

Purchasing a Single-Residential Property

What are the steps and considerations for purchasing a house? We will go through these items, step by step, in this piece.

- 1) Find the property. Run due diligence by talking with a real estate agent, broker and visiting the properties that fit your check list. 2 Bed, 3 Bed? Granite countertop? Large lawn?
- 2) Financing. Interest rates are cheap lately. 3-5% in the States for 30 year fixed loans. There may be upfront costs, but at the current environment, they may be forgiving in rolling those costs into the loan. This is possible if the Loan to Value ratio, or Loan amount/market price of the property, is not in the high range (over 70%).
 - A. Monthly payments. Many potential buyers are current renters. The benefits of renting is zero insurance and tax concerns, and related home ownership costs. Of course, there are tax benefits derived from the mortgage payments, but those who are strapped for cash are better off making minimal payments, so sticking with renting. Home owners need to pay for PITI, or principal, interest on mortgage and tax and insurance. Also, if the LTV is above 80%, mortgage banks will require mortgage insurance, which is an additional item. Also, maintenance costs, renovation expenses, and monthly utility bills will make monthly expenses too expensive for some.
 - B. For those who are looking for an investment property and have the cash to make the down payment, it may be economical to do so in today's market. Low purchase price, low cost of financing, upside potential with the market recovery are favorable for a longer term investor (2-3 years hold). Also, higher rent will service a larger percentage of the mortgage payment cost, thereby less out of pocket cost while waiting for the property price appreciation.
- 3) After locking the financing, it is a matter of working with the title agent, mortgage broker, real estate broker. Most likely, the real estate broker will be in communication with the related parties and notify the buyer of pertinent matters, but the purchaser should be on top of things as well. It is a relatively simple process, but will require a lot of attention to detail to get the ball rolling.

We have provided a mortgage calculator in our Real Estate tab. <http://www.svaluation.com/real-estate.php>

Now a days, a house doesn't represent home; it is more so an opportunity to capture appreciation gain, than anything else. So, the mortgage calculator will provide insight to cost/benefit analysis to renting vs. buying.