...if you did wait a while and the price of the home does come down 5% but during that time, the interest were to go up by one percent, you’ll pay \$XX more each and every month for as long as you have that mortgage on the house even at the cheaper price.”

90 day Rule on Acquisition Debt – When a buyer tells you they’re going to pay cash, “Do you think that you might put a mortgage on the property in the future? Why do you ask? Paying cash for a home could limit the amount of interest you may be able to deduct. You may want to talk to your tax professional about this.”

Various Individual Scripts

“You’re considering a 30 year mortgage; why not take 30 minutes to learn some of the options that might make a huge difference.”

“Did you know that a ½% change in interest is approximately equal to a 5% change in sales price?”

“Did you know that a 1% change in interest is approximately equal to a 10% change in sales price?”

A builder isn’t an electrician, a plumber, or an engineer but he understands electricity, plumbing, and structures. To coordinate with the other professionals, REALTORS® must understand all facets of the transaction including financing.

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

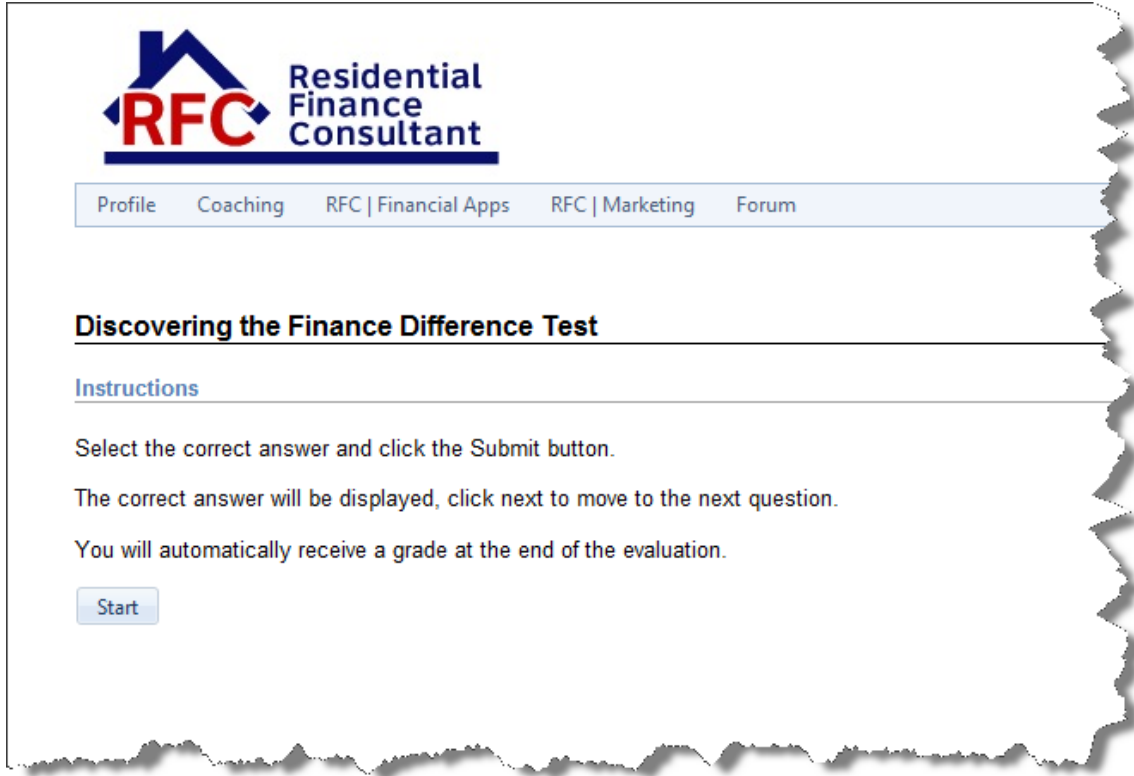
Your Best Investment - “You’re to be congratulated for having a down payment and qualifying for a mortgage. I talk to a lot of people who would love to take advantage of the low prices and interest rates but can’t qualify. My recommendation is to put your down payment away somewhere safe so you’ll have it when you do decide to buy a home. If you were to put it in a CD, it would be safe and secure but you wouldn’t earn much. If you could pick the right stock, you might make a little more. However, I want to remind you of something that I told you when we first started working together. A home is leveraged investment and your down payment would grow to \$XXX,XXX in the same period of time. Where do you think the best place for your money is?”

Questions to encourage buyers to get pre-approved

- Sellers expect agents to show homes to only qualified buyers.
- I want to be sure you’re not wasting your valuable time searching for something that is not possible
- Make it part of your next appointment to meet with a lender
- What mortgage company are you using? What is the name of the loan officer?
- May I have a lender call you to get the pre-approval started?
- After the initial meeting, we set two appointments. One with a lender and another to look at homes.
- Are you working with another agent? What lender are you working with?
- Are you paying cash or using financing? What lender are you working with?
- When it comes to negotiating with a seller, a preapproval letter is very important?
- Paying cash; we’ll need a proof of funds disclosure (verification of assets) to submit with the offer.
- You don’t need to be pre-approved to look at homes but you certainly don’t want to fall in love with a home and find out you can’t afford it.
- Build rapport and then say “you need to feel comfortable with what you can afford before I show you anything you can’t.
- Not all homes qualify for all loan programs and neither do buyers. Pre-approval helps us look at the right homes and negotiate the offer properly.
- It’s important that you don’t fall in love with a home that you won’t be able to buy.
- I can show you a home or I can represent your best interests. Which would you prefer?

Test Information

The test for this course can be taken online at <http://Member.patzaby.com/app/dfd/test>



Successful completion of the test will issue you a certificate of completion.

