



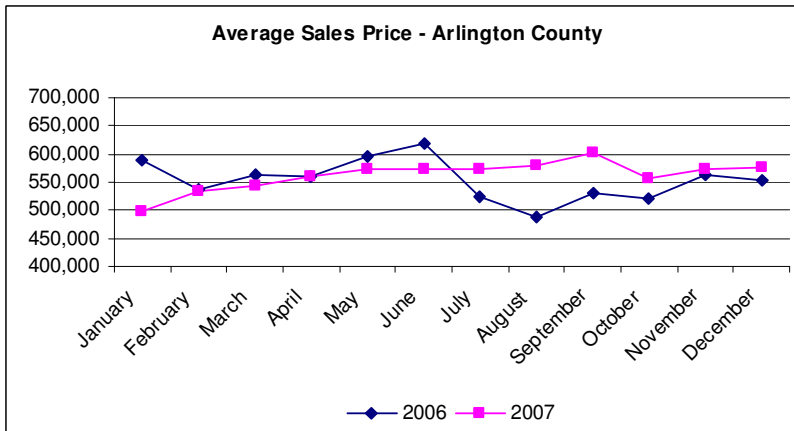
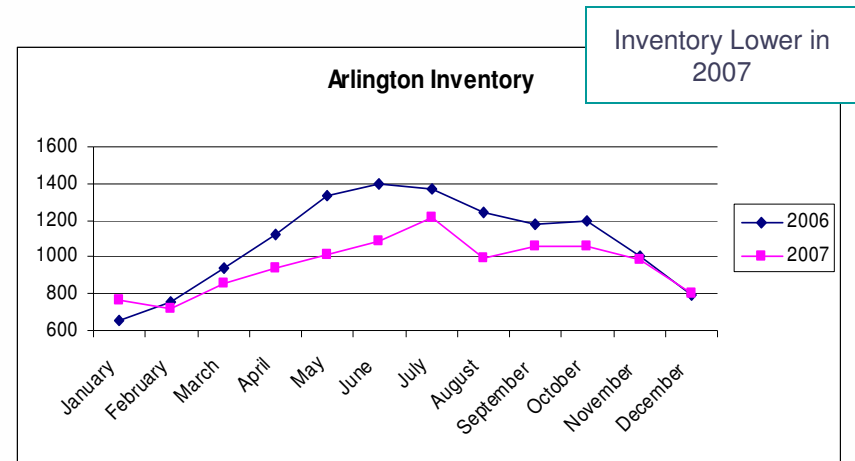
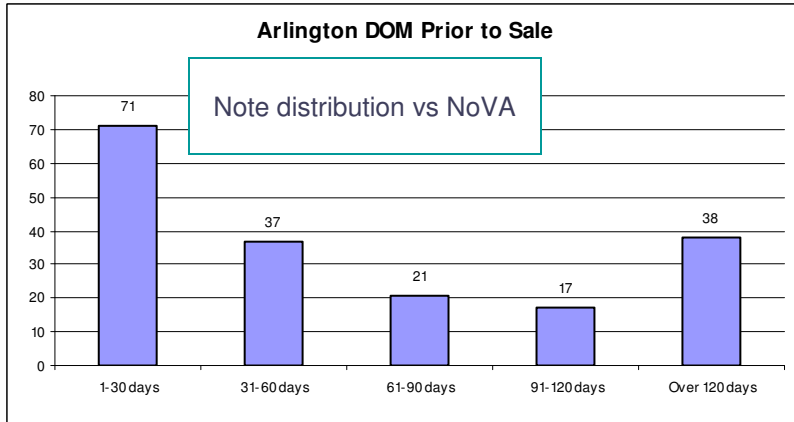
**SNEAK PEEK –
SELECTED
EXCERPTS AND
DISCUSSION
POINTS**

Buying Your First Home

Katie Wethman, CPA, MBA, REALTOR®

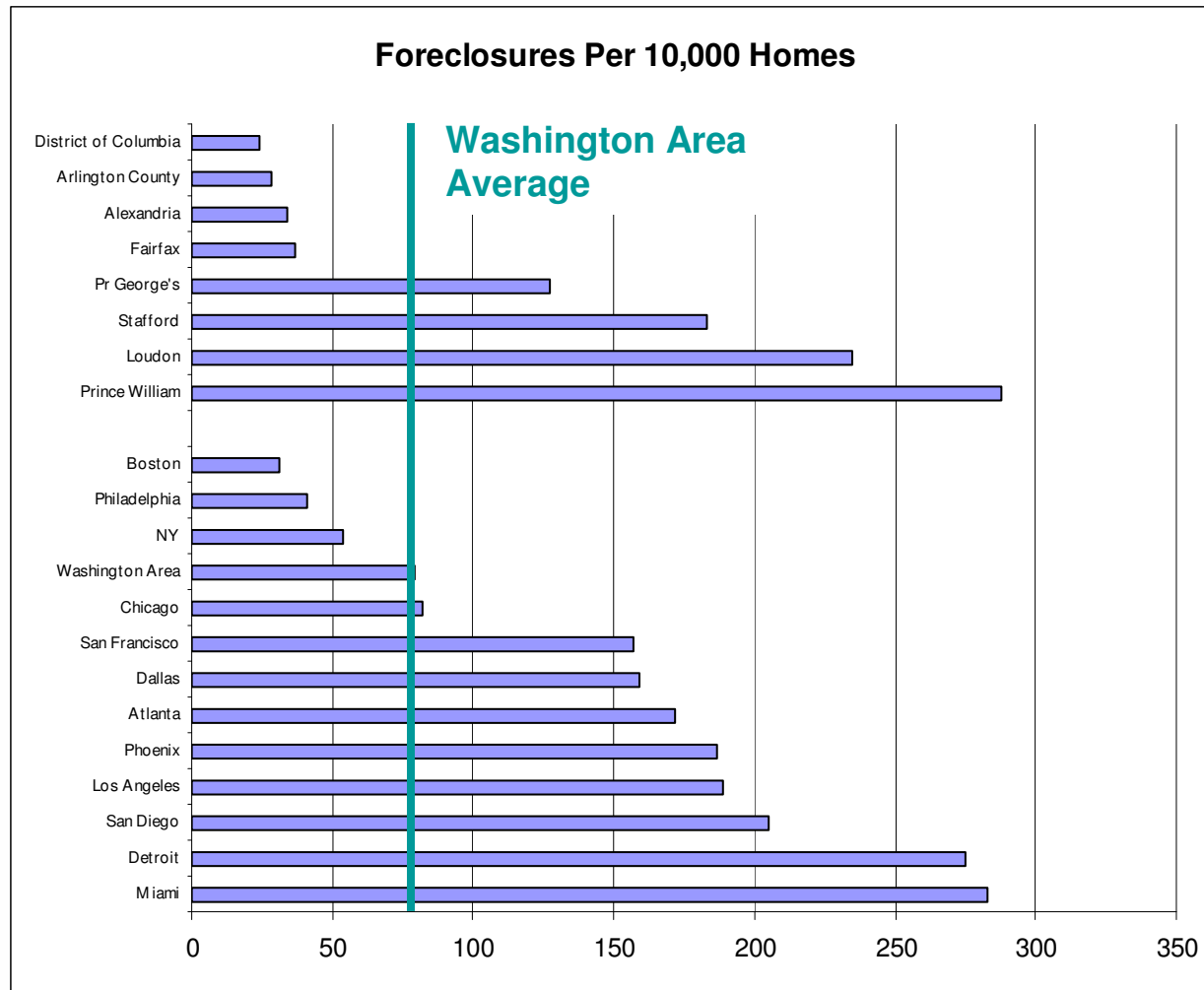
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Arlington Inventory & DOM



Source: MRIS

Foreclosure Rates



Source: George Mason University Center for Regional Analysis www.cra-gmu.org

Approx. Months of Inventory

	Existing Homes	New Construction
Northern Virginia*	6	10
Arlington	4	6
DC	5	8
Fairfax	7	14
Loudon	8	14
Prince William	14	19
Stafford	12	18

“Balanced” = 6 months

2005 Market Peak = ~1 month

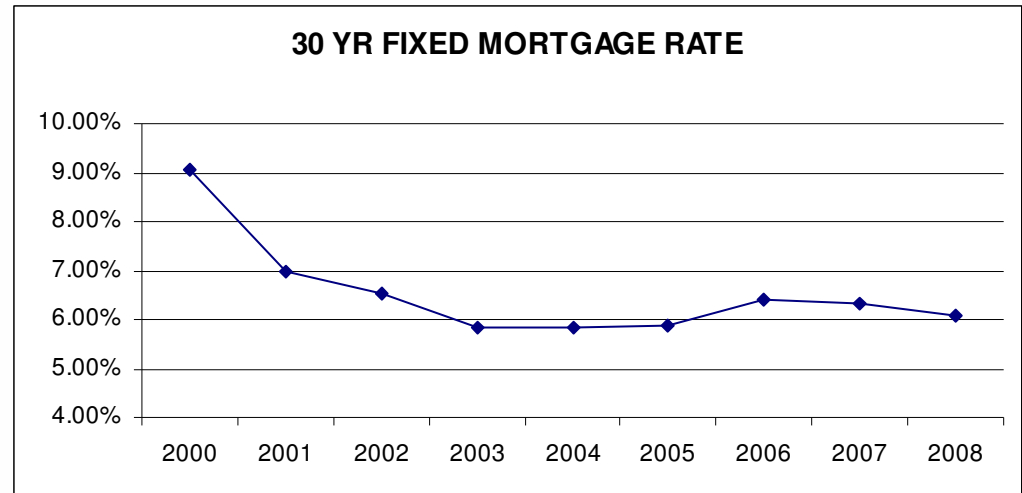
- Includes Fairfax, Fairfax City, Falls Church, Arlington, Alexandria
- Source: MRIS data via recharts.com as of December 2007

Financial Considerations: Discussion Points

- Types of Lenders
- Points & Rates
- Fees, Down Payments & Closing Costs
- Financial Implications of Buying
- Monthly Payments

Points & Rates

- Fixed vs. ARM
 - ARMS Tied To Index + Spread
 - Annual and Lifetime Caps
- “Jumbo” (> \$417K) carries higher rates
- FHA
- Private Mortgage Insurance for Loans > 80% Loan-To-Value
- First & Second Trusts (e.g., 80/15/5)
- Impact of Sub-Prime



Tax Deductions

- Each payment consists of interest and principal (let's ignore taxes and insurance for this example.)
- The lender takes his cut—the interest payment—first. The remainder of the payment is applied to principal.
- In this way, each month you pay a little bit more towards the loan payoff.
- **The interest portion of the payment is tax-deductible** (as opposed to rent, which is not tax-deductible.)
- In the early years of a mortgage, much of the payment is tax-deductible—saving the homeowner lots of \$\$.

Interest portion is tax-deductible

Purchase Price = 368,450
5% Down = \$18,422

Rate 6.0%
 \$ 350,000

	Payment	Interest	Principal	Loan Balance
Month 1	\$ 2,098	\$ 1,750	\$ 348	\$ 349,652
Month 2	\$ 2,098	\$ 1,748	\$ 350	\$ 349,301
Month 3	\$ 2,098	\$ 1,747	\$ 352	\$ 348,949
Month 4	\$ 2,098	\$ 1,745	\$ 354	\$ 348,596
Month 5	\$ 2,098	\$ 1,743	\$ 355	\$ 348,240
Month 6	\$ 2,098	\$ 1,741	\$ 357	\$ 347,883
Month 7	\$ 2,098	\$ 1,739	\$ 359	\$ 347,524
Month 8	\$ 2,098	\$ 1,738	\$ 361	\$ 347,163
Month 9	\$ 2,098	\$ 1,736	\$ 363	\$ 346,801
Month 10	\$ 2,098	\$ 1,734	\$ 364	\$ 346,436
Month 11	\$ 2,098	\$ 1,732	\$ 366	\$ 346,070
Month 12	\$ 2,098	\$ 1,730	\$ 368	\$ 345,702
	<u>\$ 25,181</u>	<u>\$ 20,883</u>	<u>\$ 4,298</u>	

The amount applied toward principal is your *equity* in the property.

Home Search Process: Discussion Points

- Trade Offs
- Searching Online and In Person
- Contract
- Home Inspection
- Settlement

Foreclosures: Discussion Points

- Shorts Sales/ Pre-Foreclosure – Owner Has Negotiated With Bank to Share Loss
 - In MLS
 - Allows Inspections
 - Subject to Third Party Approval
- Foreclosure (Auction)
- Real Estate Owned (REO) / Bank-Owned
 - In MLS
 - “As Is”
 - No Closing Help
 - No Control Over Timing

New Construction: Discussion Points

- Delivery Risk
- Financing Risk
- Sales Price Risk
- Contract Risk
- Sales Agents Represent Builder

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