

NAVIGATING FOR SUCCESS

Winning Strategies for 2008 and Beyond

Creating A “Better” Bottom Line...

*“Financing
Programs That
Will Enable
Your Clients To
Buy A Home!”*



*“Financing
Programs That
Will Sell Your
Listings Fast!”*

With Creative Financing & Strategic Marketing

Presented By

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Pacific Trust Mortgage, a division of TMBG Inc.



Discover The Secrets Of Out-Of-The-Box Financing And Marketing That Will Sell Your Slow Moving Properties

Introduction:

Please ask yourself the following question: “With the changed housing market am I willing to do whatever it takes to get my listings sold and to help more buyers take advantage of this once in a generation opportunity to buy a home with HUGE savings?” If you answered “**Yes**”, then you must be willing to “think outside the box” in terms of how you will market your listings and structure financing options for your buyers.

There are several new financing programs and marketing ideas that are essential in the “New” market that will enable you to sell your listings faster and help you structure purchase contracts that will get many buyers into homes that they normally wouldn’t be able to purchase. While most of the ideas and programs shared in this small booklet will be discussed as they relate to FHA financing, most of these idea will work equally well with conventional and VA financing.

*“My goal is to help you change your mind-set and implement new strategies when it comes to marketing slow moving property. The most popular strategy employed today by Realtors to sell slow moving property is to **REDUCE THE PRICE on a home.**”* In sections 2, 3, and 4, you will find reasons not to reduce the sales price.

The idea that price reduction is a great marketing tool for selling property in today’s changed market is a myth. Price reductions are a “Ho Hum” means of marketing. It is certainly not a “Thinking Outside The Box” type of marketing. Potential buyers that drive through neighborhoods looking for that “special” house are confronted with FOR SALE signs all over the place that tell them nothing about the property except that there is perhaps a “new price” for the home. Most Realtors fail in their observable marketing to provide a compelling reason for buyers to inquire further about their listings. Lowering the sales price may move some stagnant properties a bit sooner, but as a primary marketing tool, it falls way short of the benefits you will gain from the other efforts talked about in this booklet.

In nearly every instance when you negotiate with a seller to lower their asking/selling price, you are leaving thousands-and-thousands of dollars on the table - dollars that could have been used to create compelling reasons for a buyer to purchase your listing.

Most all loan programs today allow the seller to contribute up to 6% of the sales price toward a buyer’s closing costs and pre-paid expenses. Instead of reducing the sales price on a home, use the dollar amount that you would have reduced the sales price by to pay the buyer’s closing costs and pre-paids. And then, put that information on signs in the yard of the property. In the sections that follow, you will discover additional uses of seller concessions that are nothing short of outstanding. So, when the thought of price reduction enters your mind, recognize that type of thinking is “old market” thinking. Price reductions aren’t as effective in today’s “changed market.” Price reductions mean lost revenue for creative financing and the effective marketing of properties.

Okay, we know that seller concessions can be used to pay for a buyer’s closing costs and pre-paid expenses, but in sections 1 and 2 you will discover additional uses for these “marketing” dollars that will get your properties into the “SOLD” column. Again, the seller concessions that you are about to discover will get your properties sold if a when you couple them with “**Strategic Marketing**”. Section 3 will introduce you to the type of marketing that is imperative in today’s market place.

Sell Your Slow Moving Listings Faster With A Permanent Buy Down Of The Interest Rate By The Seller!



In the tables below, you will see that from a financial standpoint, a buyer will experience a greater benefit from a permanent interest rate buy down than buying a home where the price has simply been reduced.

Your listings will attract more buyers because of the lower monthly payments... And, from a psychological standpoint, your sellers will be more open to a concession than a price reduction.

It's a WIN – WIN Situation For Everyone!

Financing Options (Ex. FHA w/ 3% Down)...

Original Financing		Drop Price \$15,000		Permanent Rate Reduction		To Get This Payment...	
Price	\$275,000	Reduced Price	\$260,000	Price	\$275,000	Price	\$246,500
Down Payment	\$8,250	Down Payment	\$7,800	Down Payment	\$8,250	Down Payment	\$7,395
Rate	5.25%	Rate	5.25%	Rate	4.25%	Rate	5.25%
Loan Amount	\$266,750	Loan Amount	\$252,200	Loan Amount	\$266,750	Loan Amount	\$239,105
FHA Fund Fee	\$4,668	FHA Fund Fee	\$4,414	FHA Fund Fee	\$4,668	FHA Fund Fee	\$4,184
New Loan Amount	\$271,418	New Loan Amount	\$256,614	New Loan Amount	\$271,418	New Loan Amount	\$243,289
P&I Payment	\$1,499	P&I Payment	\$1,417	P&I Payment	\$1,335	P&I Payment	\$1,343
SAVINGS	\$0	SAVINGS	\$82	SAVINGS	\$164	Price Drop Required...	\$27,645

→ See "A Better Way To Buy This Home" on the next page for additional Buy Down Information

CHECK THIS OUT - To achieve the same result as a permanent rate buy down, in the first example, the seller would have to drop the sales price by \$27,645. This amount reflects a greater income loss to the seller than if they offer a permanent interest rate concession to the buyer of \$8,250.

Another huge benefit to the buyer is that whatever the concession costs to the seller, the buyer gets that amount as a tax write-off.



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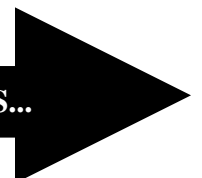
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No Matter How Good The Deal Is For Everyone
Involved, If The Signs That Are Placed In The
Yard Of Your Listed Property Aren't
Announcing The Buyer Benefits To Those
Who Pass By Your Property, You Will Never
Get Your Message of **SAVINGS** Out To Them!
Get This New Concept Out!!!

USE "UGLY" YELLOW SIGNS...



A BETTER WAY TO BUY THIS HOME

12331 Possession Lane Edmonds 98026



With a full shift in power from a seller's market to a buyer's market, both buyers and sellers need to re-evaluate the best approach to a transaction. The examples below illustrate how a **"Closing Cost Credit"** (3% for closing) from the seller, when applied toward a buyer's Interest Rate can produce significant monthly savings for the buyer, and re-position the property to stand out against it's competition.

	Scenario 1:	Scenario 2:	Scenario 3: "BUY DOWN"
Sales Price	\$760,000	\$737,200	\$760,000
Down Payment	15% (\$114,000)	15% (\$110,580)	15% (\$114,000)
Loan Amount	\$646,000	\$626,620	\$646,000
Program	5/1 Interest Only ARM	5/1 Interest Only ARM	5/1 Interest Only ARM
Rate	5.875%	5.875%	4.875%
Term	60 months	60 months	60 months
Annual Income To Qualify	\$99,032	\$96,502	\$84,676
Total Monthly Housing Costs*	\$3,714	\$3,614	\$3,175
Monthly Savings	\$0/month	\$100/month	\$539/month
APR	5.386%	5.265%	4.280%

Information is provided to assist real estate professionals and is NOT intended to extend credit as defined by section 226.5 Regulation Z. Rates are accurate as of the date printed and are subject to change until locked. * **NOTE:** "Total Monthly Housing Costs" includes principle, interest, property taxes, insurance, and HOA dues and/or mortgage insurance (if applicable). Buyer to verify the information provided above. Rates and loan programs are accurate but subject to change without notice.

In this example, we used 3% in points or \$22,800 to permanently buy down the interest rate from 5.875% to 4.875% resulting in a **Net Savings of \$539 a month.**

Also, the "points" are usually a tax deduction in the year the property was purchased for the buyer. Please consult your CPA for specific information.

This example shows you the power of reducing Interest Rate versus Sale Price. **BUYER: Let me show you a smarter strategy to help you finance the purchase of the home of your dreams!**



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Because It's Not Just A House, It's Your HOME.

Ho Hum... Just Another House For Sale - YEAH, "Price Reduced"!!!



Exciting - Car Stopping - Generates Phone Calls - Sells Property!



Strategic Marketing And The Use of “Ugly Yellow Signs”

I can hear some of you now, “We are not going to clutter the yard of my seller with junkie looking signs.” Fair enough, but let me ask you a question, “Do you want to sell your listing (and generate leads) or simply advertise it?” Right now, in most neighborhoods, most homes are simply being advertised. There is very little if anything about the For Sale sign that would make a potential buyer want to get additional information. There is virtually nothing about the homes, other than their size and style that differentiates them from any other home that is For Sale.

How is a potential buyer who sees that you have a home For Sale going to know about all of the incredible opportunities that are available to them in terms of financing and affordability if you don’t show them while you have their attention?

Remember, today’s market dictates that you must “think outside the box” in terms of how you market property. Buyers want value. They want information and they want it now. So give it to them. Use ugly yellow signs to communicate what is available to them. Your use of Strategic Financing and the “Ugly Yellow Signs” will differentiate your property from all of the other “Ho Hum” properties in your neighborhood. You will get phone calls and you will sell your homes more quickly. Furthermore, you will have very happy buyers and sellers that will recognize you as a true pro in your industry.

Here are some samples of “Ugly Yellow” signage that will motivate potential buyers to call you.

**Own This Home
For Only
\$1,450 a month**

**Ask About How
You Can Own This
Home And Have
No Payments for 3
Months & Seller
Will Pay Your
Closing Costs!**

**Ask Us How We
Can Save Your
\$225 On Your
Monthly Payment**

**Seller To Pay All
Closing Costs
& Pre-paid
Expense**

**4.5% Permanent
Interest Rate
30-yr. Fixed**

**Seller Will Pay
House Payment
For First 6 Months**

**Exclusive Offer
On This Property Only!
No House Payments
For The First 6 Months
Must close by 12/29/08**

Exclusive Offer!!!

No House Payments For Up To 6 Months

Wouldn't a sign heading like this catch people's attention? You bet it would. Can you offer something like this? Absolutely! With FHA financing it is now possible to use a seller's concession to pay the interest portion of a house payment up to 6 months for a buyer. Can they pay fewer than 6 months? Yes! Here is another alternative to "reducing the price" that will excite buyers and get your home sold.

Here's How It Works:

- Available in conjunction with 30-year-fixed rate FHA/VA purchase transactions only
- Maximum seller contribution up to 6% of the sales price for FHA/USDA-RD transactions
- Maximum seller contribution up to 4% of the sales price for VA transactions
- Seller contribution may be used toward the borrower's interest portion of their monthly payment, closing costs, and/or pre-paid expenses
- Borrower must qualify at the note rate in order to take advantage of this feature.

EXAMPLE:

Purchase Price of New Home: \$300,000. Loan Amount: \$291,000 LTV: 97%

Loan Type: 30-year Fixed Rate FHA or VA Interest Rate: 6.5% Estimated Closing Costs: \$7,000

Estimated Prepays: \$1,500

(Seller/Builder agrees to pay 6% toward closing costs, prepaids, and the monthly interest portion of the borrower's mortgage payment.)

Month	Principle Payment Amount	Interest Payment Amount
1	\$263.07	\$1,576.25
2	\$264.49	\$1,574.83
3	\$265.93	\$1,573.39
4	\$267.37	\$1,571.95
5	\$268.81	\$1,570.50
6	\$270.27	\$1,569.05

The lowest monthly interest payment amount occurs during month 6 at \$1,569.05

NOTE: The amount of interest contribution made by the seller/builder must be a fixed amount; payments applied to the monthly interest can not fluctuate from month-to-month.

Here's How It Works: Total Interest Payment For Initial 6 Months...

$\$1,569.05 \times 6 \text{ months} = \$9,414.30$

(This is the total amount the seller/builder can contribute towards the monthly interest payment for the borrower)

Seller/Builder contribution towards monthly interest payment: \$9,414.30

Seller/Builder contribution towards closing costs: \$7,000.00

Seller/Builder contribution towards prepaids: \$1,500.00

Total: \$17,914.30

In this scenario, the borrower will only make payments of **\$270.27 (plus taxes and insurances)** for the first 6 months of their loan.

For More Information On How To Offer This Amazing Marketing Strategy, Please Contact

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Summary:

As you studied the flyer in Section 1 about permanently buying down a buyer's interest rate, I am certain that you discovered the tremendous financial advantage that the interest rate buy downs have over reducing the price on the property. The monthly savings can be huge and will increase the opportunities for more people to purchase homes.

Little more needs to be said about a buyer not having to make the interest portion of the house payment for up to 6 months. I am certain that the lights went on as you devoured the information found in Section 2. Those that are hesitant to purchase a home while their primary home is still on the market can now become active buyers. There is no need for an expensive "bridge loan" any longer.

Just think of the possibilities that now exist for new home buyers with these creative financing programs. You can mix and match how you use seller concessions. Seller concessions can be used to pay all or a portion of a buyer's closing costs, prepaids, interest rate buy down, and/or the interest portion of their monthly house payment. Your clients can now finance their home purchase "Their Way."

Okay team, as exciting as these financing programs are, they will be of little benefit if potential home buyers aren't shown that they exist and how they can benefit from them. It is all in how you present the information. You must "think outside the box". If you don't, you can be sure that your competitors will implement the "out of the box" financing and marketing strategies sooner than you realize.

For more information and help with financing scenarios, flyers, and marketing strategies, please contact your "Out-of-the-Box" mortgage advisor, Dan Keller.



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