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Real Estate No Money Down

The Easy Way

7 Simple Steps to Owning a Home Without a Down Payment

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Contents

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Concepts in this manual represent the author's individual experiences and opinions.

You are highly encouraged to seek legal counsel (see a lawyer) before you enter in to any contracts.

Buying a home is a major investment and involves life-long decisions. You assume the entire risk of any transactions that you are involved in.

The author does not endorse or guarantee the services or companies referred to in this manual.

The manual is for informational purposes only.

The author and contributors shall in no event be held liable for any loss or other damages incurred from the usage of the manual.

Introduction

Thank you for your purchase of this book. Real Estate has long been one of the best investments a person can make. Can you think of another investment that allows you to gain control over an appreciating asset for pennies on the dollar?

Often it's hard to get started because of the large down payment that is typically required.

The goal of this manual is to assist your in finding the free money available to you for a down payment. I detail in this manual five sources that could help you receive absolutely free money toward the purchase of a home. There are few limitations to qualify to get this free money.

We'll take you through the process of finding a home that you would like to own, inspecting the home and then obtaining the financing for your new home.

There are many good quality 400+ page books on the market about buying Real Estate With No Money Down. I've read every one of these that I could get but there are very few that are geared to helping real people in real situations to buy a typical home in an average American town.

People are often directed to seek out distressed properties and to deal with Hard Money Lenders who offer very unusual financing at much higher interest rates than traditional financing. Using that method may involve evaluating hundreds of properties just to find one with a seller that is suited to this type of transaction. This may be a good plan for the Real Estate investor seeking to develop a portfolio over time, but it doesn't do much for the average person that wants to get into a home quickly and easily.

You will find in this manual a very easy formula for YOU, the REAL person to purchase the home you have always wanted.

Shall we begin?

George Chapin

P.S. If you are currently renting, be sure to visit this page created by Ginnie Mae which shows that owning a home is actually less expensive in the long run than renting:
http://www.ginniemae.gov/ypth/rent_vs_buy/Rent_vs_buy.htm

Seven Steps to your New Home

Step	Task	Comments	Date Completed
1	Visit the 5 web sites in this manual that offer down payment assistance.	Learn how the programs work and the terminology used. Don't try to decide on which one to use at this point. You may choose to go with one that your lender is familiar with, or with another source that they know of.	
2	Start contacting lenders and choose one to work with.	Make sure you find one that you are comfortable with, that is also familiar with low and no-down payment programs.	
3	Find a Real Estate Agent.	Ask your lender for a referral or ask friends and family. Try to find one that is familiar with low and no down payment programs, and the area of town that you would like your new home to be in.	
4	Find the right property.	Take advantage of the Internet and use your Real Estate Agent's resources to find a home.	
5	Make an offer.	This is a critical part of the transaction where a Real Estate Agent can help you tremendously. The complete details of the purchase and the down payment	

		assistance must be noted in the purchase agreement.	
6	Apply for your Mortgage and Gift Funds.	Your lender will already have some of your information but you will need to finalize your loan application and apply for your Gift Funds after you have a completed sales contract.	
7	Loan Closing.	You have now reached the "American Dream" of owning your own home! Get the keys to your new home and move in!	

Step One
Visit the Down Payment Assistance Web Sites and Take Notes

There are some organizations, generally non-profit, which can assist you with your down payment. With these programs the organization is the actual donor of your down payment. These organizations and others of their type have usually been approved by the Federal Housing Administration as an acceptable source of down payment monies. This is important if you are going to use FHA financing. If you have less than perfect credit, your lender may suggest FHA financing because their requirements for a loan approval are typically easier to meet than "Conventional" Financing. Both FHA and Conventional financing are covered in the bonus area near the end of this manual.

Working with these organizations for your down payment usually involves a contribution to the fund by the seller of the property. Therefore, the price you have to pay to purchase your home may be a little higher than if you were paying cash for the home.

This is an opportunity that's open to just about anyone and can get you quickly into home ownership with zero dollars down.

A Real Estate transaction with one of these companies works like this:

Let's say you find a home you like and the asking price is $100,000, to use round numbers. It may be listed with a Real Estate agent or even be "For Sale By Owner" for this to work. You structure an offer to purchase the home for the asking price of $100,000 but stipulate in the offer that the seller must participate with one of the organizations I name below to help you arrange financing. Spell out in the "offer to purchase" the amount of money that the seller is to give to the organization. In our example we will use 5% or $5,000.

Example Transaction WITHOUT Down Payment Assistance:

Transaction Summary	
Sale price of home	$100,000
Closing Costs	+ $2,000
Total cost of home:	$102,000
Mortgage amount	$97,000
Funds Needed to Close Loan	**= $5,000**

Example Transaction WITH Down Payment Assistance:

Transaction Summary	
Sale price of home	$100,000
Closing Costs	+ $2,000
Total cost of home:	$102,000
Contribution from down payment assistance organization	- $5,000
Mortgage amount	- $97,000
***Funds Needed to Close Loan**	**= $0.00**

*Note that while it's possible to buy a home without a down payment by using 100% financing, seller contributions and/or down payment assistance programs, you will still need to pay for some things. Your first year of homeowner's insurance is a typical out of pocket expense. Your lender may require you to deposit some funds into an escrow account to pay for taxes and/or homeowner's insurance. A good faith estimate from a lender will clearly detail all costs and the total amount needed.

This is where a Real Estate Agent comes in really handy. They can help you structure your offer to meet the requirements of the organization that will help you get your free down payment. The Real Estate Agent will typically provide a purchase agreement or offer to purchase, but be sure to read everything very thoroughly as these vary greatly from company to company.

Don't let the commission of a Professional Real Estate Agent discourage you from using one. Their fees are typically paid by the person selling the house. Who is responsible for paying the Real Estate Agents commission will be spelled out the purchase agreement.

Down Payment Assistance Web Sites

These are the actual sites that help people get the money to purchase homes.

The Nehemiah Program:

http://www.nehemiahprogram.org

From their web site:

What is The Nehemiah Program®?
The Nehemiah Program® is a program that provides gift funds for down payment and closing costs to qualified homebuyers using an eligible loan program, such as FHA. Gift funds of 1% to 6% of the final contract sale price can be received, depending on the particular needs of the homebuyer.

What is a "Nehemiah Participating Property?"
Any residential property can be purchased using The Nehemiah Program® as long as the seller agrees to the Nehemiah participation requirements. Both new and existing homes can be purchased using this program. In exchange for helping the seller find a qualified homebuyer, the seller agrees to makes a contribution to Nehemiah of 1-6% of the final contract sales price, plus pay a service fee of no more than 1% of the final contract sales price.

There are NO asset or geographical restrictions and the program is not restricted to only first-time homebuyers. The Nehemiah Program does require that the homebuyer who receives the gift monies is the primary occupant of the property.

Take notes here: ____

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The Ameridream Charity:

http://www.ameridream.org

From their website:

Through down payment assistance and community redevelopment programs, AmeriDream, Inc. expands affordable housing opportunities to **all** low and moderate income individuals and families (not only first time home buyers) who wish to achieve homeownership. Additionally, as a non-profit organization, AmeriDream works to promote the value of homeownership as a strong foundation that supports lasting communities and individual prosperity.

To participate in AmeriDream's Down payment Gift Program, a home buyer must contact a lender and qualify for a loan that allows gift funds, and the home buyer must purchase a home from a builder or seller who has enrolled his or her home in the program.

The home buyer should submit through his or her lender, a gift program application to AmeriDream at least 24 hours prior to settlement/closing. The funds will be wired to the settlement/closing agent on the day of settlement/closing.

Builders and sellers have the option of enrolling their homes in AmeriDream's Gold, Silver, or Bronze Program. The Gold Program gives home buyers a five percent gift of the home's purchase price - Silver three percent and Bronze two percent.

Upon settlement, builders/sellers pay a service fee to AmeriDream based on the program in which they participate.

Take notes here: ____

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National Home Foundation:

http://www.nationalhomefoundation.org

From their site:

National Home Foundation, Inc. is a non-profit public service charity providing "home down payment" gifts to home buyers in need of the down payment to purchase a home. Our gift down payment funds come from a pre-existing pool of money raised by National Home Foundation.

Many people dream of owning a home but lack the necessary funds for a down payment, but National Home Foundation breaks this barrier to homeownership by providing the down payment. The down payment that National Home Foundation provides does not have to be paid back; it is a gift.

Our mission is to make homeownership possible.

Take notes here: ______________________________________

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Equity Grants:

http://www.equitygrants.com/

From their site:

There are two requirements for buyers; you must be approved for a loan that allows gift funds and you must purchase your home from a builder/seller who has enrolled his or her home in the EquityGrants Down-Payment Gift Fund program.

Your real estate agent has the forms you need and will assist you in getting them filled out and submitted. After you are approved for the loan and sign the contract for the purchase of an enrolled home, your lender requests the funds. The EquityGrants Fund then sends the money for your down payment to the closing company.

Owning a home means equity. It means you are creating wealth. It means that you can put your kids through school, invest in your future and provide for your retirement.

Many people dream of owning a home but are unable to make a down payment. The EquityGrants Down Payment Gift Fund provides you this essential requirement of home buying. EquityGrants gives the down payment to the prospective home buyer – up to 5 percent of the purchase price for government loans, 10 percent or more for conventional loans– without expectation of repayment.

EquityGrants is a division of World Mission.

World Mission is a non-profit public charity based in West Michigan. EquityGrants' primary objective is to help low to moderate income families purchase their home. Secondly, we aim to generate funds for World Mission projects.

EquityGrants meets the guidelines for the HUD Handbook 4155.1 Rev 4, Section 2-10 for FHA insured loans.

EquityGrants has a pre-existing pool of money which it uses to make the down payment gifts.

EquityGrants is funded by contributors who enroll their home in the program. The contribution equals the down payment grant plus an additional amount to fund World Mission projects. This conforms with the guidelines of most lenders, including the Federal Housing Administration, which allows buyers to accept gifts from nonprofit organizations.

Why would sellers participate in the EquityGrants program?

Sellers' participation can make a house more marketable. Sellers or builders who participate, can advertise that their houses are available for no money down. This may be particularly advantageous for homeowners who need to sell quickly. EquityGrants is designed to give more people the opportunity to own a home, thus creating a larger pool of homeowners.

A very easy process

There are two requirements for buyers: you must be approved for a loan that allows gift funds, and the builder/seller must agree to the EquityGrants down payment gift fund requirements. Your real estate agent has the forms you need and will assist you in getting them filled out and submitted. After you are approved for the loan and sign the contract for the purchase of an enrolled home, your lender requests the funds. The EquityGrants Fund then sends the money for your down payment to the closing company.

A very flexible program

Most importantly, there are no income limitations. You may purchase a single family home priced at up to $275,000 and a multi-unit property priced at up to $424,000.

Take notes here: ______________________________________

____

____

____

New Song Down Payment Assistant Program

http://www.buyers-assistance.com/

From their web site:

We're a non-profit organization dedicated to increasing opportunities for individuals across the nation to enjoy the benefits and stability that homeownership offers. Our mission is quite simple. We believe that anyone who dreams of owning their own home deserves a chance of homeownership. The Down Payment Assistance Program can help!

Whether you're a first time home buyer or simply starting over, we're there to help. Down Payment Assistance is used by thousands of home buyers every month. It is fast, easy to use and flexible enough to be compatible with most types of loans offered by lenders. Down Payment Assistance helps more people own more homes in America.

Take notes here: ____

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Step Two
Finding the Right Lender

Finding the RIGHT Lender for your home purchase is going to be just as important as finding the RIGHT property. Imagine finding the perfect home that you would love to own but not being able to get the financing. The best way to stop this from happening is to start trying to find the best lender you can early in the process.

Banks vs. Mortgage Companies

A basic difference between going to a bank and going to a Mortgage Banker is in the product offerings.

Banks typically have a narrower product range and lean towards lending only to borrowers with a very good credit history. Keep in mind that banks often fall under some scrutiny from the government; if they are not meeting certain guidelines for lending in specific areas, a bank may introduce special lending programs at below market rates and/or very lenient lending criteria provided you ether live in a specific area or are moving into a specific area.

A bank, for various reasons, may not do very much lending in a specific area. They report all their lending activity to government agencies. Banks may come out with very competitive lending products that are below current market conditions, to meet requirements of lending fairly and equally in all areas of a community. These offers will typically be targeted to urban areas.

It's worth investigating banks in your area for programs like these because of their very low interest rates.

Here are some specific questions to ask when you contact the banks:

- Do you offer any community lending products?
- Are there any specific locations that you offer special financing in?
- Have you ever worked with a down payment assistance company?
- Do you have specific lending programs for no down payment loans?

If, after asking the above questions, you are not receiving answers you are comfortable with, it's time to move on to the next on your list.

Mortgage Companies often deal with numerous banks or other "wholesale" lenders. Mortgage Companies purchase wholesale and then sell at retail. They have to be competitive in the market though or there won't be any business.

The sales staff or loan officers can be different too. At mortgage banking companies, a loan officer is typically a commissioned sales person. Their next paycheck depends on taking loan applications and getting loans to closure. Compare that with a bank where you may be dealing with a salaried person who gets a steady paycheck whether you get the loan or not. Who would you rather have tracking and working on your loan?

In recent decades, the mortgage banker has evolved as a major force in mortgage lending. Mortgage bankers differ from traditional banks in many ways. First and foremost is that mortgage companies generally have relationships with many larger lending institutions.

This is of particular benefit to the homebuyer as your mortgage representative can "shop" your particular loan to several sources to obtain the best term and rate for you. The selected source then pays a fee to the mortgage banker for acquiring your loan.

This "shopping" of your mortgage loan is a free service to you. Your loan is likely to have other associated costs for you, but this particular aspect of the loan process will not. This is of great benefit in ensuring that you get the most suitable loan program to suit your needs. Often, traditional banks will simply try to fit you into one of their handful of programs.

A mortgage banker can be likened to a travel agent. A travel agent works with different airlines and can sometimes sell to a consumer at a lower price than if the consumer were to go directly to the airline company. This is due to the high volume of business that the travel agent does with the airline company. A mortgage banker or mortgage broker works the same way.

Typically, a mortgage banker or broker works with several “investors”. These investors can be actual banks or private investors seeking to fund real estate transactions. You can go directly to a bank but a mortgage banker or broker can often get you the exact same financing at a lower price.

Another great perk of working with a mortgage banker is that they traditionally offer a much wider array of types of financing. They typically offer conventional, government and non-traditional financing. These will be discussed in greater detail in the "Loan Types" section.

Try asking if your friends or relatives can suggest an experienced mortgage professional. If you do get a referral, make sure the mortgage professional you contact knows how you found out about them. In the back of their mind they want to do a good job not just for you but also for the person that was kind enough to give you their name.

I believe that mortgage companies beat banks hands down, every day of the week. However that’s my opinion. You need to make the decision yourself. But

I would suggest that choosing someone to handle your financing is like choosing a doctor.

Choose someone who:

- You are comfortable with
- Actually cares about you and what you would like to accomplish
- Listens to you
- Is willing to take the time to educate you

After you interview a few lenders and find one that is knowledgeable and wants to work with you, apply for a pre-approval loan. This way, the lender can get everything in order for you by the time you find your home. It's common for a lender to ask for a small fee to cover the cost of a credit report etc. This shouldn't be more then $60.00 and is usually negotiable.

After you have applied, ask your loan officer to provide your credit score information to you. Then check with the credit score guide in the bonus section at the end of this book. Knowing your credit score will show you where you fall in the credit spectrum. The higher the score, the easier it will be to get your home loan. If your score is low, that doesn't mean that you can't get the mortgage … but it will be harder.

On the next page is a lender interview form. You can print out a few copies of the form and complete it as you speak to each lender while you are trying to find one that you are comfortable with.

You can also download this form from:
http://www.nomoneydownbook.com/gifts/

Lender Interview Form

Complete the form below while you have a potential lender on the phone.

Lender Name:	
Phone Number:	
Location(s):	
Loan Officer's Name:	
Are you familiar with down payment assistance programs? If yes - what programs are you familiar with or can suggest?	
Are you aware of any State sponsored bond programs that are available? - If yes, please explain what is available and what makes it better then a non-sponsored program.	
Do you offer a Pre-Approval service?	
Is there a charge for a pre-approval?	
How long does a pre-approval take?	
Would you mind providing my credit scores to me? * (see note below)	

* Only ask one lender to get your credit scores because every time your credit is checked there is a potential for your credit score to go down. See the credit score

information pages in the bonus section at the end of this book.

Mortgage Payment Chart

(Instructions on next page)

Interest Rate %	15 Year Term Monthly Payment	30 Year Term Monthly Payment
5.500%	8.18	5.68
5.625%	8.24	5.76
5.750%	8.31	5.84
5.875%	8.37	5.92
6.000%	8.44	6.00
6.125%	8.51	6.08
6.250%	8.58	6.16
6.375%	8.64	6.24
6.500%	8.72	6.33
6.625%	8.78	6.40
6.750%	8.85	6.49
6.875%	8.92	6.57
7.000%	8.99	6.65
7.125%	9.06	6.74
7.250%	9.13	6.82
7.375%	9.20	6.91
7.500%	9.27	6.99
7.625%	9.34	7.08
7.750%	9.41	7.16
7.875%	9.48	7.25
8.000%	9.56	7.34
8.125%	9.63	7.42

8.250%	9.70	7.51
8.375%	9.77	7.60
8.500%	9.85	7.69

To use the chart on the previous page - find an interest rate to start with. Multiply the factor by the thousands in your mortgage amount under your preference of 15 or 30 years.

Example:

7.000% interest rate
$120,000 mortgage amount

6.65 x 120 = $798.00 per month (not including taxes, property insurance, etc)

Additional Mortgage Resources

Mortgage101

Provides a glossary of mortgage terms and various calculators.

http://www.mortgage101.com

MBAA – Interest Rate Charts

Check this resource to gauge what a good mortgage rate is. Be sure to notice what percentage points are being indicated as they affect rates greatly.

http://www.mbaa.org/marketdata/rates.html

Other sources to check mortgage rates:

http://www.bankratemonitor.com

https://www.mortgageexpo.com

http://www.hsh.com

http://www.hsh.com/today.html

Visit the BONUS area at the end of this book for detailed credit score information.

Step Three
Finding a Real Estate Agent

You may be of the opinion that you don't need a Real Estate agent and that using one will add to the cost of buying your new home.

The fact is that a real estate agent's fees are typically paid by the SELLER of the home. So, as a buyer, you can get the services of a professional real estate agent without having to directly pay for it. Please confirm this in any paperwork or contracts that a real estate agent may provide because policies vary greatly by state and company. Be sure to ask about fees when you interview agents.

Most real estate agents may work with buyers and sellers but often they specialize in working with one or the other. Make sure the agent that you choose has experience working with buyers and with no down payment transactions.

Be careful if you are speaking with a real estate agent and they don't seem to recognize terms like "Down Payment Assistance Program".

Start making a list of possible real estate agents to interview with referrals from your lender, friends and family.

A referral from the Lender is great because you get the services from people that have worked together in the past and are already familiar with each other's systems. This can help prevent any last minute surprises or obstacles.

Start contacting the realtors on your list and go over the questions on the next page.

The realtor that you decide to work with can assist you to find just the right property for you.

Take notes on this form while you are interviewing real estate agents.

To download this individual form so you can print off a few copies, visit: http://www.nomoneydownbook.com/gifts

Real Estate Agent Interview Form

Real Estate Company Name	
Phone	
Location	
Real Estate Agent:	
Please explain your fees.	
Are you familiar with any no down payment financing programs? Have you been involved with no down payment buyers in the past?	
Would you mind providing sample contracts so I may review them? Does it clearly state in the contract who will be paying your fees?	
How long have you been a Real Estate Agent?	
Do you mostly work with Buyers or Sellers?	
I'm looking for a home in the areas of _______. How familiar are you with those areas?	
What specific steps would you take to help me find the home I	

am looking for?	

Try to get an idea of these factors while you are speaking with the agent.

- Does this person have good negotiating skills?
- Do you feel this agent is trying to understand your situation so that they can properly represent you to sellers?
- How much knowledge does the agent have about mortgage markets?

Step Four
Finding the Right Property

If you use the services of a Real Estate agent, they will be a great help in locating suitable properties that are for sale in the areas that you would like to live in. A real estate agent has access to the nationwide multiple listing service where most every property that is listed for sale with any real estate agent is available via a searchable database. Your agent will be able to perform a search that matches the areas you are looking to buy in and narrow it down to the properties that are in your price range.

The real estate agent won't be your only source though. The Internet can be a great tool to find homes too. Realtor.com offers the largest online consumer-oriented database of homes available. You can visit their site and do your own search if you don't want to wait for an agent to compile a list.

Visit the communities that you would like to live in. Drive around to find "For Sale By Owner" properties. Sometimes this is the only way to find properties that are not listed by a Real Estate Agent.

A "For Sale By Owner" is already saving the expense of a professional Real Estate Agent so it's common for these homes to be priced lower than comparable homes that are listed with an agent.

As you look at properties, try to get an idea if the seller is flexible on their asking price. Why are they selling? Have they purchased another home?

Indications that a seller is flexible:

- The home is vacant
- They own another property and are making two house payments
- They are moving to another city due to job/family
- They are downsizing to save money

Sites to find Real Estate and learn more about it:

Realtor.com
http://www.realtor.com

Yahoo Real Estate
http://realestate.yahoo.com

The Nehemiah Program - Nehemiah (one of the down payment assistant organizations) has their own listing services where sellers can list their properties and you can search for a home.

http://www.nehemiahprogram.org/NLS/index.asp

Inspecting a Home

Inspecting the Home before Purchase

A critical step before you purchase the home is to thoroughly inspect it for defects or items that may need repair. REMEMBER: You can get a potential home inspected by a professional home inspector at reasonable cost. Try using the guide below to narrow down your search of properties. Consider having the property inspected by a professional when you settle on one and actually make an offer.

> If you do find defects in the home or other items of concern this will be a great negotiation tool for you when you present an offer.
>
> For example you could present an offer and request that the seller is responsible to have specific things fixed before closing. The Lender you work with will have the Appraiser return to the property before closing to make sure your requests are fulfilled. Just be sure to get it in writing in the purchase agreement.
>
> If the seller doesn't have the up front money to get something fixed you can then make a lower offer on the property.

Inspecting the home – things you can check yourself:

Building structure – Take a look at the lines of the home from a good distance away. Are any of them not straight? Does any part of the home lean to one side? How does the roof look; are there peaks or valleys where it should be straight?

Additional Resources for checking the building structure:

http://www.ianr.unl.edu/pubs/housing/heg189.htm

http://www.usinspect.com/Structure/StructFootings2.asp

Check on the house's water control. Are the downspouts and gutters in good condition and properly affixed to the house? Does each downspout route properly to a drain or, at least, sufficiently direct water away from the foundations of the home. If not, you will want to have these areas inspected.

Improper water control can cause damage to a home quickly and be very costly to have repaired.

Additional Resources for inspecting the building water control systems:

http://www.usinspect.com/SurfaceWater/SWaterGutterandDownspouts.asp

http://www.boston-digital.com/MP_Library/RG.htm

The roof - How many layers of roofing does the home have? It is best if there is only one because you can add another layer without having to remove the original layer. This will save a lot of money if you need to have the roof replaced. Ask the owners how old the roof is and if there is a warranty that came with it. Properly applied roofs can last 30 years and sometimes come with a warranty of that length.

Additional resources for inspecting the building's roof:

http://www.sandiegoroofing.com/sdr-howto.htm

http://www.kolias.com/homegarden/roof.htm

Electrical System – Are there GFI (Ground Fault Interrupter) outlets installed in any areas that are close to water? If you are planning on using FHA financing these will have to be changed.

Will you need to add electrical outlets to provide adequate coverage of electrical service throughout the home? What's the total electrical service provided to the home? This is usually indicated in the main breaker box of the home. Look for at least a 100 amp service. With our dependency on electricity today, 100 amps is needed. Older homes were actually built with 25 or 50 total amp service.

Additional Resources for inspecting the home's electrical system:

http://www.usinspect.com/Electrical/Electrical.asp

Here's a great resource to learn all about GFI outlets and why they are important in a home:

http://hyperphysics.phy-astr.gsu.edu/hbase/electric/gfi.html

The Plumbing System - Check the water pipes and sewer lines for rusting or leaking. Be sure to turn on faucets to test water pressure and volume. Look for clogged or sluggish drains or dripping faucets. Pay special attention to joints and unions, where corrosion is most likely to occur. If pipes are galvanized or steel, and the house is old, check carefully along the entire length of the pipe.

Additional resources for inspecting the homes plumbing system:

http://www.usinspect.com/plumbing/Plumbing.asp

Heating and Cooling – (HVAC) How old is the furnace? Has it been serviced recently? Heating and cooling companies will usually place stickers on the furnace or air conditioner when they service it. Be sure to have the furnace and air conditioner run (weather permitting). Listen to how it sounds. If it sounds weak or seems to be struggling, be sure to have it checked out. Furnaces are expensive and you can use this to your advantage when negotiating.

Additional resources for inspecting the home's heating system:

http://www.realtyinspectionservices.com/src/cooling.asp

Home Evaluation Form - use this form while you are looking at properties. After you look at more than a few, they may start to blur together. Writing down important details will help you evaluate the home versus others you have seen. You are actually starting a database of information about properties in your area. Even if you are not interested in a property, complete the form so you can use it as a comparison when you look at other homes.

To download this individual form so you can print off a few copies visit: http://www.nomoneydownbook.com/gifts

Home Evaluation Form

Property Address:	
Asking Price:	
Is the seller motivated?	
Number of Bedrooms/Bathrooms	
Square Footage	
Are any appliances included?	
Kitchen - condition, everything working?	
Family Room/Living Room notes.	
Basement - is it dry? Is the space livable or just for utility purposes?	
Laundry Room - if you have appliances, will they work in this home?	
Attic/Other storage notes	
Garage - is there enough room? - Condition?	
Driveway condition?	
Overall Interior Condition notes	
Overall Exterior Condition notes	

Step Five
Making an Offer to Purchase

Great! You have worked with a lender to get pre-approved for a mortgage and have familiarized yourself with how the down payment assistance programs work. Your real estate agent has found just the right home for you and you are just about ready to make an offer. This is pretty exciting stuff!

Call Your Lawyer/Attorney

REMEMBER: An offer to purchase is a legally binding contract and you can be held to the terms in the contract. Be sure you are pursuing a property you are truly interested in. You may end up living there for years and it's best to find the right property up front.

Now that you have decided to purchase a home, your real estate agent can help you in preparing an offer to purchase. This can make it super easy for you. However, please consider having an attorney, at least to evaluate the contract, if not draft one up for you.

Double Check with Your Lender

Just before you finalize an offer, you might want to check with your lender:

- Have rates gone up?
- Have rates gone down?

That will have an effect on your monthly mortgage payment.

Consider what the TOTAL house payment will be. Include:

- Principal and interest
- Real estate Taxes
- Homeowner's insurance
- Association fees
- Maintenance fees

Items to Consider

Deposits

Earnest money deposit (hand money) - The exact term for this varies across the country. It's an amount of money you agree to deposit with the real estate company or *escrow company upon acceptance of your offer to purchase.

What's Included With the Home?

When you looked at the home, you noticed very nice appliances. The owner stated they "come with the house". Better get that in writing - in the purchase agreement.

If there's something in the house that you really like you can always have it noted in the purchase agreement that it's included with the house.

Inspection Contingency

If you are going to get the property inspected, then an Inspection Contingency can be added to the purchase agreement. This means that you can cancel the purchase if the home inspector finds out that the property has some defects that you didn't know about. Or the seller could offer to fix concerns that come up in the home inspection.

FHA mortgages have a "built in" home inspection that's done with the appraisal. Don't assume that this is enough. They perform an inspection that looks for basic things like the roof, driveway, electrical systems, etc. If you hire a separate home inspector they will do a much more through inspection and then provide you with a complete report.

* An escrow company acts as an unbiased third party in the transaction. They collect funds from parties in the transaction and then distribute it according to the purchase agreement. Typically there is a charge for this (closing cost).

Down Payment Assistance

If you are using a down payment assistance organization, that will also have to be very clearly spelled out in the purchase agreement. This is a very important point - make sure it gets covered or you might not be able to get the down payment assistance or loan approval.

The exact wording needed varies with the different down payment assistance programs. Having a loan officer and real estate agent that are familiar with this will help a great deal. I can't stress this enough! -- This would be a good time to visit the down payment organization's web site and double-check their paper work.

EquityGrants.com has a sample purchase agreement you can download here:

http://www.equitygrants.com/Pages/download.asp

Time Frame Specific

The dates of key points will be included in the contract. These key points may include:

- Loan Approval
- Deposit date (when all money needs to be in escrow)
- Closing Date
- Possession Date (move in)

Purchase Price

The amount you are offering the seller is, of course, a very important factor in the structure of your offer. Remember when you completed those forms about every house you looked at? Time to pull them out and make comparisons to the house you are considering buying.

If you ask the seller to pay some of the costs in the transaction or participate with a down payment assistance program, this eats into the amount they will get. I'm not a huge fan of coming in with ridiculously low offers; sellers know that they won't get 100% of what they are asking but you don't have to go crazy.
Ask your agent for suggestions on what to offer. They can give you data on recent sales in the area. Be sure to only compare similar properties to the one you are buying though. And make adjustment for square footage/bedrooms, etc.

When your offer is presented

If you are working with a real estate agent, they will present your offer to the sellers or give your offer to the agent that the sellers are working with. The answer can come back right away or may not arrive until days later. A seller has two choices when they are presented with an offer; they can accept it or present a counter offer. If they draft a counter offer, then you as the buyer have the same options; accept the offer from the seller or make another counter offer. Hopefully, you will meet at some point.

If you have any specific questions that are not answered here, please visit http://www.NoMoneyDownBook.com/gifts where you may get your specific questions answered.

Step Six
Finalizing the Loan Application and Gift Funds

After your offer on the property is accepted, your Lender is going to need a properly executed copy of the sales contract. The sales contract has all the details about who is paying for what and the expected closing date.

If you chose to get pre-approved, you may need to formally apply again for your mortgage. Your loan officer may be able to just mail or email you the paperwork for this.

Your lender may ask for an application fee with your application to cover the cost of a credit report and the property appraisal. Ask if it's for more than that. If so question why.

There may be some property specific paperwork that the down payment assistance organization require. Check with your lender to confirm that all forms are completed and meet the requirements of the down payment assistance organization. You can also visit the web site of the down payment organization that you are working with to download forms that are needed.

What Happens After You Apply

Homeowner's Insurance

Before your lender will allow the home to be transferred into your name, you will need to provide proof of insurance. This is typically a paid receipt for the first year of insurance. Even if your insurance is going to be included in your house payment, you still need to get the first year's coverage in advance.

Home Appraisal

A certified appraiser will visit the home and will give the home an appraised value based upon historical data of sales near the subject property. Appraisals have a tendency to come in at the sales price or just slightly above. If you are looking at a $150,000 house and it appraises at $145,000 there's a problem and it's time to renegotiate.

As a buyer, you are entitled to a copy of the home appraisal. It's always nice to see all the details of your home spelled out and compared to other properties in your area.

Title Search

A title search will need be performed before the closing of your home loan. Typically, this is initiated by your lender to protect their interests (it will also help you). The title search is done by a professional title agent or an attorney. They perform research to find any liens that exist against the property as well as researching old liens to make sure they were cleared correctly. Upon completion, they will issue title insurance which protects against liens that for some reason they didn't find. That doesn't happen very much.

There are different levels of title insurance. A lender may only require enough insurance to cover the mortgage amount while some will require enough to cover the full sales price of the property.

Items like title searches and insurance can vary greatly by state. Check with your real estate agent or lender on who will be doing the search and the associated costs.

A title search and insurance can be fairly expensive but it's often an item that can be paid by the seller if you structure your "Offer to Purchase" to reflect that.

Property Survey

A property survey will also be performed while you are waiting for your loan to close. This survey will show the boundaries of your land and where the house lies on the land. This is something that a lender will require; they want to make sure that a part of the home isn't built on your neighbor's property. That's an extreme example but think about it! You can understand why a lender insists on the survey.

A survey that's performed for the purchase of a home usually isn't quite the same as if you hired a surveyor to do a "stake survey". With a stake survey they will actually come out and drive stakes into the ground to mark the boundaries of your property. Sometimes this is done so you can accurately install a fence or build on your property.

A residential location survey is more general. They are primarily looking for existing conditions that affect the home's value.

Don't be overly concerned if items come up during the appraisal, title search, or property survey. It's common for *something* to come up. Just make sure it's addressed to your satisfaction. If the appraiser finds out that the roof leaks, the seller may agree to get it fixed at their expense. Make sure this is all in writing.

Step Seven
Loan Closing

All the items in the previous section will need to be completed before your loan can close. If you have made it this far, and all everything is going according to plan, you will be in your new home before you know it.

Your actual loan closing can take place with your attorney, loan officer, a title company representative or escrow officer. Everyone may be there including the seller of the property. If everyone is there, they actually collect and disperse the funds right there. You may be asked to bring any funds needed to close the transaction in the form a cashier's or bank check. (The amount can be minimal if you are using the down payment assistance programs in this manual)

Avoiding Last Minute Problems

You're here; it's fourth and goal. Something can go wrong. Here's some things you can do to avoid problems.

- Be sure the homeowner's insurance has sufficient coverage to meet your lender's requirements.
- Make sure you have your homeowner's insurance in place and that your lender has a copy of receipt that shows you paid.
- Bring any final funds needed for closing in the form of a bank check or cashier's check.
- Stay in contact with your lender and real estate agent - ask about the final loan approval, appraisal, title work, survey, etc as the loan progresses.
- Triple check your down payment assistance paper work and make sure it's completed to the requirements of the organization that you are working with (your lender and real estate agent will help but it doesn't hurt to have another set of eyes reading and checking things).

After you have signed all your paperwork (most likely a small mountain of it) the seller gets their money and you get the keys to your new home!

Congratulations!
- You are now a proud home owner!

Conclusion

Real estate investment has long been one of the best vehicles by which to build wealth. It often takes far less capital on the part of the homeowner or investor to secure the property. Do your research to ensure that the property you are purchasing will suit your needs and is good value.

When buying investment property, the situation in which you purchase is as important as the property itself. This is purely a business decision about cash flow. Will this property provide you with the monthly cash flow you desire, taking into consideration things like initial cash investment to purchase, rentability and maintenance of the property?

Don't forget when you are calculating that cash flow, to consider the many factors that affect it; property maintenance, upgrades and taxes. An older property is going to require far more attention than a newer one. A property located further from your home will demand far more of your schedule for that attention and the commute time there and back. Be realistic and allow for the unexpected when analyzing a potential purchase.

The decision to purchase real estate is a large one. However, homeownership is an institution that generations of Americans have enjoyed and benefited from. Consult your mortgage professional today in order to get yourself on the road to homeownership.

To begin your homeownership journey I suggest you visit some of the organizations that are there to help you get a down payment for free. See the list of them in the free money section.

Then find a good loan officer that you like and trust. Make sure they are familiar with the organization you would like to use. They might even have one that they are experienced with. If the loan officer isn't familiar with this type of financing you may consider finding another loan officer.

When you are comfortable with a loan officer and your ability to get finance, seek out a realtor that is also experienced with these types of transactions.

Then begin the fun process of finding your home and you will be a home owner before you know it.

Be sure to read the bonus sections that will help to smooth the way to your home purchase.

Remember, you get access to the special “member’s only” area where you can ask questions, find lenders and real estate agents that specialize in no down payment purchases and more by visiting:

http://www.NoMoneyDownBook.com/gifts

To your new home,

George Chapin
http://www.NoMoneyDownBook.com

BONUS INFORMATION

Locating Discounted Properties

There are many sources from which to buy real estate at below market prices. Many of these sources are governmental agencies. The properties have either been foreclosed upon or seized by a government agency.

These houses will often need some repair. Occasionally they'll need nothing or perhaps just cosmetic attention to be livable or saleable. Additionally, these agencies may offer programs that provide you loans or grants to repair and upgrade the dwelling. Many municipalities make funds available at below market interest rates for rehabilitation of properties within their city limits.

This is a list of websites where you can access properties.

Owned by various governmental agencies:

Dept. of Housing and Urban Development (HUD)
http://www.hud.gov/offices/hsg/sfh/reo/homes.cfm

Veterans Administration
http://www.homeloans.va.gov/homes.htm

Federal Deposit Insurance Corporation (FDIC)
http://www2.fdic.gov/drrore

General Services Administration
http://propertydisposal.gsa.gov/property/propforsale

Internal Revenue Service
http://www.treas.gov/auctions/irs/real1.html

Small Business Administration
http://app1.sba.gov/pfsales/dspsearch.html

US Army Corps of Engineers
http://www.sas.usace.army.mil/hapinv/haphomes.htm

US Customs
http://www.treas.gov/auctions/customs/realprop.html

US Marshals Office
http://www.usdoj.gov/marshals/assets/nsl.html

Department of Agriculture
http://www.rurdev.usda.gov

Other sites to find Real Estate and learn more:

Realtor.com
http://www.realtor.com

Yahoo Real Estate
http://realestate.yahoo.com

The Real Estate Library
http://www.relibrary.com/main_page.asp

Fannie Mae
http://www.fanniemae.com/homes/howtofmhome.html

Freddie Mac
http://www.homesteps.com

Sheriff's sales

Another viable source for obtaining houses at significant savings are Sheriff's sales. This sale of a property is conducted by the Sheriff's office for the county in which the dwelling is located where the owner has fallen behind on their mortgage payments and their lender has foreclosed.

A sale has been ordered by the courts in order to satisfy the debt owed to the bank. A second cause of action for sale by the sheriff is if the homeowner has become delinquent on the real estate taxes owed for the property. The county itself will facilitate the action for sale in order to clear up the tax arrears.

Often the properties at a sheriff's sale must bring enough money to cover the lien or liens against the property. This means that some homes will sell at a very reasonable price while others will need to bring near to their actual market value. Of course your objective is to obtain the property at as lucrative a price as possible. These sales are generally held on a weekly or bi-weekly basis. The addresses for the properties coming up for sale will usually be printed in the local newspaper a couple of weeks before the actual sale date. You may also obtain a list of property addresses and other sale information by inquiring at the sheriff's office located in the county you are interested in.

You can arm yourself with a little information ahead of time by visiting the county recorder's office and doing a little homework. Mortgages and liens are public record. By learning this information ahead of time you can determine if a property will need to sell at a close to market value price or not, to cover the liens against it. If a bid to cover the monies owed on the property is not obtained at the sale, it will usually be bought by the holder of the lien on the home. The bank has a representative present at the sale to ensure that their interests are protected. If the bank actually ends up buying the home due to lack of a high enough bid they will generally dispose of the dwelling themselves at a later date. This process will be explained later in this section.

Credit Score – What is it and what does it mean to you?

Your Credit Score is simply your entire past credit history boiled down to one number that ranges from about 500 to 850. And it doesn't work like golf. You want a high credit score.

When you begin contacting Lenders, find one that will get your credit scores for you. Knowing your credit scores gives you the ability to know how desirable of a borrower you are.

The chart on the next page details Credit Scores more clearly:

Credit Score Chart

Credit Score Range	Type of Borrower
500-559	- Serious delinquencies – numerous late payments, judgments, auto repossession. Bankruptcy. - The only place you can buy a car is at a “Buy-Here-Pay-Here” car lot. Fingerhut offers you credit.
560-619	- New to using credit or late payments in the past. Or a very small number of recent late payments. - Financing a car is possible but getting unsecured credit cards may be difficult. - Be prepared to pay higher rates for credit.
620-674 Most people fall in this range.	- This is where good credit starts. A younger person with just a couple of credit cards will typically fall in this area. - As you approach the top of this range it shows someone who has been managing credit for a longer time and uses it wisely. - It’s easy to finance a car. - You get pre-approved gold cards in the mail.
675-699	- Very good use of credit. - You get pre-approved Platinum cards in the mail. - You can walk into a car dealer and drive away in a Brand New Cadillac with just your signature.
700-719	- Excellent credit. Most likely never 30 days late on anything.
720-850 A Member of the credit elite	- Perfect or Near Perfect credit for numerous years. - Every company in the world wants to loan you money because they know you will pay it back – you are virtually zero risk.

Credit agencies and the companies that determine Credit Scores do not disclose the way that they do it because they realize that, if people knew the formula, they might be able to manipulate their score and obtain credit they weren't really eligible for.

A consumer's credit score is of the utmost importance in obtaining any kind of financing but especially the type of loan needed in order to buy real estate in this day and age.

There are three major credit repositories in the United States. These agencies gather data reported to them by various creditors and lending institutions that you may deal with. Each repository keeps a separate credit file and score on each individual with a credit history. These three agencies are:

Trans Union

http://www.transunion.com

Equifax

http://www.equifax.com

Experian

http://www.experian.com

These repositories, commonly called credit bureaus, track and maintain each individual's score based on information reported to them by a person's creditors.

All three bureaus use the same basic scoring system, however, scores can vary as not all of your creditors may report to all three bureaus. Credit scores generally range from the low-to-mid 400's and up to the mid 800's, the higher the better. There are numerous items that go into developing a person's score.

Of course the most heavily weighted is whether or not you have payment delinquencies. Other items that can affect one's score are number of open accounts, credit inquiries, available credit lines, judgments or collections and much more.

This is why it is of particular importance to have an idea of what your credit status actually is before attempting to buy a home. A mortgage professional can screen your credit for you and perhaps even help you improve it to obtain the type of financing best suited to you and your needs.

Credit scores are not always accurate as data may be incorrectly reported to the repository or someone else's information may appear on your credit file. This is especially prone to happen when a person shares a name with a parent or child (i.e. junior or senior) or a common name such as Smith or Jones.

There are specific procedures in place so that the consumer may dispute erroneous or false information in their credit file. This option is assured to you by the Fair Credit Reporting Act of 1970.

If you have been denied credit, insurance or a job in the last 60 days because of information in your credit file, you are entitled to a free credit report from the repositories supplying the information. If, upon receipt of your report, you dispute any information contained in it, you can request in writing an investigation of the accuracy of that information by that credit bureau.

An investigation by the credit repository will entail their contacting the creditor whose entry is in question and asking them to verify the accuracy of the entry within 30 days. If the creditor cannot do that or doesn't respond in the allotted time period, then that information will be amended or removed entirely.

If it is determined that the credit information reported is accurate and you still disagree, you can post a consumer statement regarding this issue on your report. This will allow creditors viewing your file in the future to be aware of your claims regarding the matter. Remember, each of the three major credit repositories maintains a separate record of you and you may have to deal with all of them simultaneously during the dispute process.

Of course, all of this begs the question. "What if my score is low and the information on my report appears to be accurate?" Well, this is probably going to be a longer process for you. As they say, time heals everything. The more time that you can get between the present day and past derogatory credit helps and generally impacts on your score.

However, there are things that you may be able to do that will have more immediate results. First and foremost, close down those old dormant accounts that you don't use. They are more than likely dragging down your credit score and increasing your exposure to fraud. That's one more account number or credit card to fall into the wrong hands if you lose your wallet or purse or are burglarized. Bear in mind that you must of course destroy the credit card, checks etc to ensure that an account is totally closed. You also need to contact the creditor and notify them of your intentions to close the account. It is also a very good idea to ask that creditor to send you a written confirmation once the account is shut down.

Another way to manage your credit score for the better is to avoid applying for credit needlessly. Too many inquiries to your credit file by potential credit providers in too short a span of time will drive your score down. It also may be perceived as a red flag by someone screening your credit for something that you really want like an auto loan.

There are rumored to be dozens of items regarding one's credit that go into the formula that the credit repositories use in order to score an individuals credit file. However, exactly what all of these factors are seems to be a bit of a mystery outside of that industry. They do include things such as how much credit you have available relative to your income, how long you have had that credit, how you use that credit and, of course, whether or not you pay things on time as agreed.

It's a good idea to monitor your credit file at least annually. You can accomplish this by contacting one of the three major credit repositories mentioned earlier to obtain a copy of your file with them. This may entail your incurring a small fee but it's certainly worth it. You may also need to contact each of the three bureaus because your report and score can differ significantly from one repository to the next, although they are reported to share data with one another. And updated data may not travel from one repository to the next overnight. You want to ensure that your credit file looks as good as possible when being considered for credit. Low credit scores may not mean that you'll be denied for credit altogether but a less desirable loan term and/or rate may be the result.

This web site offers an extensive amount of detail about credit scores;

http://www.myfico.com

Other Low and No Down Payment Programs

There are literally hundreds of loan programs available in the marketplace today. Some of these programs are actually "no money down" programs. A few of the most popular will be covered in this section.

VA loans

VA Quick Tips

- Possible Zero Down Payment
- Very Competitive Interest Rates
- No Mortgage Insurance
- Rates are not directly based on credit history
- Assumable

The first type of loan that involves no down payment whatsoever is a VA loan. However, this type of loan is only available to those who have served in the military in some capacity and meet the government's service requirements for eligibility.

This loan type was created in order to help and reward those who have served in the military during peacetime and wartime. The federal government actually guarantees a portion of the loan to the lender against the buyer's default. With this type of loan the veteran is not required to put any money down on the property and the purchaser's closing costs (discussed later) can be a gift from a family member or even paid by the seller.

A seller's motivation to pay these costs for the borrower will be covered in the section "What are closing costs?"

A VA loan is a great way to buy for someone who is eligible and has not been able to amass the down payment that most other loans require. The interest rate is generally very competitive. An added advantage is that the mortgage insurance that would normally be required where the down payment is less than fifteen percent (or twenty percent) is not required.

If you feel that you qualify for a VA loan you must first have a military discharge form know as form DD214. If you've been in the military you are probably quite familiar with this particular piece of paper. This form will most likely qualify you for a "certificate of eligibility" which indicates that you are eligible for a VA loan. The certificate of eligibility is what a lender will require of you to prove you are entitled to be considered for this type of loan.

If you do not have one or both of these types of forms you should contact or visit your local Veteran's Administration office for more information. You can find out office locations by visiting the Veterans Administration website given elsewhere in this publication.. Be sure to take a couple of forms of identification including a photo I.D. You may even be able to get the documentation that you need during that visit to the V.A.office.

FHA Mortgage Loans

FHA Mortgage Quick Facts

Minimum down payment of 3% but it can be in the form of a gift or from one of the free money web sites covered in the next section.

• A 41% total debt-to-income ratio is usually the maximum allowable.

• Requires an appraisal, which is rather strict, to be done by an FHA approved appraiser.

• Assumable

• Both Adjustable and Fixed type loans available

This is a loan that is insured by the Federal Housing Administration or FHA. It is a very mainstream way to buy a home that has been utilized by millions throughout its existence. The down payment requirements are very low and, like a VA loan, the closing costs can be gifted by a relative and/or paid by the seller in a transaction. Credit standards are also more liberal than traditional mortgage credit standards.

Although an FHA loan is more forgiving on credit rating and debt, the loan is generally very competitive as far as interest rate is concerned. However, one possible down-side is that most FHA loans carry two types of mortgage insurance. Not only will you be paying this insurance on a monthly basis but there is often an up front premium due as well. It is currently 1.5% of your mortgage amount.

This can be paid in cash at closing but is almost always rolled into the loan itself. Unlike the monthly mortgage insurance premiums, the up front premium may be refundable on a pro-rated basis within the first five years of the loan if the property is sold or refinanced. The bulk of this refund however, is used up in the first couple of years of the mortgage where the loan is most at risk of default and the extra protection to the lender is needed. Discuss this possible refund with your mortgage professional.

All things considered, an FHA mortgage is a very good way for the buyer with limited funds or credit blemishes to buy. Yes, there is a little more mortgage insurance involved but it is an easy pill to swallow if this is your only means of obtaining home ownership. Tens of thousands, if not hundreds of thousands, of these mortgages are made each year.

Conventional loans

There are many conventional loan programs in the marketplace today that require very little or no cash from the borrower. Some will allow you to purchase with no down payment and even allow you to roll your closing costs into the loan. Whether or not you may qualify for this type of loan is largely dependent on your credit score.

Because these types of loans represent the largest amount of risk to a lending institution, your credit must be quite clean. Because of the complexity of these types or programs, you should contact a mortgage professional to see if a "no money down" program would be best for you and your situation.

There is usually a trade-off required to obtain something such as a no money down loan. The rate is probably going to be higher. This may be more desirable than, say, pulling money you may have tied up elsewhere such as stocks, especially if your portfolio is currently on the low end and you're waiting for the market to rebound. You should contact a mortgage professional about your situation.

Seller Financing

This type of financing is often referred to as a "land contract" or "purchase money mortgage":

- In a land contract situation the seller remains in the title to the property.
- A purchase money mortgage involves the buyer taking title while the seller basically is in the position of a lending institution.

Land contracts are much more prevalent so this type of financing will be the focus of this section.

There are several reasons why a person might seek seller financing when purchasing a property, but these two are the most common:

- The purchaser lacks a good enough credit history to obtain bank financing or
- They wouldn't qualify because of the amount of monthly debt that they have relative to their income.

It is generally the most motivated sellers who are receptive to the idea of carrying credit for a potential buyer. Perhaps they have had trouble marketing the property or they are simply trying to avoid tax ramifications associated with selling the property at the present time.

A land contract will typically include a balloon payment provision. This simply means that the purchaser must obtain other financing and satisfy the debt with the seller after a specific period of time. The loan “balloons” at that point in time and is due and payable in its entirety. This time period is usually designed to be long enough for the purchaser to improve their credit, pay down some debt, or increase their income in order to qualify for a bank loan.

Many loans require a specific waiting period after a bankruptcy filing. A land contract can be a very useful tool in this situation; it allows you to occupy and perhaps gain equity in the home earlier than would have been possible otherwise.

It would be prudent to seek legal advice if you’re thinking of entering into this type of agreement whether you’re the buyer or seller. The land contract must be drawn to define specific terms and conditions such as purchase price, ownership of any equity gained, and the date when the loan will need to be refinanced and the seller paid in full.

Occasionally land contracts may contain a provision that any payments made to the seller may be forfeited and treated more like a rent if a purchaser cannot perform or qualify for financing at the specified point in time.

Other Sources for a Down Payment

As shown earlier in this section, you don't need a large down payment to purchase real estate, or maybe no down payment at all. However, with most types of loans you may be seeking, any money that you are planning to put toward a purchase can't just suddenly appear in your bank account. Money that can't be documented is often referred to as "mattress money" because people claim to have saved this money at home in some secure place like under a mattress.

Things are quite different today than they were fifteen or twenty years ago; the source of down payment monies is scrutinized as much, if not more, than the amount of cash down payment. The reasons for this are many but the most common is to ensure that the purchaser has not actually borrowed the funds and entered into more debt. This would probably mean an increase in a person's monthly debt load, thereby possibly disqualifying them for the very house they're buying. There are certain conditions under which one can borrow funds for down payment that will be discussed later in this section. Another reason, albeit a far less encountered problem, is that people do actually try to launder money through the purchase of real estate. This may be illegal drug money etc.

Needless to say, many lending institutions look for a paper trail that documents the down payment funds. This paper trail may include past bank statements, deposit slips, or sales receipts and/or appraisals of items sold in order to raise funds. The amount of documentation required varies widely and is largely dependent on the type of loan being sought.

A person generally can only borrow funds for a down payment when they are borrowing from an acceptable secured source such as equity in an automobile or boat. If you owe very little or own outright a car or boat, you can borrow against that equity in that item, but the loan agreement will probably have to have that monthly debt included.

Another avenue to obtain funds for purchase is to borrow against other assets such as retirement funds, stocks or bonds. This also may include the liquidation of these assets. Again, the only time borrowed down payment funds are usually acceptable is when you're borrowing against your own equity in something and that monthly payment is usually required to be included in the qualification process.

No income and no asset loan programs

These are the proverbial "no questions asked programs". This is not to say that there will be no conditions to be met in qualifying for these types of loans but these conditions will usually be far less involved and the loan process itself simplified.

These types of loans are ideal for salespeople and self-employed individuals. Often, these folks don't make enough money on paper to qualify because all of their business expenses and/or deductions must be backed out of the qualifying equation. Or a person may simply have had an off sales year or incurred an extraordinary amount of business expenses during a specific time period so that the current account is not an accurate reflection of a person's true earning capabilities.

Most loans that require less documentation or reduced down payments usually involve a less desirable interest rate or terms, or additional costs. But that is the lesser of two evils for many as you are able to get in on the wonderful experience and benefits of homeownership sooner that you would otherwise. As is the case with other loans discussed in this section, the conditions and parameters vary widely and should be discussed with a mortgage professional.

Do You Need A Real Estate Agent to Sell Your Home?

There are many people selling or buying homes that feel they are capable of handling the sale or purchase of real estate. However, they need to make sure that they are not doing themselves a disservice in the long run.

Real estate agents handle real estate transactions day in and day out. They are educated, familiar with your area's real estate rules and regulations and typically receive continuing education on a regular basis.

Many transactions go quite smoothly while others require close supervision. Additionally, the added exposure an agent can give a home often results in a higher sale price for the property because more buyers are aware of the property and the basic laws of supply and demand take it from there. These additional dollars obtained may make up for part, or all, of the sales commission you're trying to save in the first place, with a lot less stress and aggravation to you.

Also, direct contact with a potential buyer can weaken your bargaining position. You need to be aggressive enough to close the sale but you don't want to appear desperate. The buffer zone that a real estate agent provides does wonders to help the sale process. They are your representative. They are generally bound by a code of ethics to conduct themselves in such a fashion that your best interests are protected and promoted. Consider this when weighing the pros and cons of going it on your own. You may cost yourself more in dollars and inconvenience than the amount you expect to save.

Additional Resources:

Home Gain – helps you anonymously screen prospective Real Estate Agents.

http://www.homegain.com

Realtor.com – Contains a huge database of properties for sale and tools to find Real Estate Agents and Lenders.

http://www.realtor.com

Advanced Real Estate Topics

Investment properties

Real estate has long been and is still regarded as one of the soundest investments we can make. Of course, research must be done beforehand to ensure that you're buying the right type of property in the right location.

Investment properties fall into a couple of different categories. The first to be discussed are rental properties. These can range from condominiums and single family homes all the way up to apartment buildings containing many units. If you're just beginning in the world of landlording, you probably want to concentrate on a one or two family dwelling. These properties generally require a much smaller initial investment, lower operating expenses and are easier to obtain financing for.

Let's take a closer look at the types of residential properties available to the investor.

Screening prospective tenants

The most noteworthy item to mention about screening renters is to remember that you need to treat everyone equally during the consideration process.

You cannot discriminate in any way as it relates to the federally protected classes of people. These include, but may not be limited to, discrimination on the basis of race, color, religion, sex, handicap, familial status or national origin.

Some municipalities have enacted additional protection for other classes or groups of people and you should check with your city administration in order to determine if there are other regulations that you should be aware of.

Many factors may be taken into consideration when screening possible tenants. You may gauge a person's willingness and ability to pay by looking at such things as credit history, past rental history, employment history and their income to debt ratio in order to determine if they can afford the unit for which they are applying.

Let's talk about these criteria in a little more detail.

Credit history

Not everyone will have the ability to obtain a credit report on prospective renters. However, the applicant may obtain a copy of their own credit file by contacting one of the three major credit repositories. They are Trans Union, Experian and Equifax and they were discussed earlier in section III.

Another option is to join a local landlord organization. Many areas have such groups or clubs that meet weekly or monthly to discuss common issues among them. Many of these organizations offer services to landlords such as credit checks on applicants, rental forms, tenant screening, legal advice and eviction services, if needed.

Bear in mind that membership dues are usually associated with belonging to such an organization and that some services may require additional fees to you. You can contact your local community development office, city hall or yellow pages to see if such a group exists in your area.

Past rental history

Comments and/or input by past landlords of the applicant can be helpful in determining if they are a good risk. But beware that a past homeowner may often be happy that your prospective tenant has moved on and may not want to comment on or be truthful about their experiences with the tenant. Most rental applications have an area for the applicant to list past addresses and the property owners of those places of residence.

Personal references

Nearly any application for credit requests the names, addresses and phone numbers of two to three personal references of the applicant. These references may be friends or relatives. Obviously, it is best to obtain information on professional references such as current or past employers as they are likely to be more forthcoming with information.

Whatever type of references you obtain, you should check them diligently. You are being asked to extend credit to someone you probably don't know and also entrust them with the occupancy and care of your investment. Make a concerted effort not to be influenced by emotion when considering applicants. This is a business decision and nothing else.

Income to debt ratio

This is actually quite simple. Can the applicant afford your property along with all of their other expenses? Their total rent should not exceed approximately 28-30% of their monthly gross income. These numbers can be adjusted slightly depending on whether or not they will be paying their own utilities or if the utility charges are included in the monthly rental payment. You may be able to take the percentage a little higher if they are not responsible for their own utilities. However, bear in mind that it is usually more advantageous to you to have the tenant responsible for their own utilities. Many people will not practice conservation if they know they are not responsible for the bill. This could dramatically cut into your cash flow and turn what looked like a good decision into one that you'll regret.

Whatever your decision and method of tenant screening, keep in mind that it takes a lot longer and can be costly to evict a tenant. It is much better in the long run to take your time initially and make a proper business decision that will suit you and your new tenant for a long time to come.

A final consideration when screening potential tenants, and also to ensure your maximum protection within the confines of the law, is the issue of security deposits. First, be sure to get them. A security deposit is one of your only lines of defense against a tenant who moves in the middle of the night, leaving your property in a state of damage or disrepair with you holding the bag. Get (at least) the first month's rent and an additional month security deposit up front. Many property owners are now requiring first and last month's rent along with a one month security deposit.

You will also want to get additional dollars from the tenant if you have agreed that pets will be allowed in your building. If so, it will be up to you to determine just how much additional deposit monies will be necessary. Of course a parakeet isn't going to be near the risk to you that a renter with a German shepherd would be. Also, be sure if you do allow pets to spell out the limitations and type of pets very clearly in your lease. For example: dogs up to twenty pounds. This way you're not winding up with a St. Bernard or pot belly pig in your one bedroom efficiency.

Sample Debt to Income Calculation:

Applicants Total Monthly Housing Expense. Only include direct expense like Rent/Mortgage, Taxes, Insurance, and Ownership Dues if any	$1000
Applicants Total Monthly Bills – i.e. credit cards, auto loans, alimony, child support, etc. Don't include items like utilities, cable, and phone.	$340
Total Monthly Liabilities	$1340
Applicants Total Income Per Month (use gross income – before taxes)	$2400

For the example above, take the total housing expense of $1000 and divide by the applicant's total income.

1000/2400 = 41%

In this example 41% of this applicant's income would be going just to housing.

Then factor in the applicant's total liabilities.

1340/2400 = 55%

This applicant has ratios of "41 and 55". This is higher then I would suggest for your own financing or if you are evaluating someone as a renter.

Typically banks look for borrowers closer to 28/36 and the more lenient FHA financing guidelines suggest a maximum of 29/41. Compensating factors for permitting higher debt to income ratios include:

- Having a large amount of assets/investments
- Income from spouse
- Non-taxed income like social security

Single Family Houses

These dwellings are usually designed for and provide housing for one family.

Traditional houses and condominiums or townhouses may be included in this category. This type of property is where a lot of first time landlords will begin, and there are many reasons.

The first reason that a single family may be a good point to start is simply that this type of property is the most plentiful and the type that we are most familiar with.

A bank may want prior rental experience if you are trying to purchase an investment property and intend using its anticipated rental income in order to qualify for the financing. If financing for your investment property cannot be obtained, then you may want to buy the home as a home you'll occupy. If you live there for at least twelve months you will probably fulfill your requirements as an owner occupant and then be free to rent the home if you choose.
It should be easier from that point forward to obtain your income property financing as you can then demonstrate rental cash flow and may be able to leverage the equity in the first rental unit to produce monies to purchase the next.

Condominiums and Townhouses

These types of properties can be lucrative for the investor as they generally require no exterior maintenance from you, the investor. Most condominium complexes have an association that is responsible for upkeep of the exterior of the building, grounds and other costs such as snow removal. These expenses are funded by the dues paid by the condominium owners to the association.

This maintenance fee can range from less than a hundred dollars to many hundreds of dollars per month and therefore must be factored into any assessment of whether or not a condominium or townhouse unit is a good investment for rental returns.

Also, many condominium associations prohibit units from being used for rental purposes. Therefore, it is imperative that you obtain and thoroughly review the associations' declarations and bylaws before purchasing to determine if you are prohibited from leasing your unit or if any other restrictive provisions exist.

Multi-family properties

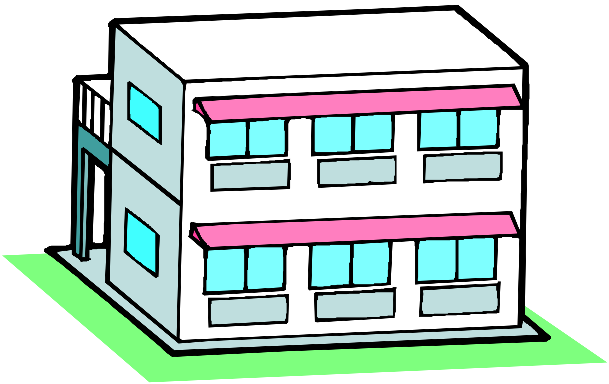
The term multi-family is most often given to houses that were designed or have been renovated to house from two to four families. They are for the more experienced landlord as they generally have more maintenance and expense concerns.

However, the more units there are under one roof, the more profitable a property may be. And when you encounter a vacancy you are not out 100% of your revenue.

When you are considering the purchase of a multi-family property, you should first verify that it is a legal two, three or four family property. You can research this by checking with the municipality in which it is located. Many older homes have long been converted to house more families than originally intended or they may be located in areas not zoned properly for this type of usage.

This is not to say that a dwelling cannot be legally and permanently converted to house more units than it was originally constructed for, but simply advice to do the proper research before making your purchase.

Apartment buildings



Apartment buildings are another animal entirely. They are usually treated as commercial and require a very different type of financing. They are not for the beginner but are for the experienced person with resources to handle the maintenance, rental and legal situations that may be encountered by an apartment building owner. Therefore, this type of property will not be discussed in further detail.

Rehabilitate "REHAB" Properties

Another good way to create cash flow from real estate is to purchase and rehabilitate properties. These houses can either be purchased direct from the owner or perhaps as foreclosures as discussed earlier in section IV. These may include properties simply in need of a cosmetic makeover or those that require more significant attention such as structural repairs.

In any event, you should make careful consideration before you buy that the monies required to make the property more saleable will still leave you with a profit that is worth the effort. Be sure to take into consideration your costs for materials, hired labor and possible unknowns. Also, the structure may not be to city and or county standards and you should research this beforehand in order to determine if there are any building code violations or back taxes owed.

Also bear in mind that certain tax ramifications may come in to play depending on how soon you sell the property, when you sell the property etc. Consult a tax advisor before embarking on this type of venture.

Financial and tax advantages of owning real estate

This section is NOT a substitution for tax advice.
See your tax advisor as your specific situation may differ

As discussed earlier, real estate is regarded as one of the best investments one can make. Homes in most areas of the country appreciate steadily on an annual basis. A person can often get a better return on the real estate they own than they would in mutual funds or the stock market. Real estate is typically thought of as a safe place in which to put your money.

Of course, there's always the exceptions to the rule. You may, on occasion, see real estate that is not realizing much growth in value or perhaps declining in value. Do your homework, but remember this type of situation is far less common.

Tax savings is also a major area where one can benefit from owning a piece of real estate. More often than not a person will be able to deduct the interest paid on a home loan on their income tax, thereby reducing their overall tax liability.

If the real estate is an investment property, you may be able to deduct other expenses such as improvements and maintenance. Tax laws do vary from time to time and from state to state. Therefore, if tax advantages are a primary objective, you should contact an accountant or financial planner to determine that you will receive the benefits you're looking for.

Debt consolidation

It's all about cash flow. Put the equity (in the property you own) to work for you. Millions of people struggle every day in order to simply meet minimum payments on credit cards and loans. Meanwhile, they have thousands of dollars in equity in their home. Why not tap this resource and make life easier for yourself?

With many credit card and auto loan interest rates reaching heights of 21 to 24 percent you can't gain any ground on the debt by simply paying the required minimum monthly payments. You may be better off to borrow against your equity in your home and liquidate these debts. With mortgage rates typically less than half of credit cards rates, you can reduce your card debt significantly or even pay off these debts.

You may increase your cash flow by hundreds of dollars per month. You might even want to apply this monthly savings direct to the principal of your mortgage and pay it down even faster. All of this is beside the fact that your mortgage interest is probably tax deductible.

Also, a by-product of reducing your overall debt load is that you may qualify to buy additional real estate due to your reduced monthly debt load.

There may be additional benefits to a debt consolidation and you should consult your mortgage professional to discuss your specific situation.