Inside Track

Consumer Resource Network

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Welcome to Consumer Resource Network (CRN)!

Congratulations on receiving your information packet and joining the CRN family! CRN is your in-depth resource to discover bargain-priced homes. This home buyer's guide will take you through all of the crucial steps in purchasing your first or next home including: why you should buy, how to go about the process, where to find bargains, and how to finance your purchase.

From foreclosures to For Sale By Owner opportunities, We have access to thousands of under-valued and distressed homes throughout the country, and it's all at your fingertips. When you combine CRN's access to home listings with the understanding you gain from this guide, you'll be well on your way to home ownership.

To search for your next home, simply read this guide and consult the information in your packet. To see even more updated listings, please visit *http://www.consumerresourcenet.com/* or call our friendly customer support representatives at 800-983-6777.

Thank you for choosing CRN as your trusted real estate partner. And good luck on your home ownership journey!

Inside Track
Consumer Resource Network

Why Buy?

Benefits of Home Ownership

To rent or to own? That is the question.

Although the answer may seem complex at first, it's really fairly simple. As we delve into the fine details of the benefits of home ownership, here are some high-level advantages to keep in mind.

Build Equity, Build a Future

Equity is the value you own in a property apart from debt or tax obligations. With home ownership, every payment you make and create can create some equity for you.

Instead of money going entirely to a landlord, as it does with rent, your mortgage payments go towards ownership in a tangible asset. Generally, mortgage payments are comprised of interest and principal; the principal part is your equity. Thus, with each payment you build more equity and more value in your home, or asset. If you sell your home, the amount of equity you have built is yours, while the loan amount is returned to the lender. Furthermore, your equity in a home increases as the value of the home increases. For example, if you purchase a home for $50,000, and then it goes up in value to $75,000, you have built $25,000 in equity in that property.

(Current Valuation) – (Your Purchase Price) =
Equity You Have Built!

In the example above:
$75,000 (current valuation) - $50,000 (purchase price) =
$25,000 in equity!

Real estate markets go through up and down cycles, and home prices are subject to general economic factors. But, while with renting you're guaranteed never to own the place where you live, with home ownership you're building equity and your future. As the value of your home increases, as it has in the vast majority of homes across the country over the past several decades, your equity goes up in value and you become wealthier.

This, in a nut shell, is the American Dream. You can use this dream to finance your child's college education, make investments in other properties, protect against unforeseen events, and prepare for retirement. As you build equity, you build a solid foundation towards a more secure future.

Save Money on Taxes!

One of the primary keys to building significant wealth is sheltering tax expenses. And few tax strategies are more potent than home ownership.

To begin with, you can deduct mortgage interest in its entirety when calculating your federal income taxes. This enormous tax savings can add up to tens of thousands of dollars each year. Most states will also permit the deduction of mortgage interest from state income taxes. In addition to mortgage interest, you can deduct property tax payments as well.

How much savings does this really translate into? For a typical mortgage, interest comprises the vast majority of the payment in the first half of the repayment period. For example, interest is the bulk of each payment for the first 15 years of a 30-year mortgage.

Let's say you buy a house for $100,000. You put $20,000 down and get a 30-year mortgage for $80,000 at 7.0%. If your monthly payment is about $550 per month, substantially all of that amount could be interest at the beginning of your mortgage period. Over one year, that's $6,600 in deductible mortgage interest. If you're in a 30% federal (and state) income tax bracket, that could translate into about $2,000 in savings for that year!

(Monthly Payment) x (12 Months) =
(Amount of Interest Paid During Tax Year)
(Interest Paid) @ 30% Tax Bracket = Tax Savings

In the example above: $550 (Monthly Payment) x 12 Months =
$6,600 (Approximate amount of interest paid)
$6,600 (Interest Paid) @ 30% (Tax Bracket) =
$2,000 (Tax Savings)

Moreover, in some states, new homeowners can face steep property taxes that could be as much as $5,000 to $10,000 per year. This amount is completely deductible as well. Similar to the example above, if you're in a 30% tax bracket and pay $5,000 in property taxes, you could save $1,500!

If monthly cash flow is an issue for you, home ownership enables you to adjust your income tax withholding amount. The result can be a significant amount of money through your mortgage interest deduction that appears in your regular paycheck. You can use these savings to make your mortgage payment comparable to what would have been your monthly rental payment.

While exploring the powerful tax and other financial advantages discussed in this guide, be sure to speak with your accountant or financial advisor to develop the ideal financial strategy for your specific goals.

Once You Own One Home, You're on the Wealth-Building Road to a Better Second Home

When you buy a home, you may save significant money in taxes and build equity. Over time, your savings and equity could increase considerably. This is value that you can use to your advantage.

If you sell your home for a profit, you can use that money plus your tax savings to invest in another home. Remember, this is value you've built not through day-to-day work, but just through home ownership. It is value you've built while you were sleeping, while you were spending time with your family, while you were eating dinner.

And now you can use it to buy a bigger house in a better neighborhood.

And after you own that house, you can repeat the process all over again to move on to a bigger, better third home. The possibilities are endless with home ownership.

You Need to Own a Home! Freedom, Security and Prestige are Within Your Grasp

When you rent, you are subject to your landlord's rules and whims. The landlord decides whether you can own pets, paint your interior, add another bedroom, improve your plumbing – the list can go on forever. Being at the mercy of a landlord in this fashion can be a constraining, frustrating way to live.

As a homeowner, however, you answer to no one except yourself. If you want to paint your home yellow, you can do it. If you want to remodel your kitchen, nothing's stopping you. If you want to have two dogs and three cats, no one can say "no" to you. For each and every day of your life in that home, you set the rules and are in control of how you live. This freedom is priceless.

Additionally, with a mortgage you know exactly what your payments will be each month. You're not surprised with sudden rent increases or eviction notices. Imagine the peace of mind and security you will obtain when you can budget your expenses without the fear of increasing rents.

In addition to your freedom and security, you will gain pride and prestige. As a homeowner, you truly own a piece of the American Dream. This fosters a sense of community and kinship that is powerful and inspiring.

Quick Notes

- *Homeownership creates equity for you.*
- *You can use your equity to build a solid financial future.*
- *Mortgage interest is a federal tax deduction.*
- *If you sell your home, you can use the equity to invest in another home.*
- *With a home, you gain freedom and security in how and where you want to live. There are no surprises in rent increase or eviction notices.*
- *To make sure you get access the best home bargains, access the listing at CRN.*

Bargains Are Waiting For You Now – We'll Help You Find Them

CRN also provides you with yet another reason to buy a home: access to listings that may potentially save you thousands of dollars. With the CRN packet you have just received, you may find a number of bargain-priced homes. Some of these categories of listings, such as foreclosures and FSBO properties, are discussed later in this brochure. Furthermore, updated listings are available online at *http://www.consumerresourcenet.com* or by calling our friendly customer support representatives at 800-983-6777.

Note: *Availability of and savings on distressed properties may vary based on market conditions and location.*

Four Easy Steps to Buying a Home

Buying and moving into your new home may seem like an overwhelming process. However, it doesn't have to be that way.

There are indeed many steps you need to take to attain homeownership. But, if you're organized and well-informed – and if you have the assistance of a company like CRN – the process can be manageable and even fun.

We make it easy and simple for you: below are some tips that will guide you through the basic steps of buying a home.

1. **Pre-qualify**
2. **Search**
3. **Compare**
4. **Make an Offer**

Pre-qualify

As the process of bidding for and purchasing a home can be very competitive, every advantage you have can help you. One such advantage is to pre-qualify (or get a pre-approval) for a mortgage.

With a pre-approval, a lender provides you with a letter that validates the amount of the loan that you are qualified to obtain. This letter gives you credibility and confirms to the seller that you are a serious buyer.

The amount listed in a pre-approval letter is a general guideline for the maximum loan you can obtain. You do not, however, have to borrow the maximum amount – you can borrow a smaller amount if that is all you need to purchase the home. Moreover, you do not have to use the lending institution that has granted you the pre-approval; you can get your loan from someone else if you prefer. Financing sources and the factors behind pre-qualification are discussed in detail later in this guide.

Search

There are several options for you to explore when searching for a home. With CRN's listings, you may find great homes at great values, regardless of your budget.

We have access to listings across a wide range of categories:

- Pre-foreclosures
- Auctions
- Foreclosures
- FSBO (For Sale By Owner)
- FSBR (For Sale By Realtor)
- Bankruptcies

Access to these markets gives you an inside look at homes you typically can't find in the classifieds or though open houses. What's more, these opportunities often feature homes at a bargain discount, so you're getting an inside look at a home that may be priced below market value.

Compare

You can't really tell if a home, or any product for that matter, is a bargain until you compare it to something similar. In real estate, similar homes are called "comparables." When you are exploring properties, you should look into comparable homes that have sold in the same neighborhood and similar areas. Such comparison shopping will give you an idea of how the home you're looking at stacks against others in a given time period. Also, if you look at comparables over a longer period of time, you can get a sense of how the area is increasing or decreasing in general value.

When looking at comparables, it's best to compare square footage, number of bedrooms and baths, lot size, and the overall condition of the homes. For example, it is not helpful to compare a 1,500 square foot home in a modest neighborhood to an 8,000 square foot estate in a posh area of town.

Make an Offer

Once you're pre-qualified, have found a home, and are comfortable with your comparables analysis, it's time to put in an offer on the house. Now you must negotiate the lowest price possible, sign the sales contract, and close the deal.

The offer process, like the other steps towards homeownership, can be easy and straightforward if you're organized and have the right assistance. In some way, it's a little like buying a new car: if you accept the asking price, you will always wonder whether you could have received a better deal. But if you offer a price that's too low, you could price yourself out of the sale. When you submit your offer, three things can happen: acceptance, rejection, or counter-offer.

After an acceptance, you have the right as the buyer to hire building inspectors to examine your new house. If they find any important problems, such as a leaky roof, faulty wiring, or termites, then you may rescind the offer. Usually, however, the buyer does not cancel the contract, but instead renegotiates a lower price for the house by deducting the cost of these anticipated repairs.

A counter-offer is a rejection accompanied by another offer. The seller refuses your offer but makes another offer in return. The counter-offer will be somewhere in between your offering price and the original asking price for the home. Treat the counter-offer like a new asking price. If you try another offer halfway between your first offer and the counter-offer, the seller might accept it.

Quick Notes

- *There are four basic steps to buying a home: Pre-quality, search compare and make an offer.*
- *With pre-approval, you know how much you can borrow and it let sellers know you are a serious buyer.*
- *Go through all the listings at CRN.*
- *Look at the prices of similar properties in the area being sold by Realtors.*
- *Visit the property to make sure it is what you want.*
- *Afterward, negotiate an offer at the lowest price possible.*

Finding a Home – Where Are the Bargains?

For decades, home buyers had few options to find bargain-priced properties: the newspaper and weekend open houses were the primary sources. A lot has changed in the past 10 years.

Now, the Internet has made information accessible from almost any part of the world. For first-time home buyers in the U.S., you can be on an equal playing field with people who are on the "inside track." CRN compiles listings of homes for sale across the entire United States from hundreds of sources. These properties include preforeclosures, auctions, foreclosures, FSBOs, and others.

To get these listings individually, a buyer would have to scour thousands of web sites and would spend several hours of tedious searching. With CRN, you get all of the listings nicely organized for you in one easy-to-use site. We turn this confusing landscape into a bargain-filled paradise for you.

Once you have access to information about these value properties, you are one step ahead of the competition. You can use your time to research specific properties instead of looking for needles in haystacks. Most importantly, you can apply your hard work to discovering a great deal that could be your next new home.

THE FORECLOSURE PROCESS

The foreclosure market can be one of the most effective options to purchase a home. CRN has extensive experience and knowledge in this market to give you insightful tips that can get you over the renter's hump and into homeownership.

QUICK NOTES

- *You can find bargain-priced properties, including preforeclosures, auctions, foreclosures, FSBOs and others, using the CRN listings.*
- *Lenders often sell these properties as quickly as possible.*
- *Beware: When buying a foreclosed property, there may be unknown physical problems with the structure.*
- *A note of caution: Lenders and government agencies do not always update their foreclosure listings.*
- *Still, there are many opportunities out there, so don't get discouraged.*

A Property Foreclosure: A Clear Explanation

Although the real estate industry can be intimidating and confusing, many of its elements are actually fairly straightforward. Take, for example, a foreclosure.

A foreclosure, in real estate terms, is the legal process by which the lender or the seller forces a sale of a mortgaged property because the borrower has not met the terms of the mortgage. This is also known as a repossession of property.

After the property is re-possessed, it can be sold by auction or through an REO (Real Estate Owned) sale. During a foreclosure auction, the property is sold to the highest bidder. In an REO sale, the foreclosed property enters the lender's asset inventory. Then, the lender sells the foreclosed property in the general market through an appropriate agent. Auctions and REO sales are discussed in detail later in this guide.

Why Should I Care About Foreclosures?

When lenders and banks foreclose on a property, they may turn around and sell the property at a discount to market values. This is why new home buyers may find bargains through foreclosure listings.

It's important to remember that lenders, such as banks and government agencies, are not property managers or realtors. They generally have no interest in pursuing the marketing and leg work required to sell a home. As a result, they often want to sell these properties as fast as possible and with as little effort as possible.

If you research the foreclosure market carefully, you may find deals on homes. Be wary, however, because some foreclosures are not good deals and can entail a wide range of headaches. The more organized and informed you are – pay close attention to comparables and specific details about the condition of house – the more confident and happier you'll be in your purchase.

Where to Find Foreclosures

CRN provides foreclosed property listings that pull together information from an extensive collection of resources that include:

- Banks
- Department of Housing and Urban Development (HUD)
- Department of Veterans Affairs (VA)
- Farmer's Home Administration
- Federal Deposit Insurance Corporation (FDIC)
- Federal Home Loan Mortgage Corporation (Freddie Mac)
- Federal National Mortgage Association (Fannie Mae)
- Government agencies
- Government-sponsored institutions
- Insurance companies and other private mortgage lenders
- Mortgage companies
- Private lenders
- Savings and loans companies
- Small Business Administration (SBA)

Because CRN has access to all of these resources, you gain entrance into a world of listings and opportunities that can lead to the purchase of your first or next home. Our proprietary database contains tens of thousands of property listings, including foreclosures and other bargain opportunities.

A note of caution: lenders and government agencies do not always update their databases and listings. At times, up to 20% of foreclosure listings may already be in escrow or sold. Although this can be frustrating for buyers, it is important to remember that more than 80% of listing may be accurate. There are many opportunities out there, so don't get discouraged if you come across some incorrect or outdated information.

PREFORECLOSURES

What is a Preforeclosure?

A preforeclosure property is in the foreclosure process, but the lender has not yet re-possessed it. Once a homeowner is in default of a loan, a countdown begins until the home is auctioned or re-possessed by the lender. Typically, this period lasts 90 to 120 days. If all of the past due payments are not paid off and if the homeowner does not get out of default in this period, then the home goes to auction.

Preforeclosure properties fall in two categories: Notice of Default and Notice of Sale.

The Notice of Default period typically begins about four months before the property is scheduled for sale. The Notice of Sale period typically begins four weeks before the sale of the property.

How is a Preforeclosure Different from a Foreclosure?

In a foreclosure, you get the property at an auction or through a REO from the lender. In a preforeclosure, you buy the property directly from the distressed homeowner, before the property goes to auction or is re-possessed.

What You Should Know Before Exploring a Preforeclosure

You may find bargains through a preforeclosure strategy. But, you can also find a lot of headaches. With a preforeclosure, you must contact the distressed homeowner directly. This effort can entail a great deal of psychological and emotional challenges. Distressed homeowners are under an extreme amount of pressure; they may not always be very friendly to strangers who want to buy their house. By the same token, if you have a strong, clear, and compelling communications strategy, you could be a welcomed relief to a distressed homeowner and discover a well-priced property.

If approached in an intelligent and well-planned manner, exploring preforeclosures may be an effective way to save thousands of dollars in a property purchase for savvy and inexperienced buyers alike.

For the preforeclosure market, CRN provides you with access to listings that may save you thousands of dollars. CRN's proprietary database contains tens of thousands of property opportunities from various sources that could lead you to the purchase of your home. To explore these listings, please visit *http://www.consumerresourcenet.com/* or call our friendly customer support representatives at 800-983-6777.

Auctions

What Happens at an Auction?

At an auction in a foreclosure setting, properties typically are described in a pamphlet or brochure that attendees receive before the proceedings begin. The information on the property can be everything from minimal descriptions to more detailed disclosures. Once a property is on the auction block, the highest bidder wins and then must purchase the property.

What Are Your Risks at an Auction?

While foreclosure auctions may provide fantastic bargains for experienced buyers, they also can present several pitfalls and risks for first-time and inexperienced buyers. For example, auction buyers rarely have an opportunity to thoroughly, or even barely, inspect a property. Once you purchase the home, all of the faults, damages, and necessary repairs become your responsibility. Also, buyers at auctions sometime are required to bring certified checks for 10% of the purchase price and must pay the remaining amount within weeks or even days – this can be a rushed and complicated process for a first-time buyer. As is often the case with great deals, huge discounts can come with huge risks. Buyer beware.

Foreclosures: Real Estate Owned (REO)

REO: A Definition

REO is an acronym for "Real Estate Owned." REO properties are owned by a lender as a result of a foreclosure, usually after the unsuccessful or incomplete sale of the property at a foreclosure auction.

Properties can end up as REO because the sale price may be less than the outstanding mortgage. The amount owed to the lender or bank can be the outstanding loan amount, the accrued interest, and any fees associated with the foreclosure sale. When the amount outstanding is greater than the home price, a buyer would lose money with the transaction, so the home just becomes the property of the lender.

Why REOs Can Be Important to First-Time Buyers

Lenders, such as banks and private institutions, typically are not in the business of buying and selling houses; they are in the business of providing mortgages. As a result, many lenders want to dispose of REO properties as quickly and painlessly as possible.

As a lender tries to sell a REO property though an appropriate real estate agent, buyers often may find a home at a discount to prevailing market prices. By capitalizing on the foreclosure and the lender's need to liquidate the house as an asset, first-time buyers may seize bargains via REO sales.

For the REO market, CRN provides you with access to listings that may save you thousands of dollars. CRN's proprietary database contains tens of thousands of property opportunities from various sources that could lead you to the purchase of your home. To explore these listings, please visit *http://www.consumerresourcenet.com/* or call our friendly customer support representatives at 800-983-6777.

FORECLOSURES: GOVERNMENT OWNED

How is a Government Foreclosure Different?

Some home loans are provided or guaranteed by government agencies. When these loans go into default and then foreclosure, the government becomes the new legal owner of the home.

Similar to an REO opportunity, the government often is anxious to get rid of these foreclosed homes. Consequently, you may find bargains through government foreclosures.

In the foreclosure market, government foreclosures generally constitute a large percentage of the available opportunities.

How to Find Government Foreclosures

As with other foreclosure opportunities, CRN compiles government foreclosure listings that can be the path to your new home. We typically list government foreclosures throughout the United States and in a wide range of home prices. To explore these listings, please visit *http://www.consumerresourcenet.com/* or call our friendly customer support representatives at 800-983-6777.

Remember, however, that government foreclosures pose the same risks as other foreclosure opportunities. It is absolutely imperative that you do your homework, examine comparables, and be as informed as possible about your impending property purchase.

FSBOs AND FSBRs

FSBOs and FSBRs: A Definition

FSBO and FSBR are acronyms for "For Sale By Owner" and "For Sale By Realtor," respectively. These opportunities may be a great way to find an attractively priced home.

FSBOs

In an FSBO scenario, a homeowner chooses not to use a real estate agent to manage the sale of his or her property. The homeowner manages every aspect of the sale: marketing, sign displays, open houses, paperwork, etc. In return, the homeowner saves the commission that typically goes to the seller's agent and to the buyer's agent.

With FSBOs, buyers can use an agent to represent them in the process. But in this case, the buyer, not the seller, usually pays the buying agent's three percent commission. This may add up to several thousands of dollars. If you choose not to use an agent to represent you in the process, then you will have to manage all of the paperwork on your own. FSBO paperwork is readily available, but you have to be extremely diligent and careful in your research. With a purchase that can be worth hundreds of thousands of dollars, you want to make sure you cover all of the details in every contract and term sheet.

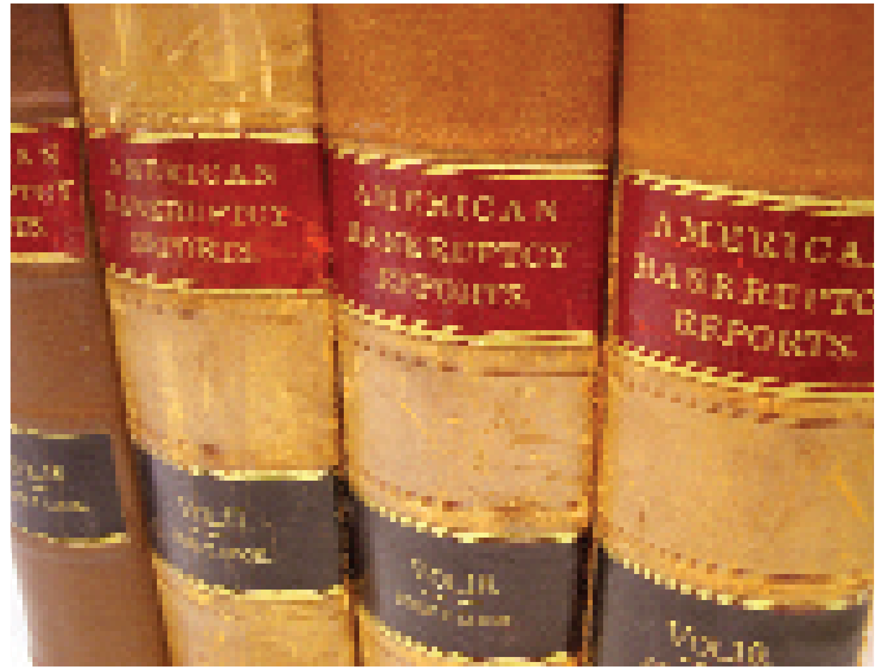
FSBOs present unique opportunities because they are usually priced a little bit below market value. Also, buyers sometimes have a little more negotiating room with an FSBO sale, as the seller is already saving thousands of dollars by foregoing the help of a real estate agent. CRN has thousands of listings of FSBO properties across the nation.

FSBRs

In an FSBR scenario, a real estate agent represents a seller in the sale of his or her home. This is the most common method of selling homes.

Selling agents receive a three percent commission on the sale of a home. Meanwhile, agents who represent a buyer also receive a three percent commission. All of the commission fees are paid by the seller out of the final purchase price.

With FSBRs, agents typically manage the negotiation and paperwork process; this is how they earn that three percent commission. You can get a lot of assistance and guidance by going the FSBR route. But, these sales can be at or above prevailing market value, as the selling agent is trying to maximize the purchase price. FSBRs can be simpler for a buyer, but they do not usually represent the same types of bargains and savings found in foreclosures and other real estate opportunities.



Tax Liens and Bankruptcy

Tax Liens: A Definition

When a homeowner neglects or does not adequately pay property taxes on a property, the state government, and sometimes local or county governments, can place a lien on that property. Liens can also be placed on a property when a homeowner does not pay income or other taxes.

Tax liens are tied to the land associated with the property. If someone buys the property from a delinquent homeowner, the new buyer assumes the responsibility of the tax lien. This holds true even if the new owner had absolutely nothing to do with the delinquent tax payments.

In a typical sales process, the tax lien is usually paid as part of the closing costs from the proceeds of the sale of the home. This assures tax lien protection for the new home owner.

Why Should You Care About Tax Liens?

When a tax lien is not resolved by a homeowner, the property can be seized by the government or investors and then sold via a foreclosure sale. In this scenario, the home could be sold at a discount. Hence, tax lien properties can represent a great way for first-time buyers to find a home below market value.

Bankruptcy: A Definition

When homeowners cannot repay or fulfill debt obligations, they sometimes file for bankruptcy. Sources of debt that lead to bankruptcy are numerous: credit card debt, investment debt, mortgage defaults, etc.

Bankruptcy can be an extremely complicated process. In general, bankruptcy allows a person to eliminate obligations to creditors but severely damages his or her credit rating. The negative effects of a bankruptcy can impact a person's financial well-being for decades.

Why Should You Care About a Bankruptcy?

When a homeowner files for bankruptcy, his or her home can be seized by creditors, lenders, the government, or other invested parties. The home then can be sold via a foreclosure sale. Similar to tax lien properties, a home in a bankruptcy proceeding may be sold at a discount. Consequently, bankruptcy properties may represent a great way for first-time buyers to find a home below market value.

For the tax lien and bankruptcy property market, CRN provides you with access to listings that may save you thousands of dollars. CRN's proprietary database contains tens of thousands of property opportunities from various sources that could lead you to the purchase of your home. To explore these listings, please visit *http://www.consumerresourcenet.com/* or call our friendly customer support representatives at 800-983-6777.

Yes, You Can Buy a Home

How Much Can You Afford?

Buying a home can be an intimidating and overwhelming process. One of the most pressing concerns for most first-time buyers is determining how much they can afford. In this section, CRN takes the mystery and guesswork out of determining your home affordability.

The Mortgage and The Home

Most first-time homebuyers place 10% to 20% as a down payment on a home purchase. This is cash that is readily available to the buyer. It usually comes from savings accounts or from gifts and bequests from parents and family members.

The remaining 80% to 90% of the purchase price is obtained through a mortgage. The amount of this loan is subject to a specified interest rate, and the repayment period can vary, but is usually 30 years (hence the term "30-year mortgage"). Your monthly payment, then, is a combination of the interest on the loan and the actual principal on the loan. As we discussed earlier, your monthly payment for the first half of your repayment period is typically comprised mostly of interest.

Mortgages are offered by banks, savings and loans, government agencies, and a wide assortment of different providers.

Quick Notes

- *Most first-time homebuyers place 10% to 20% as a down payment on a home.*
- *Most of your early mortgage payments will be comprised of interest, not the principle loan amount.*
- *Expect your monthly mortgage payment to be between 29% to 40% of your gross income.*

Your Existing Debt

First, it is important to assess your existing debt. If you have outstanding car loans, credit card debt, student loans, or other debt obligations, you'll have to take those elements into consideration when applying for a mortgage.

When you have less outstanding debt, you can claim better financial health and can qualify for a mortgage that is bigger with better interest rates and terms. Ultimately, this can save you a great deal of money.

So How Much Can I Afford to Pay Each Month?

In general, first-time buyers can afford to allocate about 29% of their gross monthly income toward housing costs. For example, if your household earns $5,000 per month gross income (i.e., before taxes), you can afford about $1,450 in a monthly mortgage payment. If you have very little other outstanding debt – no car loans or credit card debt – you could afford to spend up to 40% of your gross monthly income on housing costs.

YOUR MONTHLY MORTGAGE PAYMENT

ANNUAL Gross Income	MONTHLY Gross Income	29% of Gross Income	40% of Gross Income
$25,000	$2,083	$604	$833
30,000	2,500	725	1,000
35,000	2,917	846	1,167
40,000	3,333	967	1,333
45,000	3,750	1,088	1,500
50,000	4,167	1,208	1,667

How Big of a Home Can I Buy With This?

It's important to realize that these salary and expense calculations refer to the size of the mortgage you can afford. The size and quality of the home, however, is a different matter. You can apply the same mortgage to a small home in an upscale neighborhood as well as a large home in a more modest area. Whatever the scenario, with CRN's listings, you can find bigger, better homes at discounted values, so you can get the most out of your mortgage. To explore CRN's listings, please visit *http://www.consumerresourcenet.com/* or call our friendly customer support representatives at 800-983-6777.

Your Credit History: Why is it Important?

When lenders evaluate whether or not they can give you a loan, your credit rating can be just as important as your gross income. Why? Because your credit rating essentially tells lenders your ability to pay bills timely and in full. Your credit history can contain a record of your past bill payments, including everything from car loans and credit cards to cable television and telephone bills.

If your credit rating is strong, lenders will be more confident and able to provide you with a bigger mortgage and better interest rates. If your credit rating is poor, however, it doesn't mean that you can't qualify for a loan. Rather, it just communicates to the lender that the borrower is a higher risk investment and that the probability of default has increased.

When buyers have poor credit, lenders may be a little hesitant to provide a mortgage and may demand a higher interest. The higher interest rate compensates them for the higher risk they are taking on the loan.

By law, you cannot be denied a loan on the basis of your gender, race, national origin, religion, marital status, age, or dependence on income from public assistance. The most common reasons for denial of credit or a loan include:

- Errors on a credit report
- Very strict lender standards
- Significant outstanding current debt
- Cosigners without good credit
- Requesting a loan for non-standard purposes

If you are denied a loan, the lender must provide you with the reason for the denial or instructions on how to request the reason. You also must receive a written statement of the denial and your accompanying rights.

Checking Your Credit

Credit scores are based on information collected about consumer credit and payment histories. The three major credit bureaus are:

- Equifax
- Experian
- Trans Union

Lenders can obtain your credit score from these bureaus with your social security number and express permission.

Individuals can also obtain their credit scores by contacting the bureaus and requesting a credit report. It is important to receive and understand your credit report prior to applying for mortgages. This way, you will have an idea of your credit worthiness before meeting with a lender and you will be prepared for questions that might be posed to you.

Establishing Your Credit

In today's economy, good credit is extremely valuable. It enables you to get loans to make major purchases, such as homes, cars, and a college or post-graduate education.

Lenders look at specific factors when evaluating your credit. These include your income and expenses (rent, utilities, and other regular expenses), assets (valuable items that can be uses as collateral for a loan), and credit history (how much debt you have accumulated and how timely you have been with payments). For those who have just

begun working and for those who have had a history of bad credit, many opportunities exist to establish and improve your creditworthiness.

First, you can open savings and checking accounts in your name. Deposits, withdrawals, and transfers made over time can demonstrate your capacity to handle money responsibly.

Another method to establish credit involves obtaining and diligently repaying a loan. You can obtain a loan for a car, for example, and have a friend or relative cosign for the loan. Their good credit history will help you get the loan because as a cosigner they distribute the risk for the lender. Although loans can be an effective method to establish credit, they also carry risk and are expensive due to the accompanying interest expenses.

Quick Notes

- *Before seeking home financing, you should have some idea of your credit score. Your credit rating tells potential lenders your ability to pay bills.*
- *The stronger your credit rating, the more confident lenders will be to approve your loan.*
- *Check your credit using the three major credit bureaus: Equifax, Experian and Trans Union.*
- *If you don't have credit, establish credit. Building good credit requires on-time payments over a period of time. If you have bad credit, consider trying to repair. A history of bad credit will not necessarily prevent you from getting a home loan.*

Credit cards also establish your credit worthiness. If you have trouble obtaining major credit cards like a Visa or American Express, you can apply for gasoline and department store credit cards instead. Consistent, on-time payment of credit card bills will help improve your credit score. But, remember to be aware of the details of your credit card terms. You should know the grace period before finance charges apply, annual percentage rates, annual fees, and other items that could result in extra expenses for you.

More than anything else, building good credit requires consistent payments over long periods of time. If you are diligent in how you handle your expenses, and if you demonstrate patience, you can establish a good credit history that will ultimately lead to better mortgage terms for you.

Repairing Bad Credit

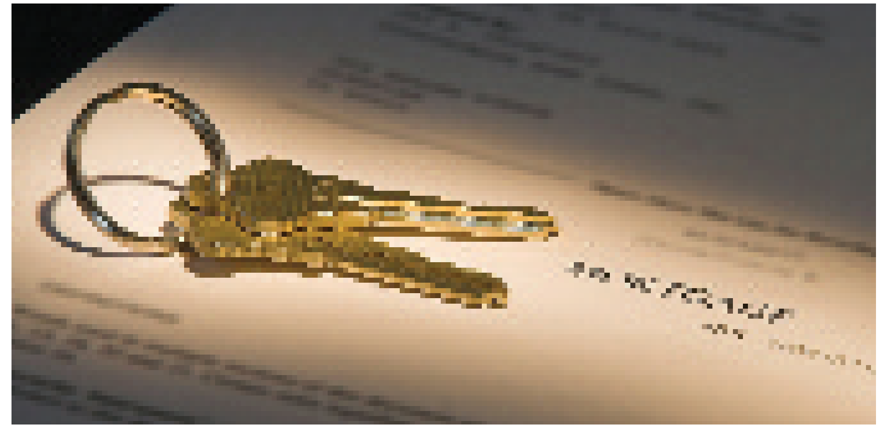
Although it can be stressful, repairing bad credit is definitely possible. Here are some tips that you can consider while trying to repair bad credit.

- Pay extra attention to how you spend money
- Create a weekly and monthly budget to monitor and minimize your expenses
- Don't forget or ignore your bills
- Ask your creditors to set up a new payment schedule that you can follow
- Stop using credit cards to make your purchases
- Work with a credit counseling organization
- Consolidate your debt so that you're making one payment instead of several
- Look for a debt consolidation strategy that has a lower interest rate than your current debts

Bottom line: Get organized, but don't get discouraged.

A history of bad credit will not necessarily prevent you from obtaining a home loan and buying your first house. Even if you have been turned down for other loans, such as a car loan, you can qualify for a home loan. With home loans, lenders use the property as collateral for your mortgage; thus, they can have more risk flexibility than with car and other loans.

If you're organized and intelligently, safely establish new credit or repair old bad credit, you can qualify for a loan to purchase the home of your dreams.



Types of Mortgages

There are several types of mortgages available through many different lenders. To correctly pick the right mortgage for your needs, you should consult with your lender and evaluate as many options as possible. Below is a list of some types of mortgages.

Fixed Rate Mortgage

With a fixed rate mortgage, your interest rate remains constant and your monthly payment remains the same over the life of the loan. If interest rates go up, your payment is not affected. Likewise, if rates go down, your payment is not decreased.

Fixed rate mortgages can be great for people who expect to remain in their homes for several years and who do not want the risk, and reward, associated with fluctuating interest rates.

Adjustable Rate Mortgages (ARM)

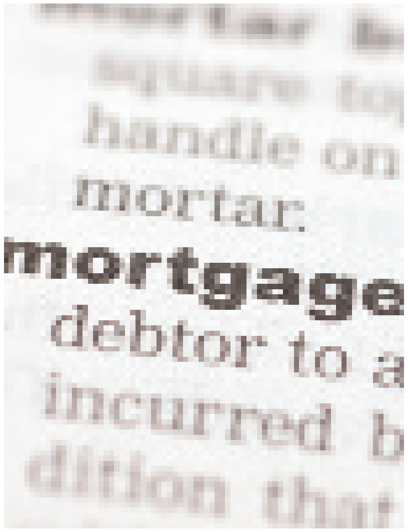
With an adjustable rate mortgage, your interest rate fluctuates and thus your monthly payments can fluctuate. Typically, ARM rates are lower than fixed rates at the beginning of a loan. If rates increase, however, the borrower's payments will increase accordingly.

With some ARMs, an initial rate is locked for a specific number of years, after which the rate adjusts to the prevailing market rate, which can be higher or lower than the initial rate.

Balloon Mortgages

With a balloon mortgage, your monthly payment remains constant for the term of the loan, which varies but is usually five to seven years. After the loan term, you can pay off the mortgage or refinance the loan.

Since balloon mortgages generally start at lower interest rates, they can allow buyers to afford bigger mortgages. For buyers who know they'll be in a home for less than the term of the loan, a balloon mortgage could be an interesting financial strategy. After the loan term, balloon mortgage amounts often increase dramatically so one should take care to consider the impacts of this type of loan.



Conforming (or Conventional) Mortgage

A conforming mortgage meets the funding criteria and borrowing limits established by government agencies Freddie Mac and Fannie Mae. Mortgages that do not meet these criteria are called nonconforming mortgages and generally carry a higher interest rate than conforming mortgages. A common example of a nonconforming mortgage is the "jumbo mortgage," which is a mortgage that exceeds the established borrowing limit.

Federal Housing Administration (FHA) Mortgage

If you qualify, an FHA loan may allow you to buy a home with a down payment as low as 3% or 5%. This strategy can result in a larger loan but more buying power as it requires less liquid cash for a down payment.

Veterans Administration (VA) Mortgage

If you are currently in or are a veteran of the U.S. armed forces, you could qualify for a VA loan. These loans are special government benefits to veterans and enable a home purchase with a low down payment.

Mortgage Assistance (Helping You Get Into the Home of Your Dreams)

Many people do not know that the federal government and private companies offer several programs that can help you buy a home. The agencies most important for you to know about are the Department of Housing and Urban Development, the Federal Housing Administration, and the Federal Deposit Insurance Corporation. Combined with CRN's listings and services, programs from these agencies can give you significant support during your home buying journey.

HUD

The Department of Housing and Urban Development, or HUD, is a government agency whose main purpose is to provide financing for low- to middle-income families. A branch of HUD is the Federal Housing Administration, or FHA. HUD and FHA administer many programs designed to help families obtain homes. You can call HUD toll-free at (800) 767-7468 to request any HUD publication or call the HUD resource center toll-free at (800) 225-5342 to receive information directly.

FHA loans have a low three percent down payment for homebuyers who live in the homes they buy (rather than renting them out to other people). HUD may also pay the agent fees for HUD-approved real estate agents who assist you in the process.

FDIC

The Federal Deposit Insurance Corporation, or FDIC, manages assets formerly owned by failed banks. The FDIC sells undeveloped land, hotels, shopping malls, single-family homes, condominiums, and apartment complexes.

You can find out about upcoming sales in your area of the country via the Internet at *http://www.fdic.gov/buying/owned*, or by writing or calling your regional FDIC offices.

Fannie Mae

Fannie Mae is a blend of a government agency and a commercial institution. Fannie Mae doesn't lend money to homeowners, but it does, in a sense, lend money to lenders so that lenders always have enough money to lend to homeowners. Fannie Mae runs the Community Home Buyer's Program, which makes available many attractive financing options to lower- and middle-income homebuyers.

To find out more about Fannie Mae call toll-free at (800) 732-6643 and ask for information about financing for first-time buyers, or visit *http://www.fanniemae.com*.

Countrywide Mortgage

Countrywide Mortgage is a large national lender. It operates the House America™ Counseling Center, which is a free counseling service that helps first-time buyers repair credit, find homes, and get financing. Call Countrywide toll-free at (800) 577-3732 for information about its "House America" program. Information about additional services offered by Countrywide can be found on-line at *http://www.countrywide.com*.

Mortgage Bankers Association of America

The Mortgage Bankers Association of America, or MBA, is a trade association that represents over 3,000 members, which include mortgage bankers, mortgage brokers, commercial banks, credit unions, savings and loan associations, savings banks, and life insurance companies. Although the MBA cannot directly help you buy a home, it does provide helpful information about the home buying process. Call the MBA toll-free at (800) 793-6222 and request a free copy of Your First Steps Toward Ownership. An on-line version of this publication, as well as other useful information, can be found at *http://www.homeloanlearningcenter.com*.

Be Aware of ALL the Costs: Expect Other Fees

In addition to your mortgage, you will need to consider a few other expenses as you prepare to buy a home. As you learn about these expenses, you will be more organized and will be able to manage your budgets more effectively.

- **Property taxes**
  Property taxes pay for the city's roads, public services, and schools.

  Property tax rates usually range from 0.5% to 2.0% per year of your home's assessed value. In some states, property taxes are reassessed each time a home is sold. Thus, the previous owner of your home might be paying a property tax that was set in 1978, while your new rate may be significantly higher. Please consult your state's tax laws to see how property taxes are assessed.

- **Title insurance**
  Title insurance protects you and the lender against ownership disputes. If there is a problem with the "chain of title," which is just the sequence of buyers and sellers throughout the years, or an old lien on the property that nobody discovered earlier, or a dispute about property lines, then title insurance will take care of those problems.

  Some lenders might require title insurance throughout the life of the loan, so you might have to add it into your monthly cost of homeownership.

- **Homeowner's insurance**
  Lenders require that you maintain a homeowner's insurance policy (sometimes called a hazard policy).

  This policy covers dangers like fires, floods, hurricanes, tornadoes, lawsuits resulting from injuries to people on your property, and sometimes theft or vandalism. Depending on the area of the country in which you live, monthly premiums may be from $10 to $100 for every $100,000 in coverage.

- **Loan application fee**
  This fee covers the lender's cost of examining your application and checking with credit bureaus, your old employers, and references.
- **Document fees**
  This fee covers the cost of filling out forms, typing the loan documents, and photocopying.

  Sometimes you can negotiate the removal of extraneous document fees.
- **Appraisal fee**
  Lenders will charge you an appraisal fee to have a professional appraiser estimate the fair market value of the home.

  Because you might hire an appraiser yourself when you are shopping for your home, speak with the loan officer to determine whether the bank will accept your appraiser's estimate.
- **Points on a loan**
  Points are tax-deductible fees that lenders may charge for giving you the mortgage.

  A single point is one percent of the mortgage amount.

  Lenders usually offer several options for loans involving different interest rates and points. For example, a lender might offer two different loans: one with 2.5 points and a 7.25 percent rate, and another one with 1.5 points and a 7.50 percent rate.

Quick Notes

- *In addition to your mortgage, you need to beware of other costs of homeownership including, property taxes, insurance and other fees.*
- *Property taxes usually range from 0.5% to 2.0% per year of your home's assessed value.*
- *Some lenders may require title insurance through the life of the loan. All lenders require that you maintain homeowner's insurance policy.*
- *There may be other fees associated with obtaining a loan including application, document and appraisal fees.*
- *Owners of condos and townhouses may be required to pay homeowners association dues.*

Although you would pay more at the beginning of the first loan with 2.5 points (compared to the second loan with 1.5 points), over the period of the loan you might save more money with the mortgage with the lower interest rate.

Points paid are deductible for income tax purposes, but must be amortized over the life of the loan.

- **Homeowners association dues**
  Owners of condominiums and townhouses may be required to pay monthly dues to a homeowners association.

  In general, you will have two groups of expenses to consider when buying a home: those that you pay at the beginning of the loan and those that you pay throughout the life of the loan.

  Be sure to ask your loan officer to name all the various "closing costs" for a home loan and how much they typically are. The total amount of these costs, plus the down payment you can pay, will be the amount of money you need, in cash, to close your loan.

Other Helpful Ideas for Your Home Purchase

Using a Realtor

The best way to find a good real estate agent is to ask your friends. Agents know that much of their business comes through referrals, so you will be especially welcome if you tell an agent that a friend recommended him or her. Otherwise, you can look in the yellow pages under "Real Estate" to find an agent, or ask your attorney or accountant, if you have one. When interviewing potential agents, the most important thing is your trust in him or her. Meet with several agents until you find one with whom you feel most comfortable.

Property Reports

Hiring a professional home inspector is a worthwhile expense. Usually for $250 to $350, the inspector will examine all aspects of the property and provide a written report of all defects or possible future problems. The report can be an assurance to you that the home is well-made and in good condition. The inspection report also is written evidence of the home's defects; it can help you negotiate a lower price for the home or help you create a "fix-it" list for the seller.

Home Evaluation Checklist

Before you purchase your home, you'll want to feel confident that you're getting a sturdy, well-built house. Below is a home inspection list that will help guide you as you evaluate the health of your home.

- **Year of construction**
  Older homes can be beautiful and charming, but they can have hidden damages and structural weaknesses as well.
- **Electricity**
  Many older houses were not designed to handle modern, high-energy appliances like hair dryers, space heaters, microwave ovens, halogen lamps, and power tools. Using these items in an old house can cause electrical fires. An electrician can bring the home up to modern electrical standards, but the work could be fairly expensive.

- **Plumbing**
  Hot water causes lead to leach from lead pipe surfaces and contaminate your drinking water. This contamination can cause serious adverse health effects, especially in children. If you look at old homes, be sure to ask whether the drinking water pipes are made from lead.
- **Paint**
  Homes painted before the 1980s might contain lead paint. If a home has not been painted since then, and the paint appears to be flaking off, you should hire a professional to remove the paint safely and properly, and then repaint the home.
- **Code compliance**
  Even the most modern homes might not comply with building codes and health and safety regulations. If you hire an inspector to examine a home, be sure to ask him or her to review the home for code violations.
- **Condition of the home at different times of the day**
  If you like one home in particular, make an appointment to examine it at night as well as during the day. Loud noises (such as from a nearby freeway), and other problems with the house, such as insect infestations and unruly neighbors, might show up only after dusk.
- **Neighbors**
  There is nothing wrong with knocking on the next-door neighbor's home and asking how he or she likes living in the neighborhood. It's best to be informed of neighborhood issues before you buy a home.
- **Utilities**
  Not all homes have the same utilities and public services.
- **Heating and cooling systems**
  Most homes have appropriate heating and cooling systems for the local climate, but you should ask to be sure.
- **Some basic services you should consider include:**
  — Requirement of private garbage disposal services
  — City sewer system vs. your own septic tank
  — Access to cable or satellite television
  — Private roads that may require maintenance
  — Special city assessments, such as for new public roads leading to the property

Now Go Out and Find a Home!

To rent or to own? With the help of this guide and your diligent hard work and research, you probably now know the answer to this question, which is a big, resounding "Yes, you should own!"

You've learned quite a few things through the topics covered in this guide, including:

- Why you should buy a home
- How to buy a home
- Where to find bargain-priced homes
- The types of financing options that are available
- Some extra tools to help you in your purchase

Now you just need to go out and find a home; and, with CRN, you have a big head start on this road. CRN provides you with access to thousands of listings that may save you thousands of dollars. To explore these listings online, please visit *http://www.consumerresourcenet.com/* or call our friendly customer support representatives at 800-983-6777.

Good luck on your home buying journey!

Home Evaluation Checklist

Neighborhood	Description
Traffic	______________________________
Noise Level	______________________________
Safety/Security	______________________________
Number of Children	______________________________
Pet Restrictions	______________________________
Appearance	______________________________
Parking	______________________________
Zoning	______________________________
Fire Protection	______________________________
Police Protection	______________________________
Snow Removal	______________________________
Garbage Service	______________________________
	Distance to
Supermarket	______________________________
Work	______________________________
Schools	______________________________
Shopping	______________________________
Child Care	______________________________
Hospital	______________________________
Doctor/Dentist	______________________________
Recreation/Parks	______________________________
Restaurants	______________________________
Entertainment	______________________________
Place of Worship	______________________________
Airport	______________________________
Highway(s)	______________________________
Public Transportation	______________________________

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