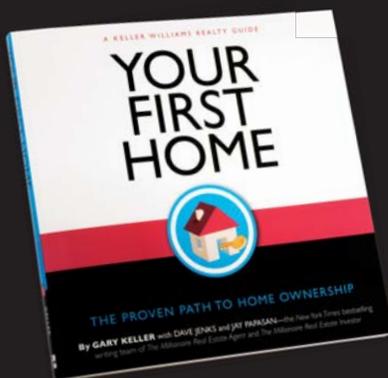


Keller Williams Realty is ranked “Highest Overall Satisfaction For Home Buyers Among National Full Service Real Estate Firms, Two Years in a Row!”

Keller Williams Realty received the highest numerical score among full service real estate firms for home buyers in the proprietary J.D. Power and Associates 2008-2009 Home Buyer/Seller StudySM. 2009 Study based on 3,138 total evaluations measuring 7 firms and measures opinions of individuals who bought a home between March 2008 and April 2009. Proprietary study results are based on experiences and perceptions of consumers surveyed April-June 2009. Your experiences may vary. Visit jdpower.com



LOOK WHO'S BUYING



The Skinny on First-Time Homeowners



Curious about your home-buying peers?

Of course you are! But we also know you're busy. So it's unlikely you have time to drive from one neighborhood to the next looking for that "just sold" sign in the yard, just so you can ask the new buyers what they paid, why they chose that particular home, and what they love best about it. That's a lot of information, isn't it?

That's where we come in. We want to save you time and take the mystery out of the home-buying experience by helping you understand why, what, and how other first-time buyers are making the most of home ownership opportunities. We'll take a closer look at some findings from a survey we gave to almost 2,500 Keller Williams associates across the country. These professionals were asked to share the experiences of recent first-time buyers they worked with—aspiring folks just like you.

We've filtered the need-to-know facts and compiled valuable information for you as you begin your own journey of home ownership. Everything, from why buying made sense to how they financed their purchase, their criteria for buying, where the homes were located, and what the homes offered in terms of features and amenities—details like these tell you much about today's housing market.

Just remember, with the constant bombardment of information and distractions these days, and all the fear out there, our homes mean so much. A home offers you a place of refuge from an often restless world. And for many, a home fulfills an important part of the American dream. So with that in mind, let's begin with a brief look at what motivated your first-time buyer friends.





Why are they buying?

Affordability.

It's an important word for most buyers, and especially key to first-time buyers. In fact, the percentage of income needed to cover housing costs was the single most important factor for buying—nearly 20 percent cited affordability as their number one factor. Paying rent was another big reason for first-time buyers. Twelve percent said they had grown tired of putting their dollars toward someone else's mortgage. Only 10 percent of first-time buyers were influenced by the now expired \$8,000 tax credit. Whatever their reasons were, buying a home made sense.

So in what kind of market did these first-time buyers find that great first opportunity? Seventy percent purchased their homes in what is called a **Buyer's Market**.

What Motivated First-Time Buyers?

1.	Could afford home	19%
2.	Tired of paying rent	12%
3.	\$8,000 tax credit	10%
4.	Family situation changed	7%
5.	Wanted financial security	5%
6.	Decreased home prices in area	5%
7.	Got a steady job	5%
8.	Low mortgage rates	4%

***Respondents had to rank their top criteria from a list of 28 items.*

Typically, this means that the buyers had better negotiating power than the sellers, as more homes were available than the number of buyers to absorb them. In other words, a smart time to buy.



BUYING VS. RENTING

CAN YOU REALLY AFFORD TO KEEP RENTING?

Purchasing your own home is a great investment that provides specific financial advantages, including equity buildup, value appreciation potential, and tax benefits. It's also a "forced savings plan" that you cannot get from renting! So, many first-time buyers asked themselves if they could really afford to keep renting.



Are today's first-time buyers single or married? Do they live alone?

If you're thinking that many said "I do" before buying, you are right. In fact, it turns out that 46 percent of first-time home buyers were married. But that's not the whole story. What was once a majority, the segment of married first-time buyers now appears to be declining.

out-buying their single male counterparts by a couple of percentage points!

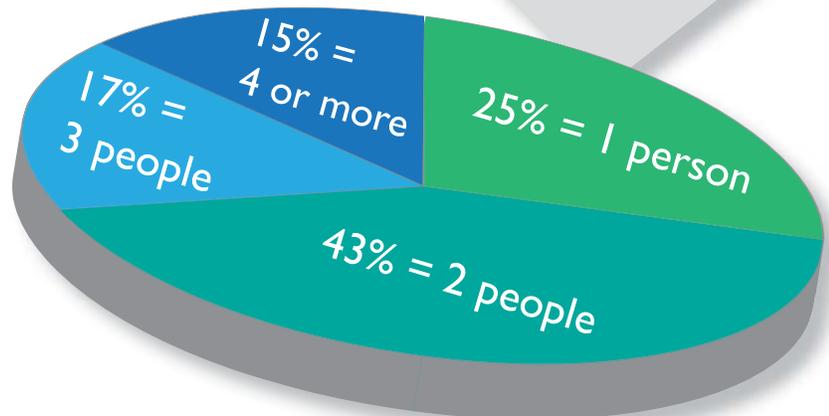
So how many people are moving into the homes of these new owners? If the percentage of married buyers gives you any indication, you'd probably say two people. And you'd be right! **While the median household size is just two, 75 percent of homes housed two or more people.** A quarter of homes counted only a single occupant (excluding any prized pets).

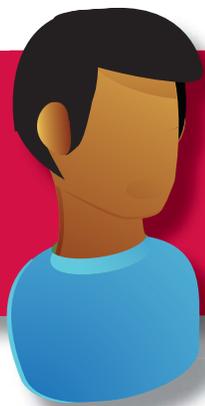
Marital Status

Married Couple	46%
Single Female	21%
Single Male	19%
Unmarried Couple	13%

Steadily picking up steam is the home-buying activity of **single first-time buyers, which now stands close to 40 percent** of the market (combined male and female). And among these eligible bachelors and bachelorettes, just who's leading the charge? Single female buyers! These smart, determined ladies are

Household Size





How old are buyers? And which homes do they prefer?

Surprisingly, an amazing 51 percent of first-time buyers are in the 25–30 age group. And **the median age is now just 28**, which is lower than the median age of 32 only four years ago.

So what's that mean? It means you're never too young to begin your home ownership adventure. And with 10 percent of first-time buyers over age 40, plenty of folks who have put off buying their first home are jumping into the market now!

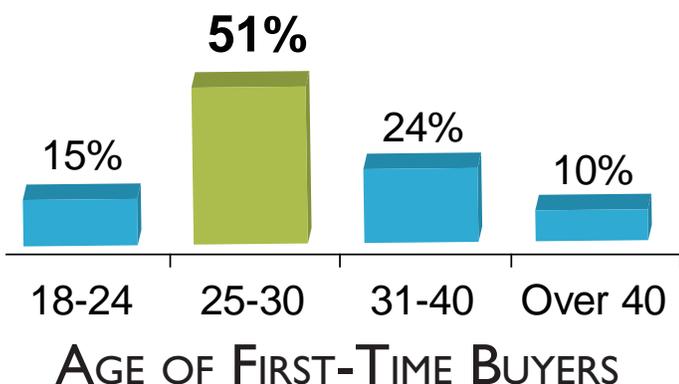
So what types of homes did these folks buy? Eighty-one percent of first-time buyers bought single family homes. The remaining 19 percent opted for townhomes, condos, duplexes or "other." "Other" might include mobile homes, houseboats, or something in between.



Home Type

Single-Family Detached	81%
Townhouse	9%
Condominium	7%
Duplex	1%
Other	2%

Now in case you were wondering what types of homes these folks considered before they settled, here's some interesting data for you. Of the many options out there, a whopping **76 percent of first-time buyers viewed at least one distressed property** in their home search. And of those, two out of five first-time buyers actually purchased a distressed property. So even though it's called a distressed property, it can also come to mean a **happy new homeowner**.





Features, location, size—which criteria are most important?

Okay, so I'd bet you're wondering: What's the most important factor to buyers looking for a home?

Location! Location! Location!

And you've probably heard that expression before. After location, the price of the home and its number of bedrooms and bathrooms ranks second. Distance from work or commute time (by car, bike, bus, or on foot) also landed near the top of the list. As you can imagine, those with children ranked quality of schools as very important. We all have different reasons. But location—a great, safe neighborhood close to work and with good schools—proves its value again.

So let's talk about size. Do you think it's the quantity of rooms or overall quality of space that should rule the day? Or how about both? Most first-time buyers opted for a home in the neighborhood of 1,600 square feet. **And 40 percent of first-time buyers bought a home between 1,501–2,000 square feet.** So that means for a home with two occupants, each gets about 800 square feet to play in. While it's not exactly a castle, it still affords plenty of space. And that excludes the yard!



WHAT WAS THEIR #1 "MUST HAVE"?

Location/Neighborhood	36%
List Price	31%
Type of home (condo, etc.)	12%
Distance from work/transit	4%
Schools	3%

But overall size is one thing—what about bedrooms and baths? **The typical home purchased offered three bedrooms and two baths.** Sound comfortable? You bet it does. And with the two bathrooms, who doesn't like a hot shower before settling in every once in a while? Lest we forget the bonus features. Approximately two out of five homes purchased even had an extra half bathroom. So if you're in a pinch and need some quiet reading time ... well, now you've got a place to do it!



How do they find the funds to close?

That's a huge question. How does anyone get the funds needed to close a deal these days? We need a lender to approve us for a mortgage loan, of course (and by the way, the term "mortgage" comes from the French language and basically means a pledge to fulfill a loan until it's either paid off or you sell the home to someone else). A mortgage enables us to finance the purchase of a property: the most expensive single investment we make in our lives. And the beauty of it is that it only costs a small amount up front. So despite what the media might say, mortgages are still readily available. Just ask for one, like these buyers did.

The first step is finding a lender. According to our survey, **most new buyers found lenders through their agents**. In fact, 82 percent of agents

recommended mortgage professionals to their first-time buyers. And two out of three first-time buyers used a recommended mortgage professional to finance their home purchase. Great real estate agents have great networks that can help make the process easy for you.

Now you might be wondering about the importance of your creditworthiness and ability to qualify for a loan. You should start there—and **ask your real estate agent for help!** Our survey found that 95 percent of first-time home buyers who needed financing were prequalified before they began searching for homes. Eighty percent of buyers were preapproved. What's the difference? Preapproval is the better of the two. It means you've earned the trust and commitment of the lender. And they've earned yours too.



Were They Preapproved For Their Mortgage?

- **95% of first-time homebuyers who needed financing were prequalified before their agents started searching for homes.**
- **80% were preapproved.**

Prequalified (GOOD) – Process by which a loan officer estimates the amount you can borrow based on information you provide about your financial situation. There is no formal application, verification or commitment from the lender.

Preapproval (BETTER) – Involves a formal application that goes through underwriting for independent verification of the information you provide. Upon preapproval, you will receive a **FORMAL COMMITMENT** from the lender stating how much you can borrow and at what rate.



How much do they pay for their homes?

Now, the question you've been waiting for: How much? **The typical first-time home buyer purchased a home for \$155,000.** The beauty of this is that two out of three sellers made price concessions, meaning they lowered the price or helped sweeten the deal for buyers. They paid closing costs or reduced the list price. Some purchased home warranty protection for their buyers, and in some cases, sellers removed the 70s-era disco ball from the den. Some even allowed the buyers to move the closing date or provided them with a generous repair allowance (in case they refused to remove that circa 1982 avocado green carpet).

In the end, **the median reduction amounted to 3 percent of the list price.** Woo-hoo! With the money saved, many chose to furnish their new homes or take a trip. What's more, **most sellers, two out of three to be precise, actually paid for a portion of the buyer's closing costs!** These types of seller concessions can be helpful in easing a buyer's up-front costs and getting a deal to the closing table.

What were the most common seller concessions?

1. Pay buyer's closing costs
2. Reduce original list price
3. Conduct repairs before closing
4. Purchase home warranty protection
5. Move closing date
6. Purchase personal property (appliances, furniture, etc.)
7. Provide repair allowance
8. Pay buyer's origination fees
9. Provide upgrades allowance
10. Pay buyer's commitment fees



How did they come up with their down payment?

It's on the minds of most first-time buyers. The down payment—that is, how much and from where? As our survey indicated, the typical down payment made by first-time buyers is about 3.5 percent, which is actually the minimum amount required for FHA loans. And roughly 75 percent of first-timers put less than 4 percent down to get into their first home. Less is sometimes more, especially when it comes to getting a foot into the door of that first home.

So just where did that down payment come from? **Seventy-six percent of first-time buyers withdrew from their savings** to cover the down payment. And one in four buyers received some form of help from their

families, which is called a gift fund. Some opted for federal- or state-sponsored down-payment assistance programs. And a few even received special grants from their local or county governments.

But a down payment alone doesn't necessarily guarantee smooth financial sailing. Approximately one in five first-time buyers experienced some issues with financing. And the culprits? Credit troubles and insufficient cash reserves were common issues faced. But fear not, many were able to solve their financing challenges through everything from removing negative information from their credit report to lowering debt. Family help, in the form of gift funds or even a relative cosigning the loan, was a common remedy.

SOURCE OF DOWN PAYMENT

Own Savings Account	76%
Gift from Family	25%
401K Loan/Cash Out	4%
Stocks or Other Investments	3%
Down Payment Assistance Program	3%
Grants from City/County/State	3%





Smooth sailing at the closing table.

We've finally arrived! Get that pen ready! It's the last step before titles are signed, keys exchanged, and that pie from your new neighbor arrives (hopefully, it's key lime!). While closings usually go smoothly, sometimes deals hit a snag. And in our survey, a few first-time buyers found themselves delayed on their closings. Why? A variety of reasons, from approval on a short sale property taking longer than expected to appraisal issues or even a snail-paced underwriting department at the lender. Sometimes it's just a matter of having all your documentation in order.

In today's housing market, great buying opportunities abound, and that's a good thing. But when we throw in inspections, appraisal issues, and new lending regulations, just to name a few, issues are bound to emerge. So it's important for first-time buyers to expect the unexpected and be patient when it comes to closing on their new homes.

DID THEY CLOSE ON TIME?

5 REASONS FOR DELAYED CLOSINGS

1. Short sale approval took longer
2. Appraisal issues
3. Additional documentation needed
4. Home repairs needed to be conducted
5. Active credit dispute

The overall process takes time and energy from many parties, and that's why it's so important to find a great agent. Once you have one, you can entrust them to serve your best interests. All you need to do is make the decision to buy and work with your agent to find a lender and a home that's right for you—just like the thousands of first-time buyers included in this survey.

Good luck—and remember your agent is here to help!

