

Special Report

Top Ten Home Buying Myth Busters

“The Truth You Need To Know About Home Buying Today”

By Kenn Renner

Myth #1 - “Real estate is a bad investment.”

Myth Buster #1! – The Truth is: “Buying the right home at the right time is always a good investment.”

***Secret Revealed:** There are only a few places you can store wealth and real estate (including your home) is one of them.*

Myth #2 - “I can’t afford a home.”

Myth Buster #2! – The Truth is: “It can cost you more not to buy a home.”

***Secret Revealed:** Renters make landlords rich because of tax breaks, equity build up and loan principle buy-down. These are all the same reasons why you should consider ownership rather than renting.*

Myth #3 - “I can’t come up with the money to buy a home.”

Myth Buster #3! – The Truth is: “Money to purchase a home can easily be found if you diligently look for it and ask for it.”

***Secret Revealed:** Uncovering sources of funds to purchase a home is like a treasure hunt. The funds are everywhere you just have to find them.*

Myth #4 - “The banks aren’t lending money for homes.”

Myth Buster #4! – The Truth is: “Banks and mortgage companies are ready, willing and able to lend money for homes.”

***Secret Revealed:** Banks and mortgage companies need to lend money – it’s their business. To stay in business they need to lend money to home buyers like you.*

Myth #5 - “I have to have great credit to buy a home.”

Myth Buster #5! – The Truth is: “Homebuyers with marginal credit can still qualify for F.H.A. financing.”

***Secret Revealed:** You can get your score for free and you can raise your score if you know what to do and what not to do.*

Myth #6 - “I don’t need a real estate broker. I don’t trust them anyway.”

Myth Buster #6! – The Truth is: “A trusted, experienced real estate professional is your indispensable counselor and administrator who guides you into your home.”

***Secret Revealed:** Top real estate professionals save you a ton of time, effort and money and can put you in a much better negotiating position than “going it alone”.*

Myth #7 - “I will save by buying directly from the seller/builder because they won’t have to pay a buyer’s agent.”

Myth Buster #7! – The Truth is: “An effective buyer’s agent’s job is to get the buyer the best possible price & terms and their fee is already agreed to and paid for by the seller/builder.”

***Secret Revealed:** A buyer’s agent can get you the best deal on the right home and their services don’t cost you a dime.*

Myth #8 – “Via the internet, I can access all the info I need to make a prudent home buying decision.”

Myth Buster #8! – The Truth is: “The internet is a great source of real estate information but you need an experienced real estate professional if you want wisdom.”

***Secret Revealed:** Top internet real estate websites are run tech-savvy pros but not necessarily the best qualified real estate professionals. The best agents are found by referral.*

Myth #9 – “I can find the lowest rate home loan on the internet.”

Myth Buster #9! – The Truth is: “You should not be shopping for the best interest rates. You should be shopping for the best loan professional.”

***Secret Revealed:** Internet mortgage websites give you information but not the wisdom and service you need. The best lending pros are found by referral.*

Myth #10 – “I am stuck in a lease.”

Myth Buster #10! – The Truth is: “You shouldn’t let a lease keep you from buying the right home for you and your family.”

***Secret Revealed:** You don’t have to let a lease keep you from buying the right home. There are win-win strategies you can use to “tell your landlord goodbye.”*

Top Ten Home Buying Myth Busters

Myth #1 - “Real estate is a bad investment.”

Myth Buster #1! – The Truth is: “Buying the right home at the right time is always a good investment.”

For the past several years, we have been inundated with “bad news” about real estate. Values dropping, foreclosures at all time highs. Doom and gloom. The media thrives on bad news and rarely reports even a silver lining about housing. ***The truth is that buying the right home at the right time is always a good move.*** Savvy investors who are rich (and I would not include most of the media makers in that category) buy low and sell high. The smart investors and home buyers “buy” in a buyer’s market - not a seller’s market. Unfortunately, first time home buyers are most vulnerable to media influence and become fearful at the very time they should be bold and step into the market when others are hesitating. I have witnessed buyer’s markets turn to seller’s markets within a 6 month time frame. Real estate is cyclical and will always be so. The good news is home values historically increase over time. Be

careful not to listen to real estate bashing friends and co-workers. Sometimes even well meaning sincere relatives can give poor advice when it comes to real estate values and where values are headed. You may hear “Don’t you remember uncle John lost his shirt in real estate in the 1980s,” or “Aren’t you fearful of the foreclosure crisis - right now is not a good time to buy?!” Don’t listen to hearsay - get the facts! ***Do what the rich do and buy low!***

Donald Trump was recently interviewed by a pessimistic news media pundit setting up a question to Mr. Trump with a string of bad news statistics about real estate and home values. Donald Trump answered quickly with “***Yes! And the great deals are everywhere!***” Being able to buy low with low cost of money - that is the sound of opportunity ringing.

Secret Revealed: *There are only a few places you can store wealth and real estate (including your home) is one of them.*

Myth #2 - “I can’t afford a home.”

Myth Buster #2! – The Truth is: “It can cost you more not to buy a home.”

Many first time home buyers think that they can’t afford to buy a home. The truth is that in many cases, a first time home buyer can’t afford to continue to rent. In fact, ***a buyer’s market combined with low interest rates combined with government income tax incentives can make purchasing a first home the ideal financial and lifestyle move.*** As the saying goes “you have to live somewhere.” The question is - where are you going to be investing your monthly housing dollars - in your future or your landlord’s retirement? You pay for where you live, so why not invest in your own home rather than some one else’s. With all the great deals in the housing market it is possible to buy a home with a ton of equity (value) already built-in. If you ask any of your parents or older relatives if they were glad they purchased their first home, they would probably say they wish they had purchased it sooner than they did. They would also probably say it was ***one of their best financial moves they ever made.***

Rent payments can go on forever but a home will eventually be paid off. Then you will own the home “free and clear” with no mortgage payment – forever. Furthermore, rent is not tax deductible whereas a home payment is ***almost completely tax deductible off of your income.*** Why not make the IRS pay a portion of your living expenses? When you know the facts, you may realize you can’t afford to keep paying rent.

Secret Revealed: *Renters make landlords rich because of tax breaks, equity build up and loan principle buy-down. These are all the same reasons why you should consider ownership rather than renting.*

Myth #3 – “I can’t come up with the money to buy a home.”

Myth Buster #3! – The Truth is: “Money to purchase a home can easily be

found if you diligently look for it and ask for it.”

Source of funds to purchase a home is a common concern for first timers. Many first timers overestimate the actual amount it will take to purchase a home and underestimate the readily available sources of funds to close. The most popular first time home buyer program is F.H.A. (Federal Housing Administration). F.H.A. is a government insured loan that requires as little as 3.5% of the sales price as down payment. Veterans can obtain a V.A. insured loan that requires a 0% down payment. Other 0 down loans such as U.S.D.A. programs are available in many areas. There are additional closing costs and expenses that are associated with buying a home and sellers are allowed to pay some or all of these expenses. When you make an offer to purchase you will have to negotiate with the seller help cover your costs. ***So a 0-3.5% down payment with the seller or builder paying closing costs can get you into a home.***

Other common sources of funds to close can be government bond money offered by state and local municipalities. Gifts from non-profit agencies and charitable organizations can be used. Gifts from relatives or friends are common. ***You’d be surprised who wants to help you with the purchase of a home if you would just ask.*** Believe it or not, the mortgage lender and even the real estate professional can contribute towards your funds to purchase the home. ***Most employers will allow employees to borrow from their 401k for the purchase of a home.*** I.R.A.s can be tapped into up to a certain amount without penalty. How about the sale of that boat or other personal asset that you have sitting around. One of my clients ***sold a horse*** to come up with the funds to help buy a home. You will be amazed at how many possible sources there are once you start asking and looking. One important point: make sure you document your source of funds very well. Your mortgage professional will require all your funds to be documented with a “paper trail.”

Secret Revealed: *Uncovering sources of funds to purchase a home is like a treasure hunt. The funds are everywhere you just have to find them.*

Myth #4 - “The banks aren’t lending money for homes.”

Myth Buster #4! – The Truth is: “Banks and mortgage companies are ready, willing and able to lend money for homes.”

Media spin doctors continue to report more falsehoods regarding the reality of the mortgage market. The truth is that ***there is no shortage of funds and banks & mortgage companies are eager to lend it out.*** Just think, the money we put in a savings account earning 1%-2% or less can be lent by the banks at 5-6% to home buyers! That is a huge spread. The banks enjoy making money on that spread by lending it out on government backed home loans. Not to mention the loan fees that are generated when funding a home loan. Yes, guidelines have tightened but more back to the guidelines we had before “sub prime” was ever a household name.

The government has been encouraging banks and mortgage companies to lend. The F.H.A. (Federal Housing Administration) insures approximately 25% of new home mortgages originated in America. More than 50% of first timers are F.H.A. insured. ***F.H.A. loans offer low down payments (3.5% down) low interest rates, and easier qualifying.*** There are even zero down loans still available and government grant money available for down payment assistance in many counties. The truth is a home buyer with marginal to good credit with a small down payment and a source of income (a J.O.B.) can qualify for a home loan - all day long!

Secret Revealed: Banks and mortgages companies need to lend money – it's their business. To stay in business they need to lend money to home buyers like you.

Myth #5 - "I have to have great credit to buy a home."

Myth Buster #5! – The Truth is: "Homebuyers with marginal credit can still qualify for F.H.A. financing."

Yes - your credit score is more important than ever. Not only will your score affect your ability to get a car loan, a credit card, or a home mortgage - it can affect your insurance rates and even employment possibilities. ***The problem is most people don't know their score.*** In fact, the score can change daily so who can keep up? With all that's riding on the credit score, it is in our best interest to find out what the score is and learn what to do to raise it. Most lenders want to see a credit score of 620 or above to fund an F.H.A. loan. Although there are a few F.H.A. lenders funding loans as low as 580. The average score in the United States is around 660 so ***a person with below average credit scores can still qualify for a mortgage.*** The prudent thing to do is to apply for a home loan with a trusted reputable lender and within minutes, you will know your score. ***Often times, the score is perfectly acceptable to get a home loan.*** Sometimes the score is just below the cut-off and a home buyer may only need to do a few minor things to get the score up to acceptable levels.

The truth is, there are a few very simple techniques and strategies you can use to increase your credit scores. Of course, paying on time is a given. ***Keeping balances low in ratio to the credit limit is a huge factor,*** so sometimes simply moving some balances around may be advised. Make sure ***NOT to close active charge accounts that you have had for a long time.***

There are things you may think would raise your score but will actually lower it. For instance - ***paying off old collection accounts can adversely effect your score*** (and cost you money unnecessarily). So it is a good idea to find out what will help raise a score and what will lower a score, and then act accordingly.

Secret Revealed: You can get your score for free and you can manipulate your score if you know what to do and what not to do.

Myth #6 – “I don’t need a real estate broker. I don’t trust them anyway.”

Myth Buster #6! – The Truth is: “A trusted, experienced real estate professional is your *indispensible* counselor and administrator who guides you into your home.”

It amazes me how the next generation of home buyers don’t feel they need the help of a real estate professional. ***The truth is that buyers (especially first timers) need the help of a real estate professional more than anyone.*** First of all, the inventory is controlled and represented by seller’s agents. The job of a seller’s agents and a builder’s onsite representative is to get the seller/builder the most money and the best terms. Many buyers have the notion that they can locate, negotiate, and work through the process of home buying without the professional help on their side. What a shame and what a mistake. ***The fee for the buyer’s representation is built into the listing agreement between the seller and the seller’s broker.*** The seller’s broker will pay a commission to any buyer’s agent that brings a buyer who buys the home. Not only that, the buyer will have a professional negotiator and administrator to help them each step of the way. Let me repeat. ***The fee for the buyer’s exclusive representation is already paid for by the seller.*** The buyer pays nothing for this service.

As far as trust – a recent Harris poll showed that real estate professionals were ranked in the top “3” of least trusted professionals. The stereotype is that real estate professionals are perceived as sales people rather than educated consultants. Part of that stereotype that real estate professionals are not perceived as educated as say doctors or lawyers. The truth is ***an educated, trusted real estate professional is indispensable to the home buying process.*** Your goal should be to find and hire (at no cost to you) a trusted buyer’s representative to guide you through the home buying experience.

Secret Revealed: *Top real estate professionals save you a ton of time, effort and money and can put you in a much better negotiating position that “going it alone”.*

Myth #7 - “I will save by buying directly from the seller/builder because they won’t have to pay a buyer’s agent.”

Myth Buster #7! – The Truth is: “An effective buyer’s agent’s job is to get the buyer the best possible price and terms and their fee is already agreed to & paid for by the seller/builder.”

I hear it over and over in my 26 years of selling homes. Home buyers (especially first timers) think that if they buy a home directly from the seller or builder they should get a better deal because the seller won’t have to pay a buyer’s agents commission paid. So I should get a better deal right? “Au contraire” my friend. The commission agreement is between the seller and the seller’s broker. The seller’s agent “agrees” to share the commission with the buyer’s agent. The

seller's agent is not obligated to pay a home buyer any portion of the commission. In fact, ***the fee that would have been paid to the buyer's agent for the buyer's representation is kept by the seller's agent if the buyer doesn't have his own agent.*** Do you think a seller's agent who is obligated to the seller and who is going to make a double commission if there is no buyer's agent is going to encourage a buyer to get his own real estate professional? Not likely.

This rookie mistake also happens with new homes. Buyers who deal directly with a highly trained on-site sales representative will most likely not be getting a better deal and certainly will not have exclusive representation. ***Buyers think they will "get a better deal" if they don't have a buyer's agent - WRONG!*** Buyer's agents level the playing field with builders and on-site sales representatives. Buyers agents also know which builders are good, great, and not so good. Not only do they know which ones are good, bad, or ok, they also know which communities are better than others. Builders highly value a buyer's agent because they can continually bring new buyers to their communities. As I say to my clients, "You may only buy one house from this builder in a lifetime but I may bring them a dozen buyers in the next year. The builder has a stake in keeping both you and me happy because it could mean a lot of future business to them." Once again, ***the builder pays the fee for the buyer's representation and they won't reduce the price if you don't have a buyer's broker.*** If a builder did lower the price by the commission - the real estate agents would stop bringing their clients to that builder for fear of being "cut out".

You shouldn't go to court without representation. You don't go to an IRS audit without representation. ***Why would you make one of your biggest lifetime investments without your own representation - especially since the seller/builder is paying the fee?!*** Don't make this rookie mistake! My advice to you - get representation. It's already paid for!

Secret Revealed: *A buyer's agent can get you the best deal on the right home and their services don't cost you a dime.*

Myth #8 - "Via the internet, I can access all the info I need to make a prudent home buying decision."

Myth Buster #8! - The Truth is: "The internet is a great source of real estate information but you need an experienced real estate professional if you want *wisdom*."

As wonderful a resource the internet is for real estate and for home buyers, it still lacks ***the professional human element of wisdom that can make for a successful property search and smooth transaction.*** Home buyers can learn a lot about neighborhoods, homes, schools, employers, and traffic on the internet, etc. But ***the information on the internet is incomplete and can be misleading.*** For instance, a common mistake I have observed is home buyers getting home values from the tax records. Yes, the tax

records can be found on the county assessor's website, but those values can be off by 10% or even as much as 20% or more in some cases. Many of the big name property search engines like "Zillow" use tax assessor values to give their guesstimates of value. Once again, ***these values can be outdated or flat out wrong.*** Real estate appraisers and real estate professionals use "sold" comparable properties called "comps" that have closed in the past six months to extrapolate value. They make adjustments based on size, condition, amenities and usually come up with a much more accurate market value for a home. ***"Sold" data is not readily available to the consumer via the internet yet.*** So, only those real estate professionals who have membership to the local MLS (Multiple Listing Service) will have the "sold" info including property condition and seller concessions (discounts). Also, real estate professionals have much more information at their disposal about home values, trends, and important facts about an area or a particular home. If you contact the listing agent (seller's representative) you will get the basic facts but not the insight and perspective that your own exclusive representative will bring to the table.

A home purchase is one of the biggest financial moves anyone can make. To trust the internet's limited and sometime wrong information is asking for trouble. ***Finding a trusted real estate professional with a team of advisors at their disposal is much more advisable than "going it alone"*** or relying on blogs or internet websites for wisdom.

Secret Revealed: *Top internet real estate websites are run by tech-savvy pros but not necessarily the best qualified real estate professionals. The best agents are found by referral.*

Myth #9 – "I can find the lowest rate home loan on the internet."

Myth Buster #9! – The Truth is: "You should not be shopping for the best interest rates you should be shopping for the best loan professional."

Once again, the internet can be a very useful tool when researching home loans. Most lending internet sites are designed to capture your contact info so you can be solicited to. Once again ***as great as the internet is for information it still lacks the human element of wisdom.***

One big mistake I see is homebuyers "shopping" for interest rates on the internet. You may "think" you are getting the lowest rate and fees only to find you are duped with a bait and switch. It happens all the time. There are a lot of unprofessional lenders out there that can make your home buying experience a nightmare and they are often the ones that dupe unsuspecting "shoppers" with the "lowest rate". ***The truth is if you shop the very lowest interest rate, you'll probably end up working up working with a flake.***

The lending business is a competitive, complicated and an ever changing market. Not only do interest rates fluctuate on a daily basis, but so do lending requirements and guidelines. You need to find a trusted lending professional who keeps up with the changes in rates and terms. Someone who can explain

the programs and costs associated with a home loan. Someone who will present the best possible loan programs to fit your particular lifestyle and need. ***You want a loan professional who will walk you through the process from beginning to end.***

Because of the attrition in the lending business, longevity is a factor. ***You want to deal with a full time lending professional who has 3-5 years or more in the business.*** Lending professionals and loan companies come and go so you want to deal with ones with a proven, stable track record.

Here is a true story about what can happen if you just shop rates on the internet. I had a client who had “found” the best rate on a home loan on the internet. Knowing what I know about offers on the internet I researched the company. They had a nice looking, professional website. I Google mapped the address for the business and found the address to be an apartment building in another city. Further, I checked the loan company’s status with the state agency that regulated loan companies and found out they had lost their license to make home loans. Needless to say, we passed on this lender and ***we went with a local, reputable loan professional who got them a very competitive rate*** and walked them through the loan process. The loan professional even showed up at the closing and explained the various loan documents they were signing. You won’t get that kind of service from an out of area “internet” lender.

Secret Revealed: *Internet mortgage websites give you information but not the wisdom and service you need. The best lending pros are found by referral.*

Myth #10 – “I am stuck in a lease.”

Myth Buster #10! – The Truth is: “You shouldn’t let a lease keep you from buying the right home for you and your family.”

Time after time, I see homebuyers miss out on great opportunities to buy the perfect home because they feel they are “stuck in a lease.” You should not let a lease obligation get in the way of you buying a home that is right for you and your family. There are several ways to approach the issue. Your real estate professional or your attorney can help you. ***The first thing you have to do is pull out the lease agreement and see what it says.*** This is a good practice anyway because reviewing your lease may also reveal other obligations that you may have committed to. For instance, many leases now require a 60-day notice. You may “think” you only need to give a 30-day notice, but what is in the lease is what stands.

Review your lease agreement and see what your legal obligation is and see what your worst case scenario might be. Sometimes the worst case is “no big deal”. Typically when you sign a lease, you are obligated to pay the entire amount of the money owed for the entire lease period. In some cases, there is an “out” if you pay a penalty - which can be a lot less than paying the entire remainder of the lease. ***I have experienced many times when tenants found out that they could get out of their lease and buy a home for just a small fee to***

their apartment complex. Believe it or not, your landlord may even let you out of the lease at no cost if they can rent the property for more than you were paying. **Another strategy - simply ask the landlord about your wanting to move and would they let you out of the lease obligation.** Sometimes a landlord's situation has changed and maybe they have decided to sell the property and would be glad to let you out of the lease so they can market the home for sale. You may ask them to allow you to replace yourselves by finding a friend or co-worker to "take over" your lease. I have even seen where tenants have advertised on Craigslist that they have a potential property for lease, found a suitable replacement tenant, and presented them to the landlord. The landlord was thrilled that their property would not become vacant. **Then there is negotiation. You may approach a stubborn landlord and offer them a "settlement."** A sum of money that will make them willing to let you off the hook if you paid it up front, cash on the barrel. This often times can be attractive to the landlord because they may be able to get the property leased again right away and come out ahead.

Finally, ask your real estate professionals if they will help out. **Many realtors, builders, and sellers may be willing to help out through "lease buy out" programs and other assistance to "get you out of your lease."** Don't let a lease get in the way of you buying the right home!

Secret Revealed: *You don't have to let a lease keep you from buying the right home. There are win-win strategies you can use to "tell your landlord goodbye"*

Author/Broker, Kenn Renner has spent the past 25 years assisting home buying clients through the journey of home ownership. He is a recognized real estate expert and has appeared numerous times on HGTV's "House Hunters". His latest book "First Time Home Buying Secrets – Revealed" is soon to be released nationwide. If you would like more information and wisdom regarding home buying visit: www.firsttimehomebuyingsecrets.com or call/text (512) 423-5626.