

“Home Buying Today in North Texas!”

by Beth Johnson

REALTOR[®], Keller Williams Realty Dallas Preston Rd.

LEED Accredited Professional
EcoBroker Certified™
Certified Green Professional
NAR GREEN

Beth Johnson:

“Connecting and respecting
the buyer, seller, builder, community, Earth”

- 12 years' experience, full-time agent
- Metroplex native, decades of experience living/working here
- Handles residential real estate, lots, acreage throughout North Texas
- 29 yrs. as professional with environmental advocacy organizations
- First green-credentialed “Quadruple Crown” Realtor: LEED AP, EcoBroker Certified, Certified Green Professional, NAR GREEN

Today's Agenda:

1. Renting vs. owning: pros, cons, financial consequences
2. Timeline and steps: start to finish
3. Home prices, income to qualify, closing costs, down-payment assistance
4. Loans
5. Finding the home that's right for YOU
6. Outcompeting other buyers
7. Q and A

Bonus Activity!

- Open houses hosted by Beth
- Chance to practice evaluating:
 - Neighborhood
 - Architecture
 - Floorplan
 - Condition

1. Renting vs. Owning

BENEFITS OF RENTING	BENEFITS OF OWNING
Flexibility	Freedom
Less responsibility	Ability to control operating costs
	Possible income tax savings
Financial ease/simplicity	Greater certainty, predictability of shelter costs
Investment flexibility	Reduced shelter costs after mortgage pay-off
	Monthly net worth gain thru mortgage pay-down
	Appreciation of home value
	Tax-free capital gains
Possible lock-and-leave security	Pride of ownership, civic engagement

YR	RENTING -- 3BR home	
	Savings in bank:	16,700
1	\$1800/mo. X 12:	(21,600)
	Interest on \$16,700 @ 1.6%:	267
2	\$1872/mo. X 12:	(22,464)
	Interest on \$16,967:	271
3	\$1947/mo. X 12:	(23,363)
	Interest on \$17,239:	276
4	\$2025/mo. X 12:	(24,297)
	Interest on \$17,514:	280
5	\$2106/mo. X 12:	(25,269)
	Interest on \$17,795:	285

YR	RENTING -- 3BR home	OWNING -- \$250K home
	Savings in bank: 16,700	Down pmt investment: (12,500)
		Closing costs: (4,200)
1	\$1800/mo. X 12: (21,600)	\$1800/mo. "PITI" X 12: (21,600)
	Interest on \$16,700 @ 1.6%: 267	Loan pay-down: 4,183
		Appreciation 3% on \$250K: 7,500
2	\$1872/mo. X 12: (22,464)	\$1800/mo. X 12: (21,600)
	Interest on \$16,967: 271	Loan pay-down: 4,353
		Appreciation on \$257,500 7,725
3	\$1947/mo. X 12: (23,363)	\$1800/mo. X 12: (21,600)
	Interest on \$17,239: 276	Loan pay-down: 4,530
		Appreciation on \$265,225 7,957
4	\$2025/mo. X 12: (24,297)	\$1800/mo. X 12: (21,600)
	Interest on \$17,514: 280	Loan pay-down: 4,715
		Appreciation on \$273,182 8,195
5	\$2106/mo. X 12: (25,269)	\$1800/mo. X 12: (21,600)
	Interest on \$17,795: 285	Loan pay-down: 4,907
		Appreciation on \$281,377 8,441

Summary: 5-Year Consequences

RENTING		OWNING	
Savings balance:	18,079	5-yr. appreciation:	39,819
Income tax on interest:	(206)	5-yr. loan pay-down:	+22,687
		Equity gain:	= 62,506
		Down pmt investment:	+12,500
		Total net equity:	= 75,006
		Market value of home:	289,819
		Loan balance:	(214,813)
		Total net equity:	= 75,006
		Closing costs to sell:	(19,927)
After-tax savings balance:	\$ 17,873	Net after closing:	\$ 55,079
Net gain on \$16,700:	1,173	Net gain on \$16,700:	38,379
5-yr. Return on Investment:	7.02%	5-yr. Return on Investment:	229.81%
You grew your LANDLORD'S net worth.		You grew <u>YOUR</u> net worth.	

Cumulative Equity Growth from Loan Pay-Down Alone, with No Appreciation:

# Yrs.	Cum. Equity
0	12,500
5	35,187
10	62,888
15	96,711
20	138,008
25	188,432
30	250,000

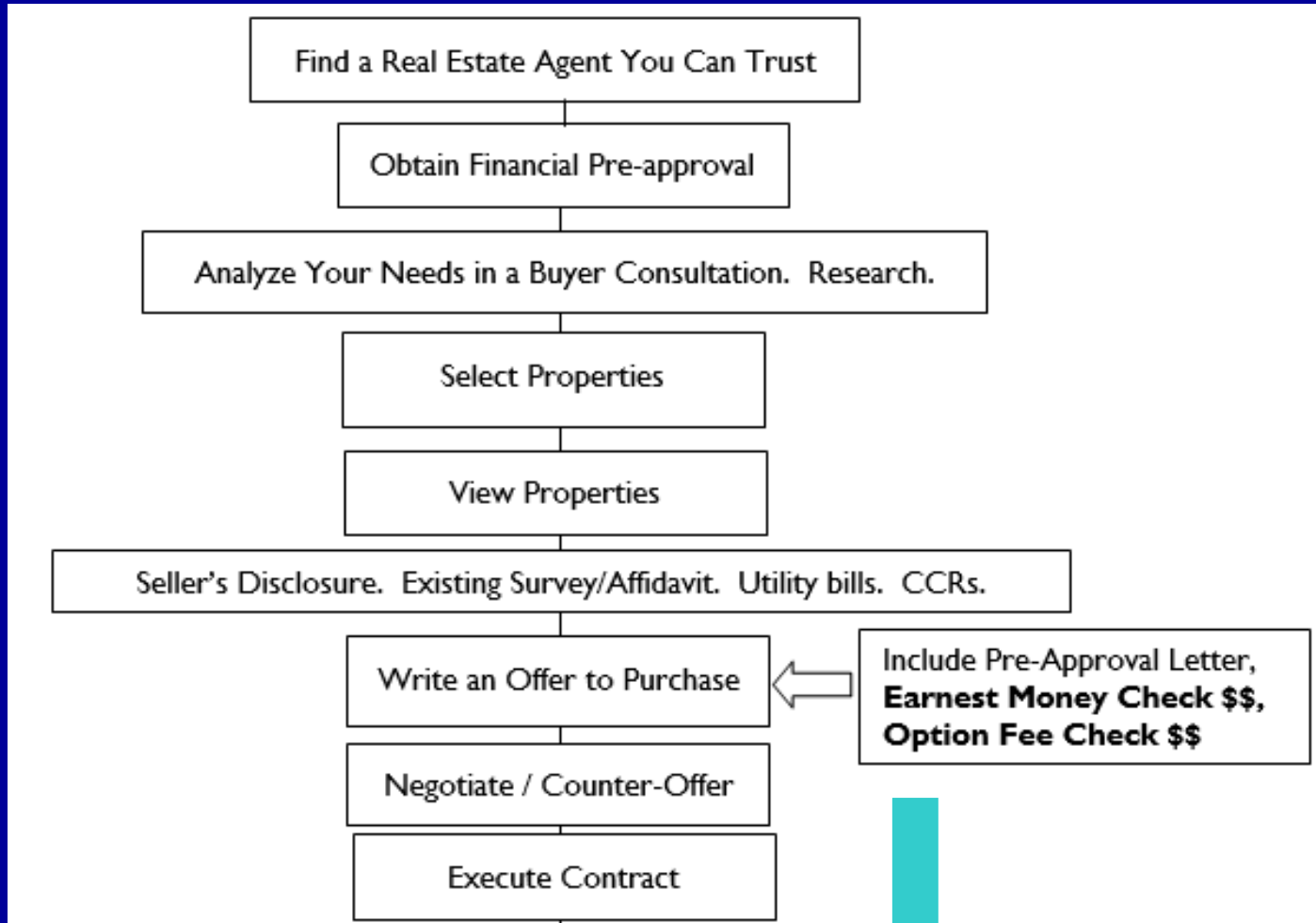
Cumulative Equity Growth from 3% Appreciation Alone:

# Yrs.	Cum. Equity
0	12,500
5	39,819
10	85,979
15	139,492
20	201,528
25	273,444
30	356,816

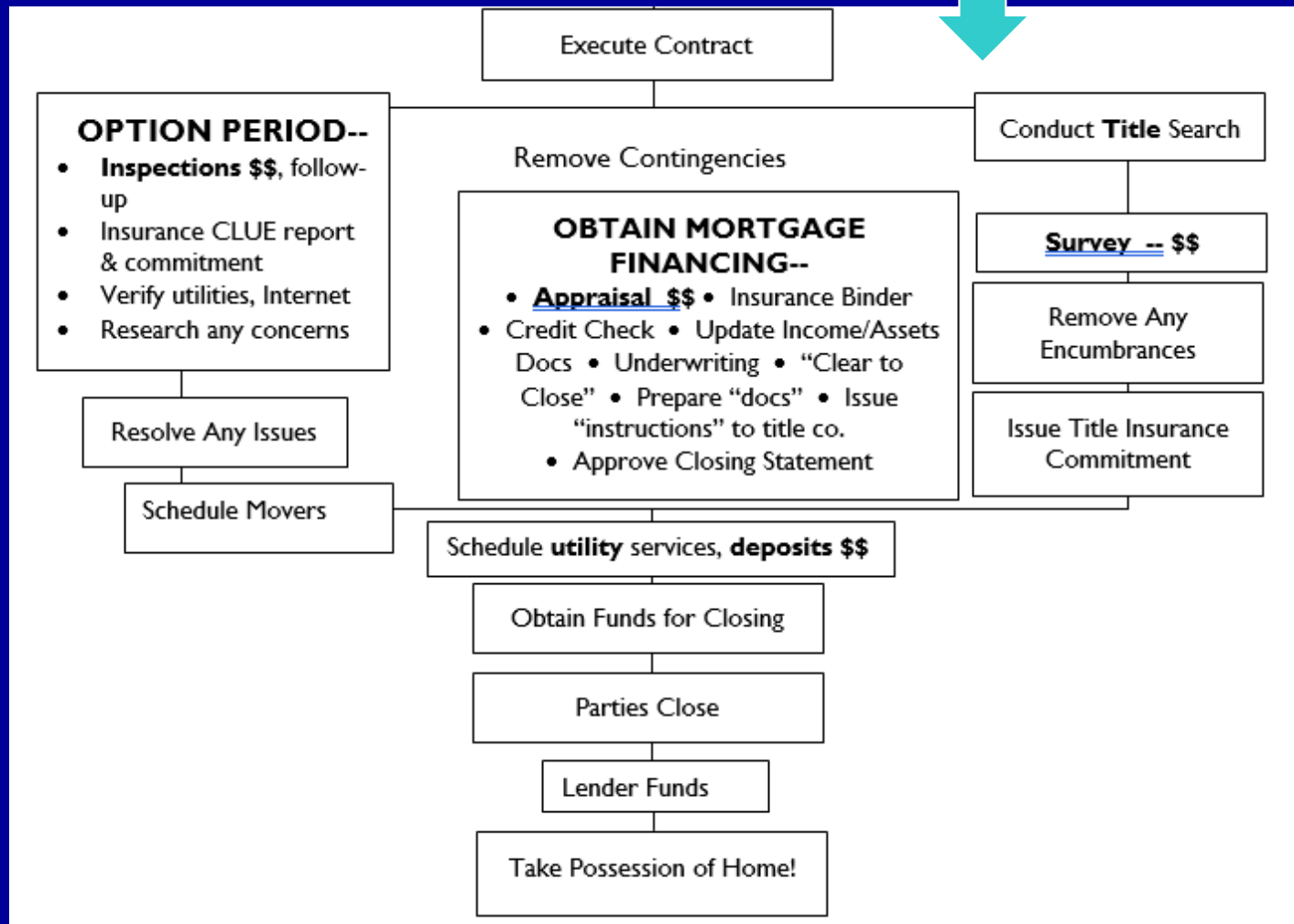
Cumulative Equity Growth from Loan Pay-Down & Appreciation:

# Yrs.	Home Value	Loan Balance	Cum. Equity
0	250,000	237,500	12,500
5	289,819	214,813	75,006
10	335,979	187,112	148,867
15	389,492	153,289	236,203
20	451,528	111,992	339,536
25	523,444	61,568	461,876
30	606,816	0	606,816

2. Timeline and Steps



(timeline continued)



The **One Thing** you can't start an effective home search without:

- **Lender Pre-Approval Letter** stating:
 - Sale Price
 - Loan Amount
 - Interest Rate, Term
 - % Down-payment (Loan-to-Value Ratio)
 - HAS reviewed loan app, credit report & score
 - HAS reviewed written documentation for income, closing cash, debts, assets
- Supports financing approval addendum

3. Prices, Income, Closing Costs, Down-Payment Assistance

Prices:

Property Type	Median Sales Price	Average D.O.M
Single-Family	\$256,000	36
Condo/Townhome	\$220,000	40

--Dallas Morning News, 7-11-17

Income to Qualify:

S c e n a r i o	Home Price	Down Pmt.	Loan Amt.	Mo. "PI" Loan Principal + Interest	Mo. "TI" (Taxes, Home Ins., Mort. Ins.)	Total Mo. Housing Debt (PITI)	Other Mo. Debt Pmts.	Gross Mo. HH Income to Qualify	Gross Annual HH Income to Qualify
A	250,000	12,500	237,500	1,134	773	1,907	0	4,238	50,850
B	Same	Same	Same	Same	Same	Same	500	5,349	64,184
C	Same	25,000	225,000	1,074	767	1,841	Same	5,202	62,428
D	186,500	12,500	174,000	831	576	1,406	Same	4,235	50,822
E	195,000	25,000	170,000	812	596	1,407	Same	4,238	50,855
F	300,000	15,000	285,000	1,361	928	2,289	Same	6,196	74,354
G	400,000	20,000	380,000	1,814	1,237	3,051	750	8,447	101,360

Your Funds from Offer to Closing:

(estimated illustration)

- **At Offer: \$3,000**
 - Earnest Money -- \$2,500 (applies toward purchase)
 - Option Fee -- \$500 (usually applies toward purchase)
- **Option Period: \$625**
 - Inspection -- \$450
 - Wood Destroying Insect -- \$175
 - [Specialists, repair estimates]
- **After Firm Decision to Purchase: \$875**
 - Survey – [\$400]
 - Appraisal -- \$475

- **At Closing: \$16,775**

- Loan Origination Fee -- \$2,375 (1% of loan value)
- Other Lender-Related Fees -- \$1,500
- Title-Related Fees -- \$1,000
- Subtract \$3,000 earnest & option fees paid upfront
- Down Payment -- \$12,500 (5% down)
- Prepaid taxes & insurance (if < 20% down)
 - \$800/mo. X 3 = \$2,400

- **Potential Additional: \$500+**

- Home Warranty -- \$500
- HOA monthly or initial membership fee -- ??

Funds You May Need Before/at Closing:

(\$250K purchase price)

	All-Cash	0% Down	5% Down	20% Down
At Offer:	\$ 3,000	Same	Same	Same
Option Period:	\$ 625	Same	Same	same
Going Forward:	\$ 875	Same	Same	Same
TOTAL BEFORE CLOSING:	\$ 4,500	\$4,500	\$4,500	\$4,500
At Closing:	\$248,000	\$ 4,400	\$16,775	\$51,500
Additional?	?	?	?	?
TOTAL:	\$252,500	\$8,900	\$21,275	\$56,000

Assistance programs for DP and closing costs:

Usually max HH income less than 80% of DFW median family income.

- "My First Texas Home" – state
- "Homeownership Across Texas" -- state
- City of McKinney Down Payment Program
- Dallas Homebuyer Assistance Program
- Dallas County Home Loan Counseling – UPCAP
- Frisco Down Payment Assistance
- Grand Prairie Buying Power Program
- Plano First Time Homebuyer Assistance Program
- SETH 5 Star Texas Advantage Program
- Texas Neighborhood Stabilization Program
- TSAHC – Texas State Affordable Housing Corporation
- Tarrant County Assistance
- Tarrant County Housing Partnership
- The Development Corp. of Tarrant County

4. Loans

- VA – 0% down
- USDA – 0% down
- FHA – 3.5% down
- Conventional – 3%, 5%, 10%, 15%
- Conventional 20%+ -- no Mortgage Ins.

Down Payment Myths **DEBUNKED**

- “You need 10-20% down payment.”
 - **60% of homebuyers finance with \leq 6% DP.**
- “Low DP programs are only for first-time buyers.”
 - **Low DP and/or DP assistance programs are available to many qualified buyers.**
- “It’s difficult to qualify for DP assistance.”
 - **Programs are available -- all income levels, renters or owners, diversity of credit scores.**
- “You can’t use gifts, grants or loans for DP.”
 - **Many lenders allow money to be gifted thru family or grants to pay for some of the DP.**

– SOURCE: National Association of REALTORS®

Special Loan Programs:

- Renovation Loans
- Bond Programs
- City Programs

5. Finding the Home That's Right for YOU

- City, ISD, Neighborhood First

- Cities/areas developed earlier

- Mature trees, no HOA, bigger lots, "closer in", "walkable" services/dining/shopping
- Older/deteriorating housing stock, more maintenance, less energy efficient, may have higher rental %, maybe fewer parks, lax code enforcement
- Structure may be depreciated, costs less
- Land may have appreciated, costs more

(City, ISD, Neighborhood First)

– Cities/areas developed more recently

- On-site ponds, trails, amenity center, pool, newer housing stock, deed restrictions, HOA upkeep
- Newer services/dining/shopping
- Newer housing stock –
 - Likely more durable, less maintenance, modern safety codes, use less energy, maybe higher homeowner %
- Few, small trees
- HOA fees, restrictions
- Services may be vehicle-dependent
- Gated?

(City, ISD, Neighborhood First)

- Transportation to job, other activities
 - Options, time, cost
- Public safety, medical facilities
- Schools, ratings – public, private
- Exercise, dining, shopping
- Socializing, neighbors
- Culture, politics, history
- Governance, infrastructure, taxes
- Architecture of area and homes

General Home Architecture/Features

- Lead paint?
- Cast-iron sewer pipes?
- Pier and beam foundation?
- Antiquated electrical wiring?
- 8' ceilings? More walls? Less daylight?
- Popcorn ceilings?
- 1-story? 2-story?
- Garage
 - Converted to living space (no garage)?
 - # spaces for vehicles
 - Front-, side-, or rear-entry?

General Home Architecture/Features

- # bedrooms – split? Master down?
- # dining areas
- Open concept floorplan? Great room?
- 9' ceilings?
- Windows – more? Larger? Double-pane? Low-E?
- Daylighting, orientation
- Bathrooms -- #, location
- Home office?
- Flooring and finish-out?
- Outdoor living spaces?
- Yard -- Large? Small low-maintenance? HOA-maintained?
- Energy efficiency? Retrofit?

Specific Properties > The Offer

- Use our checklist – no neighborhood is perfect, no home is perfect, does it fit your financial and lifestyle goals?
- Seller's Disclosure document – structure, equipment
- Condition -- cost, time, difficulty of repairs
- Level of updating?
- Move-in ready or “opportunity to customize”?
- Functionality, livability
- Charm
- Comparative Market Analysis to inform your offer price

6. Outcompeting Other Buyers

- Strong pre-approval, with proactive, attentive, expeditious lender
- Experienced, diligent, savvy agent
 - Communicative with listing agent
 - Inspectors and other specialists at the ready
- What does seller care about? Can buyer accommodate?
- Ready, willing, able, diligent, confident, motivated buyer who can be trusted to get to the closing table
- “Clean,” “strong” offer, quickest close, reasonable terms, flexibility
- Competitive price that will appraise
- Funds to bridge gap if appraisal falls short?
- “Big Boy” about condition, repairs
- Letter to seller – why they should choose YOU to buy the house

7. Q and A

Contact info for Beth Johnson:

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