PLATINUM MORTGAGE COMPANY BOOKS

Your Home Is An Investment

ANNA N DARRETT

This publication is designed to provide general information regarding the subject matter covered. However, laws and practices often vary from state to state and are subject to change. Because each actual situation is different, specific advice should be tailored to particular circumstances. For this reason, the reader is advised to consult with his or her own advisor regarding their specific situation.

The author and publisher have taken reasonable precautions in the preparation of this book and believe the facts presented in the book are accurate as of the date it was written. However, neither the author nor the publisher assumes any responsibility for any errors or omissions. The author and publisher specifically disclaim any liability resulting from the use or application of information contained in this book, and the information is not intended to serve as legal, financial or other professional advice related to individual situations.

This book was created for educational and informational purposes. Individual results may vary.

Platinum Mortgage Company Home Buyer's Guide™

915 Highland Pointe Dr. Ste. 250, Roseville, CA 95678
(800) 385-3657 | info@pmccanhelp.com | NMLS 266371 | BRE 01183898

Published by Platinum Mortgage Company
Written by Anna N. Darrett and Edited by Ce'Lene S. Sakellis
Cover design by Platinum Mortgage Company
To order additional copies, visit www.pmccanhelp.com

Your Home is Your Investment

Owning a home is a solid long term investment. Many people have realized that owning your home helps you build equity, which can one day be converted to cash for investments, family needs, college, weddings and even retirement. Renting and paying someone else's mortgage has no benefit to you. The home can also be converted into a rental for an additional source of income. The main goal is to pay off the mortgage to become debt free.

There are additional benefits of homeownership such as tax advantages such as mortgage interest, property tax and private mortgage insurance deductions. If you have a home based business you may be able to write off the use of a home office and utilities.

The Power of Bi-Weekly Payments

One Extra Mortgage Payment

Paying down your mortgage is one of the most important things that you need to do. The fact is that making a commitment to repay your mortgage in 10, 20 or 30 years is a good choice. What if you could cut down that time considerably? You could even knock years off of your loan by just making one extra payment per year. If you are thinking that you cannot afford to do this, chances are good that you can do it without even realizing it.

How does one payment matter?

Making an extra payment to your mortgage is something that you should consider because it can save you thousands of dollars. The fact is that just one payment can make a considerable difference in the total that you pay for your home and, what's more, it can shave years off of your mortgage. Take a look at the following example. You can use a mortgage calculator to help you to find out this information specific to your current loan.

Example A: If you currently have a $200,000 mortgage loan and you have secured an interest rate at 4.125 percent, your monthly payment is likely to be $969.30 dollars per month if your loan term is 30 years. This is a considerable payment and you may not realize the real amount you will be paying on the home you are purchasing. It will cost you far more than $200,000.

Original mortgage amount: $200,000

Interest rate: 4.125 percent

Term: 30 years

Monthly payment: $969.30

Total interest paid on your loan: $148,947.81

How much you will really pay in full at the end of your term: $348,947.81

This information is provided to you on your amortization statement which is what you will see at the time of closing the sale on your home. Your lender must provide this for you before you sign your paperwork, so the amount you will pay for your home when interest is factored in shouldn't be a surprise. If you are still unsure, use a mortgage calculator to help you see what these numbers are for your particular situation.

Example B: What will likely be a shock to you is just how much you can save if in fact you add that additional payment to your loan. If you add just another payment per year of $969.30 as in the example above, you could save yourself quite a bit of money. Here's how this breaks down for you.

Original mortgage amount: $200,000

Interest rate: 4.125 percent

Term: 30 years

Monthly payment: $969.30

Additional payment per year of: $969.30

Total interest paid: $115,359.11

Total cost of your loan when paid in full: $315,359.11

Payoff date of the loan is reduced by: 6 years!

In Example B, you see that you have not just cut into the amount of interest that you are saving by an outstanding savings of nearly $33,588 but you also have cut out the time that you will be repaying your loan down to just 24 years instead of the full 30 years. That savings can be figured out for your specific loan by using a mortgage calculator. You simply need to calculate what an additional payment per year will do to your loan.

Where can I get an extra payment?

While for some, it shouldn't be too much of a strain to get an extra payment for your mortgage together, it is quite different for those that live paycheck to paycheck or that have their budget fully aligned without much room. For these individuals, $969.30 is a lot of money to put into a loan that you technically do not have to. Yet, you may be able to do so without realizing that you are.

Most people get paid every two weeks. This amounts to being paid 26 times per year. Yet, you only have to make 12 payments, one per month on your mortgage. If half of each of your paychecks goes to your mortgage, you still have only 24 mortgage based payments, leaving two extra paychecks per year that do not apply to your mortgage. Because of this, you likely have an additional month's mortgage payment without realizing it.

Two times per year, you are going to have three paychecks per month. Those extra paychecks can easily be used to apply to your mortgage so that you do not feel that pain. In fact, many mortgage companies will allow you to set up and use a bi monthly payment schedule that will withdraw half of your monthly payment every two weeks. You never really notice nor feel in your budget that you have made that additional payment. Do make sure that your lender allows you to apply this additional amount paid to your principle not just your interest for this time frame.

There are many reasons why you should consider doing just this. First, you are investing your money into your home and saving yourself thousands of dollars. What's more, if you do need to borrow from your home's equity at some point, this extra money is available to you, socked away where you can keep it saving you money.

Take the time to use a mortgage calculator to see just how much money you can save by investing one extra payment per year into your home. For those that have a higher interest rate than the example listed, the savings are even better. Increase your payment every two weeks by just a bit more and save more. Taking charge of your mortgage is the first step.

Why Would You Want to Refinance?

Now that you've completed the transaction for your new home, it is important to remember, there's still more to consider. The goal again is to pay off your mortgage before you retire, but in some cases you may need to refinance. Here are some situations that may come up:

1. Your home appreciates in value and the value of the home is below 80% of the balance and you would like to remove the PMI. Call your lender and request for them to order an appraisal (which is usually charged upfront and non-refundable).
2. Your home has enough equity to do a cash out refinance to use the money for home improvements, debt consolidation or cash out for other personal reasons.
3. You want to lower the interest rate and you can qualify for a 1% better or better lower rate

Sometimes it may not may not make sense to refinance if the cost of the refinance takes several years to re-coop. Especially if you plan on selling your home in a few years. Don't be afraid to ask your loan officer to figure you this out for you. It is part of their responsibility to you.

Example:

Your loan balance is going up $1,000.

Your monthly savings is $100.

$1,000 / $100 = 10 months to recoup your closing costs.

Mortgage Options During a Divorce

Going through a divorce can be a traumatic time for anyone. Although the love may have faded away and you want to part ways, the home you've acquired while married can turn into a major obstacle for both parties. Despite the fact the divorce decree states that your ex-spouse will take care of the property and mortgage payments, it is crucial that you realize this will not remove your liability from the loan obligation. When you signed the loan documents, you mutually agreed to repay the loan until the debt has been satisfied. In 2007, before the housing market collapse, divorcing couples had no problems selling their property, splitting the equity and parting ways, but times have definitely changed. Generally, mortgage debt is the largest investment a divorcing couple has to split and divorcing a mortgage isn't as simple as one may think. To omit the spouse's liability from the mortgage, the property will either need to be sold, refinanced or assumed. One can always choose to keep oneself on the mortgage, but this is a risky position if the other spouse happens to default on the loan. We've come across thousands of homeowners in this situation here in our forum. The following is a list of your options during these strenuous times:

Quitclaim Deed or Inter-spousal Transfer Grant Deed

A quitclaim deed is a document that transfers any interest an individual has in a property to another. They can be utilized to transfer interest from one spouse to another, but it does not eliminate the liability for the associated debt. If your name is attached to the loan and you quitclaim your interest to the remaining spouse, don't be surprised if the lender comes after you for a missed payment or, worse, foreclosure. Inter-spousal transfer grant deeds are also sometimes used in a divorce situation. This makes it simple to transfer interest from one spouse to another and also to change community property into separate property. The process is similar to that of a quitclaim deed. You will need to sign these together with a notary and it is always wise to consult with an attorney to make sure it is filled out accordingly.

Sell the Property

Generally, the easiest and most effective way to get both names off the mortgage and to remove liability from the debt is to sell the home. The sale can pay off the existing mortgage, and any leftover proceeds can be split between both parties. It may be more convenient to try to sell the property before the divorce is complete to help avoid any future problems over the sales price. Additionally, this benefits both parties, as you will not have to worry about the other spouse managing the monthly payments, maintaining the household, or paying property taxes and insurance. However, since the housing crash, selling the home is easier said than done, especially when you are underwater (meaning you owe more on the mortgage(s) than the home is worth). Underwater homeowners are forced to either come up with the difference between the home value and loan amounts or pursue a short sale. Be advised that with any short sale, your credit score will be negatively affected and you both may still be liable for the difference the lender has forgiven unless the lender has agreed (in writing or by law) to waive their rights to the deficiency.

Refinance the Mortgage

Having one spouse refinance the mortgage into their name only is another very effective way to remove one's liability from the mortgage. This can be a simple fix if the following applies:

1. There is sufficient equity to qualify for a refinance. Keep in mind that there is currently one refinance program available for underwater homeowners, called the Home Affordable Refinance Program (HARP). For this program, either Fannie Mae or Freddie Mac must own your mortgage.
2. The remaining spouse is financially stable and has the income and credit to secure a loan.
3. Both spouses mutually agree to the transaction and allow one party to remain in the home. Typically, the spouse that wants to keep the property will pay off the other spouse's equity share while refinancing the loan solely into their name. It is suggested to include a quit-claim deed to extinguish any rights the other party has to the home. It is crucial that you make sure the home is only refinanced into one spouse's name. This will ensure that the spouse who did not keep the home is safe in the event of a default or foreclosure on the property. If the divorce has not yet been finalized and you've already decided who will be keeping the property, it is a good idea to include in your divorce decree which spouse will be refinancing the loan. This way you can

prove that both parties have come to an agreement as to who will be taking over the home and mortgage payments. Before considering taking over the home yourself and becoming fully responsible, ask yourself, "Can I truly afford to keep the home and would I like to continue living there once I have moved on?' Homes hold memories of times shared with love ones, which can make it that much more difficult to move on with your life. Think of it this way; would you consider buying this home if you were single and out browsing for a place to live?

Mortgage Assumption

A mortgage assumption is one option that is not brought up all that often, primarily because they are very rare these days. Another main reason is that not all mortgages are assumable and, even if they are, many mortgage lenders tend to be hesitant to do so. Therefore, your only way to find out is to call your servicer and see if this is a viable option. If the mortgage lender will allow one party to assume the loan, you will begin the process by completing an assumption agreement and a release of liability. The bank will also require your financial documentation to determine whether or not the mortgage can be handled based on one borrower's income. If you do meet the requirements, you may also have to provide a copy of your divorce decree and quit claim deed. If the assumption is approved, one spouse will receive a release from liability. For homeowners going through a divorce, an assumption may be a good option to explore (if your loan allows you to do so). While there may be a few small fees associated with an assumption, they are usually much less than the fees that will come along with a refinance.

Our goal is to find you the best financing available to save the most money. As the experts. Email your scenario to info@pmccanhelp.com.

Make sure to visit our website: www.pmccanhelp.com

FOR A FAST PRE-APPROVAL: Complete a loan application on our website **APPLY ONLINE**


GET PRE-APPROVED
APPLY ONLINE
WWW.PMCCANHELP.COM
CONNECT WITH PMC AT
WWW.FACEBOOK.COM/PMCCANHELP AND
WWW.TWITTER.COM/PMCCANHELP