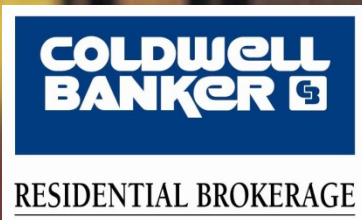


Welcome to the
*Harvard Faculty Real
Estate Services*
**Home Buying and
Financing Seminar**





Our Goals

- Outline the services offered through the Harvard University *Real Estate Advantage* Program, administered through Harvard Faculty Real Estate Services and Coldwell Banker
- Step you through the home financing process
- Highlight key considerations in your decision to buy
- Explain the homeownership process



Real Estate Advantage Program **Benefits**

- Harvard University in partnership with Coldwell Banker Residential Brokerage offers you a unique real estate program that provides:
 - Individual counseling services
 - Selection of your Real Estate Agent
 - Advocacy
 - Cash rebate after closing on the purchase and/or sale of your home
 - And moving services to support your relocation



Cash Rebates

Purchase or Sale Price

**Cash Rebate

\$ 50,000 - 99,999	\$ 300
\$ 100,000 - 199,999	\$ 400
\$ 200,000 - 299,999	\$ 625
\$ 300,000 - 399,999	\$ 875
\$ 400,000 - 499,999	\$ 1,125
\$ 500,000 - 599,999	\$ 1,375
\$ 600,000 - 699,999	\$ 1,625
\$ 700,000 - 799,999	\$ 1,875
\$ 800,000 - 899,999	\$ 2,125
\$ 900,000 - 999,999	\$ 2,375
\$ 1,000,000 - \$1,099,999*	\$ 2,625

*If the purchase or sale price is higher, the cash bonus will be adjusted incrementally.

**The ability to pay a cash rebate may be prohibited in some states,



Program Guidelines

1. Register for the program before contacting any realtors by calling **(800) 396-0960**
2. View the home that you intend to purchase only with the Agent referred to you through the program Consultant
3. Close on the property with the Agent referred to you through the program Consultant
4. If selling, list and close on the property with the Agent referred to you through the program Consultant

Home Financing

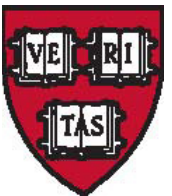
**Navigating mortgage
products and services.**



Getting pre-approved...more important than ever.

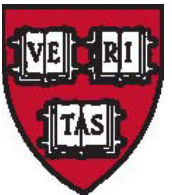
■ Commitment to lend short of Appraisal and Purchase and Sale Agreement

- ☑ Verify INCOME
- ☑ Verify CREDIT (yes, we pull credit)
- ☑ Verify ASSETS
- ☑ Verify PROPERTY (if possible)
- ☑ Identify OPTIONS
- ☑ Identify RED FLAGS
- ☑ Identify STRATEGY TO CURE



What do lenders look for?

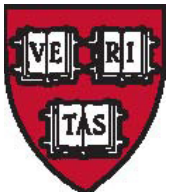
- A. Income**
- B. Assets**
- C. Credit**
- D. Debt**
- E. Collateral/Property**



How much can I afford?

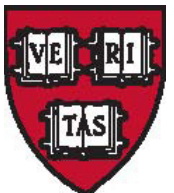
▪ General Guideline:

- Spend no more than 41% of monthly salary (before taxes) on monthly credit obligations, including your new mortgage payment
- Take future expenses into account!



Conventional vs. Jumbo Loans

- Jumbo mortgages
 - Higher Loan Amounts
 - Higher Interest Rates
 - Larger Downpayment Requirements

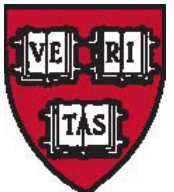


Types of mortgages

- What is right for you?
 - Fixed vs. ARM

		<u>PAYMENT</u>
\$350,000	5.00%	1,879
	4.00%	1,671
		<hr/>
		△ \$208

Leverages \$43,500 more in loan amount with same payment!



If you choose an ARM...

▪ Check:



Index

Treasury, LIBOR, COFI



Margin

How much is added to index?

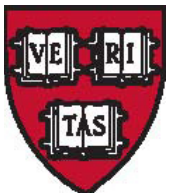


Caps

What is the maximum and minimum rate?

How long is the initial rate locked for?

How often can it change?



Sample Loan Estimate Form

FICUS BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS Michael Jones and Mary Stone
123 Anywhere Street
Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
Anytown, ST 12345
SALE PRICE \$180,000

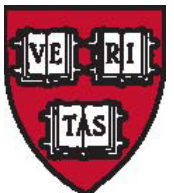
LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐
LOAN ID # 123456789
RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/4/2013 at 5:00 p.m. EDT

Loan Terms		Can this amount increase after closing?
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$761.78	NO
Does the loan have these features?		
Prepayment Penalty	YES • As high as \$3,240 if you pay off the loan during the first 2 years	
Balloon Payment	NO	

Projected Payments		
Payment Calculation	Years 1-7	Years 8-30
Principal & Interest	\$761.78	\$761.78
Mortgage Insurance	+ 82	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 206	+ 206
Estimated Total Monthly Payment	\$1,050	\$968

Changes in the mortgage industry that can affect you...

- Changes to guidelines
 - Larger down payments required
 - Very few zero down programs available - VA loans still eligible
 - Risk based pricing (“FICO” credit score matters!)
 - Lower credit score could mean higher interest rate
 - Lower downpayment may also mean higher interest rate

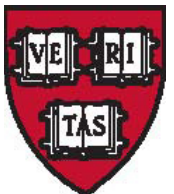


Downpayment requirements

- If $< 20\%$, you may have to pay Private Mortgage Insurance (PMI)
 - Guarantees your mortgage to the lender
- Piggyback/blended mortgages
 - May eliminate the need for PMI

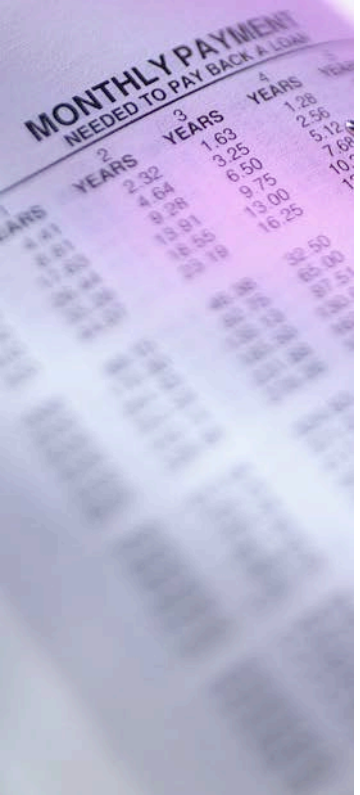
MONTHLY PAYMENT
NEEDED TO PAY BACK A LOAN

YEARS	2	3	4
	YEARS	YEARS	YEARS
1	2.32	1.63	1.28
2	4.64	3.25	2.56
3	6.96	4.88	3.84
4	9.28	6.50	5.12
5	11.60	8.13	6.40
6	13.92	9.75	7.68
7	16.24	11.38	8.96
8	18.56	13.00	10.24
9	20.88	14.63	11.52
10	23.20	16.25	12.80
15	32.00		
20	40.00		
25	48.00		
30	56.00		



Changes in the mortgage industry that can affect you...

- Ongoing changes to guidelines
 - Fannie Mae will require lenders to have a process in place to confirm no change in liabilities from time of application to closing
 - Your credit will be checked again prior to closing – may affect your approval and/or interest rate



MONTHLY PAYMENT
NEEDED TO PAY BACK A LOAN

YEARS	2	3	4
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7	16.24	11.38	8.96
8	18.56	13.00	10.24
9	20.88	14.63	11.52
10	23.20	16.25	12.80
11	25.52	17.88	14.08
12	27.84	19.50	15.36
13	30.16	21.13	16.64
14	32.48	22.75	17.92
15	34.80	24.38	19.20
16	37.12	26.00	20.48
17	39.44	27.63	21.76
18	41.76	29.25	23.04
19	44.08	30.88	24.32
20	46.40	32.50	25.60
21	48.72	34.13	26.88
22	51.04	35.75	28.16
23	53.36	37.38	29.44
24	55.68	39.00	30.72
25	58.00	40.63	32.00
26	60.32	42.25	33.28
27	62.64	43.88	34.56
28	64.96	45.50	35.84
29	67.28	47.13	37.12
30	69.60	48.75	38.40

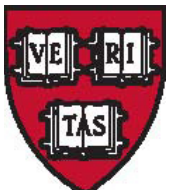
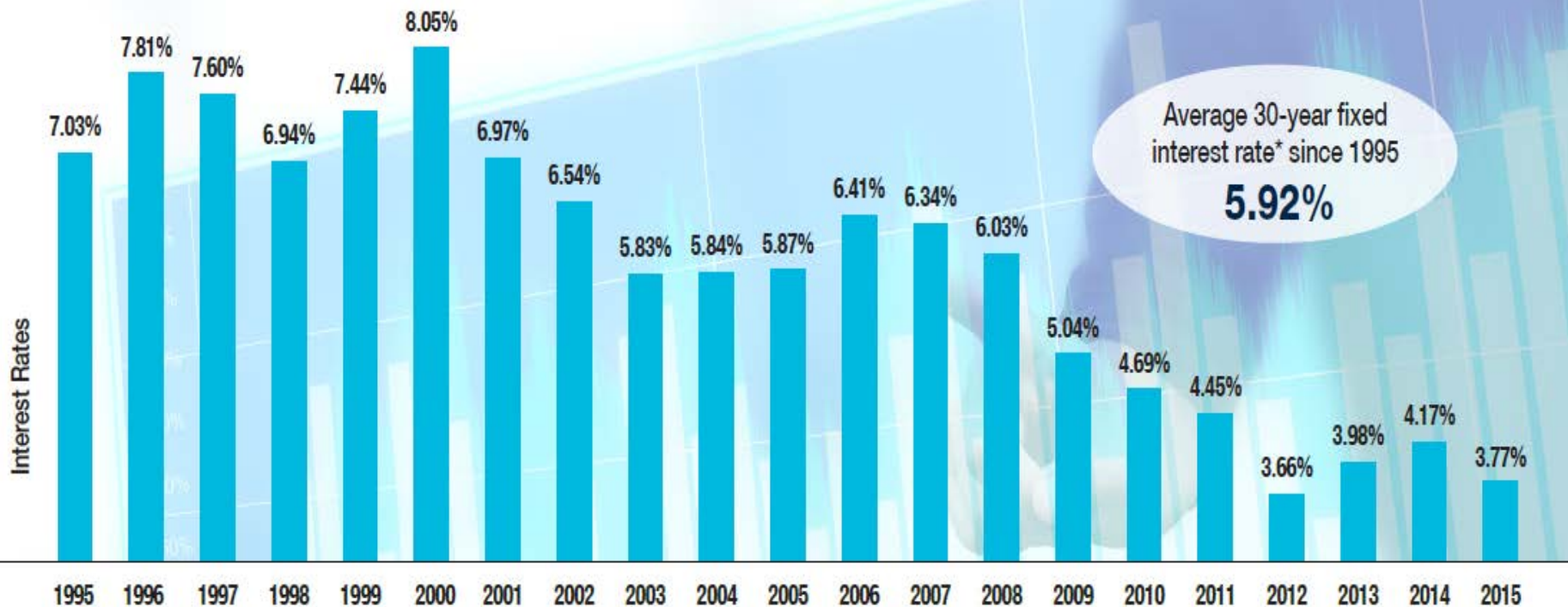


Historically Low Interest Rates



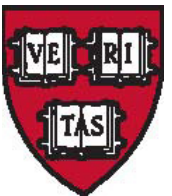
INTEREST RATE HISTORY FOR 30-YEAR MORTGAGES

Average Annual Interest Rates Since 1995*



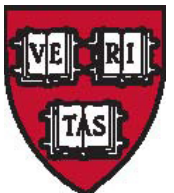
Programs designed to meet the challenge!

- FHA (Federal Housing Administration)
 - Insured by Full Credit of US Government
 - 3.5 % down – higher loan limits in some counties
 - Fixed Rate – stable
 - Seller can pay Funding Fee
 - Liberal Ratios/Credit
 - Property condition matters
 - Condos must be approved by FHA
 - Not only for first-time buyers
 - No income limits



Mass Housing (MHFA)

- MassHousing Mortgage
 - Finance up to 97% of property value
 - Competitive rates
 - 30 year fixed amortization
 - Income limits - up to \$122,040 (varies by county)
 - Reduced PMI costs and No PMI loans available
 - Mortgage protection for job loss
 - Not only first-time buyer
 - Single family, Multi-family and condos



Thank you!

For assistance with loan products and services, visit the FRES web site www.facultyrealestate.harvard.edu for a list of preferred Mortgage Lenders

or

Call *Real Estate Advantage* toll free at (800) 396-0960 and ask for your company's *Real Estate Advantage* Consultant





**COLDWELL
BANKER** 

RESIDENTIAL BROKERAGE

The Home Buying Process

Navigating the real
estate market.



The benefits of homeownership

- Build home equity
- Potential tax benefits
- Mortgage payments which may end some day
- Flexibility and creative license with living space



Is this the right time to buy?

- Current Market Conditions
 - Housing Prices
 - Housing Inventory
 - Available Financing
- Potential Tax Benefits
 - Annual Mortgage Interest Deduction
 - Capital Gains Exclusion (Single Family Homes)*
 - \$250,000 (Single) / \$500,000 (Joint Filing)
 - Primary residence for 2 aggregate years out of the five years prior to its date of sale

*Eligibility requirements may differ for two-family and multi-family homes. For complete eligibility requirements visit the IRS website homeowner tax topics and/or consult with your tax professional/accountant for information specific to your personal situation.



Who is involved in the process?

- Loan Officer/Mortgage Lender
- Appraiser
- Title Company/Attorney
- Home Inspector
- Insurance Agent
- Most Important: **Real Estate Agent!**



Selecting the right Real Estate Agent

- Real Estate Advantage Program Specialist
 - Personally selects Real Estate Agents to meet your needs
 - Full Time, Experienced, Knowledgeable
 - Agent who will represent you as a “Buyers Agent”
 - Access to home search resources/technologies



Definition of: Agency

Agency is a relationship in which the real estate agent represents a client in dealing with other parties so as to serve the client's best interest at all times.



Agency

- Designated Sellers Agency
- Designated Buyers Agency
- Facilitation
- Dual Agency
- Agency Disclosure Form



While you are looking for a home...

- Make clear to your Agent your list of absolute “Wants and Needs”
- Plan to see a maximum of 6 homes in one day
- Make your Agent aware of your “Likes and Dislikes”
- If time permits, ask your Agent to preview homes



Purchasing a Home

- Ask your Agent to do an analysis of recently sold properties
 - Establish range of value within which to negotiate
 - Objectively review properties pluses and minuses
- 2 Step Process in Massachusetts
 - Offer to Purchase
 - Purchase and Sale



Offer to Purchase

- Written offer to Include:
 - Offer Price
 - Closing Date
 - Deposit Monies
 - Mortgage Contingency
 - Home Inspection Contingency
 - Any items to be included - Refrigerator, Curtains, Swing Set, etc.
- Legally binding contract only when signed by both parties
- Agent must be diligent in getting your offer signed ASAP!



Property Inspections

- General Home Inspection
 - Tests the structural and mechanical integrity of the home
- Pest Inspection
- Radon
 - Odorless, colorless gas that seeps into home from basement
 - Air EPA Standard: 4.0 and under picocuries is acceptable
 - Water EPA Standard: 10,000 and under picocuries is acceptable (applicable if well water)
- Well/Septic
 - Title V Septic: Seller Certificate valid for 2 years
 - Well: Test for potability quality and quantity
- Cost of inspections are paid by the buyer



Purchase and Sale Agreement

- Engage the services of a Real Estate Attorney to review before signing
- Will include any changes made as a result of the property inspections
- Mortgage contingency will still be in force for the remainder of the timeframe agreed upon at acceptance of offer
- Additional deposit required
- Everything must be in writing to be a valid contract



Before You Close

- Perform a “Walk-Through” on home when sellers vacate
- HUD1 Settlement Statement (Housing Urban Development)
 - Full accounting of all closing costs to be paid by the buyer and by the seller
 - Buyer should receive statement within 2-3 days of closing
 - Certified check to pay remaining monies due to close
- Obtain an Insurance Binder: One year of pre-paid Homeowners Insurance



At the Closing

- Checklist:
 - ☑ Your Attorney
 - ☑ Photo ID
 - ☑ Your Checkbook
 - ☑ Certified Check
 - ☑ Insurance Binder (Front page or receipt)
- Closing takes 1.5 – 2 hours



How to register for the *Real Estate Advantage* Program

- Contact the Harvard University *Real Estate Advantage* Consultant, Beth Duncan, by calling **(800) 396-0960**
- Contact Harvard Faculty Real Estate Services (FRES) at **(617) 495-8840** or [**fres@harvard.edu**](mailto:fres@harvard.edu)
- Visit the FRES web site at [**www.facultyrealestate.harvard.edu**](http://www.facultyrealestate.harvard.edu)
- We will register you for the program and discuss your needs. If you require mortgage assistance, we will connect you directly to a mortgage representative.

Thank you!

*Harvard Faculty Real
Estate Services*

