

HOW TO CREATE \$40K TO OVER \$75K IN EQUITY IN 5 YEARS



ERIC 
MERRITT
Sells AZ Real Estate



OWNING



VS.



RENTING

OWNING VERSUS RENTING A HOME IN SIMPLE TERMS ON A \$250K HOME



Sales Price	\$250,000.00
Average Rental Price on a \$250K Home	\$1,450.00
Rent Payments in 1 Year at \$1450 a Month	\$17,400.00 (YOU WILL PAY ANYWAY)
Rent Payments in 5 Years at \$1450 a Month	\$87,000.00 (YOU WILL PAY ANYWAY)
Amount Paid in Principal in 5 Years	\$23,000.00 (\$87,000 x 26%)
Appreciation in 5 Years at 2% Per Year	\$26,000.00

The principal reduction was calculated from using Bank Rate.com . Appreciation is calculated from taking \$250,000 and multiplying it by 1.02 each year for 5 years for a 2% compounded rate

Doesn't it make sense to get 26% of your Rent payments back to you (\$23,000/ \$87,000) and gain \$26,000 in Appreciation which would equal just under **\$50,000 TOTAL?**

1. Ask yourself, will you get anything back at the end of the year or in the end of 5 years in paying rent payments?
2. Can you write off Home Mortgage Interest at the end of each tax year?
3. Are you paying down someone else's mortgage by paying your rent?
4. Are you receiving a big tradeline reporting on your credit report positively for owning a home to improve your credit score?
5. Does owning a home show more stability when applying for a job or applying for other credit?

OWNING VERSUS RENTING IN SIMPLE TERMS **ON AN FHA LOAN BASED ON A \$250,000 HOME**

	<u>2% Appreciation</u>	<u>5% Appreciation</u>
Sales Price	\$250,000.00	\$250,000.00
3.5% Down Payment	\$8,750.00	\$8,750.00
Loan Amount Before Other Fees	\$241,250.00	\$241,250.00
MIP Charge Upfront on FHA Loan	\$4,221.88	\$4,221.88
Starting Loan Amount	\$245,471.88	\$245,781.88
Appreciation at (2%,5%) Per Year Compounded	\$26,000.20	\$69,069.80
Principal Reduction at the End of 5 Years	\$22,982.63	\$22,982.63
Monthly Payment Based on 4.25%	\$1,608.46	\$1,608.46
Rental Price Based on a Home of \$250K	\$1,450.00	\$1,450.00
Extra Amount Paid Mortgage Vs. Rent Over 5 Years	-\$9,507.60	-\$9,507.60
TOTAL EQUITY = (Appreciation + \$82,544.83 Principal Reduction – Extra Amt Paid Mortgage over Rent)	\$39,475.23	\$82,077.45



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REASONS WHY WE DON'T BUY A HOME AND KEEP RENTING

- 1. We don't have the Down Payment**
- 2. We have a low credit score or financial hardships (foreclosure, bankruptcy, short sale) that keep us from buying a home**
- 3. We don't believe that we can find a home that we want**
- 4. We believe that owning a new home is out of reach**
- 5. We find that renting "on the surface" seems cheaper than paying a mortgage payment**
- 6. We believe that another financial collapse is coming**
- 7. We are renting because we are new to the area and we want to get to know the areas more before we buy**
- 8. We are not sure if we are going to stay here or move out of state**
- 9. We are comfortable where we are, I'm in no hurry.**



IS BUYING A HOME REALLY THAT FAR OUT OF REACH?

BUYING A HOME VS. RENTING INITIAL MOVING IN COSTS- COMPARISON OF TOTAL MOVING IN EXPENDITURES

	RENTING MOVE-IN	PURCHASE MOVE-IN
Example Sales Price	\$250,000	\$250,000.00
3.% Down Payment	N/A	\$8750.00
Loan Amount 96.5% LTV	N/A	\$241,250.00
w/ Up Front MIP Charge	N/A	\$245,471.88
Monthly Payment at 4.25% FHA	\$1450.00	\$1608.46
Security Deposit	\$1450.00	N/A
Pet Deposit	\$200.00	N/A
Credit Check	\$50.00	N/A
Closing Costs	N/A	\$8557.66
Cleaning Deposit	\$200.00	N/A
(Based on Purchase Price Total Move-In Cost		
(Down Payment + Closing Costs for Purchase)	\$3350.00	\$17,307.66
DOWN PAYMENT ASSISTANCE GRANT	N/A	- \$8,750.00
2% SELLER CONCESSIONS OF \$245K	N/A	- \$5,000.00
TOTAL MOVE-IN AFTER D.P.A.		
GRANT AND SELLER CONCESSIONS	\$3,350.00	\$3557.66
*** ADD \$2,500.00 FOR ONLY 1% OF SELLING		\$2,500.00
CONCESSIONS ***		

DISCLAIMER ON LOAN AMOUNTS, INTEREST RATES, AND OTHER CALCULATIONS

- (Payments are based on 4.25% interest Rate, 30 year Fixed, and are FHA loans)
- Actual APR will be higher because of the MIP Upfront Charge and Monthly MIP Charge
- (FHA Beginning loan balance includes a \$4,221.88 up front MIP charge)
- (Monthly Payment includes P & I, Hazard Insurance, Municipal Tax, and MIP)
- Payments are figured out w/ Security Title App and Amortization w/ Bank Rate.com)



PREPARATION TO BUYING A HOME

Steps to Buying a Home

A. Out of Pocket Expenses for The Buyer

- 1. Earnest Money Deposit (Usually 1% of Purchase Price)**
- 2. Appraisal \$450 (Estimated Appraisal Fee)**
- 3. Home Inspection (\$300 to \$400)**
- 4. Termite Inspection \$75**
- 5. Pool Inspection**

B. Get Pre-Qualified

- 1. Banks versus Financial Mortgage Institutions**
- 2. Have all necessary documentation ready**
 - a. 2 Years of Tax Returns**
 - b. 90 Days of W-2 Check Stubs**
 - c. If Self Employed, Last 2 Years of Business Tax Returns**
 - d. 3 Months Minimum of Bank Statements**
 - e. If had a Bankruptcy, Proof of Discharge Papers**
 - f. If Down Payment is a Gift from a Relative, the Gift Letter
needs to provide proof that it's a gift**
 - g. Proof of Identification- Social Security Card and Valid Drivers License**

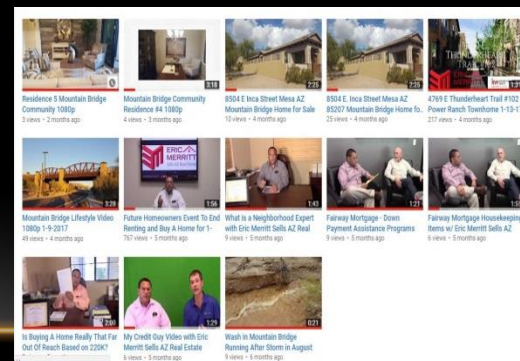


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Sells AZ Real Estate

ANY OTHER QUESTIONS ABOUT OWNING A HOME?



- For any other questions, you can call me at **(480) 999-6061**.
- My email is emeritt@hsmove.com
- My Facebook Business page is: **Eric Merritt Sells AZ Real Estate**
<https://www.facebook.com/ericmerritt>
- To view over 40 home searches in the East Valley and in the Phoenix Metro Area, please visit my website at ericmerrittsellsazre.com
- To view other videos about **Buying a Home versus Renting One**, please go to my YouTube Channel at **Eric Merritt Sells AZ Real Estate**. Link to my YouTube Channel:
- https://www.youtube.com/results?search_query=eric+merritt+sells+az+real+estate



HEAR WHAT OUR CLIENTS HAD TO SAY ABOUT THEIR BUYING EXPERIENCE

Buyer's Closing Video in San Tan Valley:

<http://bit.ly/2YourBuyingClosingwithEric>



Buyer's Closing Video in Queen Creek:

<http://bit.ly/BuyersClosingVideoSanTanHeights>



Buyer's Closing Video in Mesa:

<http://bit.ly/BuyersClosingVideoResortPoolMesa>

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Eric Merritt Sells AZ Real Estate You Tube
Channel at:**

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