

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



ERIC 
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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	\$39,475.23	\$82,077.45
Principal Reduction – Extra Amt Paid Mortgage over Rent)		



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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.**



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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
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(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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ANY OTHER QUESTIONS ABOUT OWNING A HOME?



- For any other questions, you can call me at **(480) 999-6061**.

- My email is emerritt@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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<https://www.youtube.com/playlist?list=UUCQQ8pqKoWrlo7AWvsQY8kw>

