



HOME BUYING IN HARLEM: "Be Prepared to Buy NOW!"

By Rev. Charles Butler, HCCI

What makes the home buying process so challenging for most first time buyers is not obtaining a mortgage, now I will admit that is a difficult task in itself but a mortgage can be obtained from most lenders providing you are 'mortgage ready.' But for most first time buyers it comes down to finding property that you can afford in a specific community where you would like to reside.

This is the biggest problem most buyers are facing today and one that does not have a readily available solution. For most buyers this will mean making some very tough decisions. You must thoroughly investigate your options. Look at the situation from all angles. Should you consider purchasing a smaller

home in order to stay within a specific community? Remember the first rule of purchasing; does the unit meet your needs? It may or may not make sense to purchase a home in a specific neighborhood just because you can afford it if the unit is too small for your household. What you will have to consider is the big picture; your future plans and the course of action most appropriate for getting your dream home.

Ok, here is a workable home buying plan for you to consider (1) think of your first home purchase as an initial investment. It may not be your dream home, but it will help get you started to make that larger purchase. Use this purchase to build up some equity and in a few years purchase something

more suitable for your household size. If that is your plan to build up the equity and increase your savings, then it may be worth a few years of sacrifice in order to reach your ultimate goal.

This is a workable strategy that many low to moderate individuals and families have been using somewhat successfully in order to reach their goal and not to be pushed out of their neighborhood. Remember a dream delayed is not a dream denied. Sometimes you may have to take a step backward in order to achieve your goal. There is nothing wrong with modifying your plan, amending your projecting purchase date, or purchasing a smaller more affordable unit until you can buy the home you desire.

Another option can be (2) to purchase a unit in another borough that may meet your needs and be affordable based on your income. Again you will have to weigh out the pros and cons of this decision. Several factors to be considered will be the travel distance to your job, perhaps enrolling your children in another school or even looking for another church for worship. Remember try to make the move as smooth as possible and limit the inconveniences for you or your family.

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One of the key learning tools for the first time home buyers is mastering the art of negotiation. In some cases, being a successful negotiator can reduce the purchase price by several thousands of dollars. In order to be successful, you must be able to interpret the current conditions in the housing market. The difference in the type of market will mean there is either more or less housing stock available for purchase. The less housing stock the greater the demand and the home will command a higher price and value (seller's market). The more housing stock the less demand and the home will usually be sold at a lower price (buyer's market).

Here are some tips to assist you in negotiating a lower pur-

chase price: (1) remember an asking price is just that - an asking price. Everything is negotiable in real estate. Appraisal values will fluctuate depending on several housing factors, including location, condition and age of the unit, and comps - what similar properties have recently sold and at what price? The appraisal value is very important because a lender will not approve your loan if the appraised value is less than the agreed selling price.

(2) Do your research and your homework. Try to determine how long has the property you are considering been on the market? What homes have recently been sold in the neighborhood? Have there been any short sales or foreclosures in the neighborhood. These are factors that can

lower the overall values of other property. Homeowners are less likely to drop down on the price if the home has only been on the market for a short period of time. If the home has been on the market for an extended period of time and the owner has not received any offers, he will be more inclined to consider lower offers than he was initially asking. Know exactly how much you can afford to spend.

(3) Be willing to walk away from the house. If you cannot agree to a price within your range do not be afraid to walk away from the house and just start looking for another. Even in a sellers' market there are other homes available. So if the first one does not work out just continue on your housing quest. You

should plan on seeing several homes even before making your first offer. You want to get a good feel for what is available on the market and compare the different features of the property. Also you want to consider the neighborhood; how convenient is it for shopping, transportation etc. Try to attend as many open houses as possible this will provide you with invaluable experience, information and insight especially when considering making a competitive offer.

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The home buying process is probably one of the most complex and nerve racking endeavors anyone can undertake. But attending a home buyer education workshop can assist you in minimizing the stress and anxiety that usually accompanies buying your first home and can save you a great deal of money by avoiding expensive mistakes that can rob you of your hard earned money.

I'm sure you would agree you do not have money to waste. In the home buying arena, knowledge is power that is why the home buyer education workshop is so valuable for first time buyers. The more information you have, the better equipped you will be to succeed through the process. Last week I discussed being mortgage ready, having adequate money saved and 24 months clean credit history.

Today we will look at another aspect of this process which is assembling a team of trusted industry professionals to assist as you navigate through this process. The first person on your team should be (1) the housing counselor. Initially this is the most important person in the process for you. Your housing counselor will provide information to you on maintaining a monthly household budget, how to improve your credit, various mortgage products offers by the banks and the eligibility requirements for various grant programs. Your housing counselor will be your primary guide through the home buying process. The housing counselor will assist you in developing a step by step action plan to navigate through the process.

Once you have become mortgage ready and have decided on a lender, your next team member will be (2) your loan officer. Your loan officer will provide you with a pre-approval, once you have provided them with the appropriate documents - pay stubs, tax returns and bank statements. You can inform your loan officer on the type of property you are considering to purchase and the down payments requirements for that specific type of property. After receiving your pre-approval from your lender, the next member of the team will be (3) your real estate agent. Now that you have an amount and decided what type of property you are looking to purchase, the agent can assist you in identifying property within your price range that meets your needs in terms of size and within the

communities that are your primary choices.

The final team member that you need to consider is (4) your real estate attorney. Your attorney will assist you with the legal aspect of the purchase including reviewing your sales contract and making escrow payments. Make no mistake about it there are people out there who will not have your best interest in mind and are more than willing to take full advantage of unsuspecting first time buyers.

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It never ceases to amaze how fast time is moving and in the home buying process it moves even faster! As fall is quickly approaching, it becomes incumbent for you to accelerate the home buying process. I cannot stress enough to my first time buyers the importance of creating an aggressive savings plan to assist you in moving through this process. Now I do realize the difficulty most perspective buyers trying to save money for the purchase of their home. This is a challenge that most people are facing not only Harlem residents but everyone living in New York City. As rents and other monthly living expenses continue increasing it becomes harder and harder to save anything unless you are working a second job and even then good luck.

This is why the monthly household budget is so vital to the home buying process. Here are a few tips that can assist you in creating and maintaining a greater portion of your monthly income:

(1) Pay yourself first-this is where self discipline becomes vital to your impending success as a perspective home owner. You must be able to set aside some money in an account for your home purchase. Most people will pay off their monthly expenses before considering setting aside money for savings. The problem is after paying off these monthly there is very little or no money left over for savings and you usually are unable to accumulate adequate money for savings. Without having money to increase your savings most

people are stuck in financial limbo, which leaves them unable to purchase a home. They unfortunately have no alternative but to continue renting.

(2) Set a specific goal as to the amount that you plan to save each month and stick to the plan. Make your goal challenging but reachable. You don't want to get frustrated by never being able to achieve your savings goal. But you do want to push yourself as much as possible. Sometimes you will have to reduce some of the monthly expenses to reach this goal. This again will call for self discipline and determination.

(3) Look for areas to cut expenses in your budget. Start taking your lunch to work, buy only what you need and do not get caught up in shopping fren

zies. Request your credit card companies to lower the interest rates and search for a lower cell phone plan.

(4) Review your goal to insure you are getting closer to reaching your target amount. This will serve as motivation as you see realize your savings is growing and you are moving closer to attaining your goal. Remember you are planning for purchasing a home and will need every dollar within your possession to complete the home buying process.

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This home buying market is getting crazier by the minute. Who knows what will happen next? Just when it seemed like the market was settling down a buying frenzy has started to take place. That's the good news because an increase in home purchases is an indication in the level of consumer confidence. The economy must be turning around and first time perspective home buyers are again eager to venture into the housing market.

Also there is still some financial assistance available for first time buyers through the "City Lift" program. This grant is providing an additional incentive for individuals planning to purchase a home. From what I understand, the funding for this program is coming from Wells

Fargo, but you can use any authorized lender for the mortgage. However, you must have received a voucher from Wells Fargo. The property must be located in either the Bronx or Brooklyn. Also you must have signed a sales contract by August 8th.

But if you have a voucher, you may still be eligible for the financial assistance because several of the initial registrants have failed to locate suitable property by the established date. So this program will still be open for those on the waiting list. There will also be another version of this program going forward in September called "Mini Lift." This program will not be as lucrative as the "City Lift" but will highlight affordable mortgage products and grants pro-

grams that will be available to first time home buyers throughout New York City.

The important things to remember as you start the home buying process are (1) to manage your money wisely. Start by creating a monthly household budget. You must cut down on wasteful spending and increase savings in preparation for your purchase. You must be able to show a potential lender where your money is for down payment and closing cost, even if you are eligible for a grant. (2) Clean up your credit. Depending on the mortgage product, lenders want to see 12-24 months clean credit history. You cannot have any delinquent accounts or anything in collections if you are planning to apply for a mortgage. (3) Pay down on the existing balances on

credit accounts. Your debt to income ratio will be an important factor in determining your eligibility for a mortgage. If your current credit debt is too high you can be denied a mortgage. (4) Use credit wisely. Only open new accounts as needed. Be responsible with your credit cards by staying within your allowable limit. Your outstanding balance should be no more than about 25 - 30% of your limit. Maintaining this ratio will help to increase your credit score, which will make you a more attractive borrower to your lender.

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The biggest obstacle most first time home buyers are trying to overcome is learning how to save money while paying monthly living expenses. This is a huge problem for most people because their current amount of rent is deeply cutting into the amount they can save. So it is taking longer than they expected to save an adequate amount of money for the down payment and closing cost for their new home. There is not much help for you in this area but here are 2 programs that can provide assistance.

If you meet the household and income guidelines, and are buying in New York City you may be eligible for the Home First Down Payment Assistance Program. This program can provide you with 6% of the purchase

price of the property up to \$15,000 and can be used for closing costs or for down payment. You must complete the Home Buyer Education Workshop and use an authorized lender in order to be eligible for this grant. The property must be your primary residence for a minimum of 10 years. You can go to their website www.nyc.gov/hpd to see if you meet the income guidelines and other requirements for this program.

The other program is the First Home Club Savings Program. This is a matching savings program and will give you \$4 for every dollar you save. You can save a maximum of \$1875 and the program will match it with \$7500. You have to make regular monthly saving deposits for a minimum of 10 months. This pro-

gram has higher income guidelines than the Home First program and you can use the money to purchase a home in New York or New Jersey. Currently there are only 3 participating lenders for this program and whichever one you select you will also have to use for your mortgage. You must complete the home buyer education workshop in addition to the required documents needed to accompany (2 years tax return and W2, one month pay stub) the application to start the savings program.

It is also important to note that if eligible you can combine both of these grants to maximize your amount of the financial assistance towards purchasing a home. The important thing to remember here is having adequate savings to achieve your

financial goal of homeownership. These programs will supplement your savings towards reaching that goal. They will not by themselves provide enough savings.

The lender will need to see your money for down payment and closing costs. You can use savings, checking, retirement, and investment accounts to demonstrate that you have the money necessary for this transaction. You cannot deplete your savings just to get to the closing and will need some reserve funds set aside.

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There is really a big push to purchase property now. A lot of excitement is over the grant money that is available for first time home buyers through the "City Lift" Program offered through Well Fargo. This program provides first time home buyers with \$30,000 in financial assistance if you are purchasing property in either Brooklyn or the Bronx. Sorry Manhattan and Queens, maybe better luck next time.

You must have registered for this program back in June and be in contract by August 7th in order to be eligible for the grant. However, it may not be too late for those who missed out on the initial registration. A waiting list has been developed to assist those who missed the June date. However, you must

still get a pre-approval from a mortgage officer and complete the home buyer education workshop from an authorized housing counseling agency, then you must wait to be called from the list and in the meantime you must be looking for affordable property but not yet in contract. Sounds lot a lot of work and there is only a slim chance that you will be selected but for \$30,000 it is definitely worth the effort.

If you are interested in obtaining more information about this program you can google "City Lift" to see the requirements and if you can still take advantage of this tremendous opportunity. The big problem for those who have registered back in June is finding affordable housing in the

areas designated by the program. I was informed last week that all of the affordable properties in Brooklyn have been sold and right now not too much is left in the Bronx. If you cannot get a sales contract you will miss out on getting the financial assistance.

This is another indication of how the market trend is shifting back to a seller's market. I said that was starting to happen a few weeks ago and now we are witnessing the impact. Expect home values to continue increasing over the next few months. The Feds have stated the interest rates will remain steady, but if you have been watching them you will notice they have increased slightly over the last six weeks.

For those who are mortgage ready, this may be your best chance to buy. Continue your housing search and make a competitive offer within your range if you find something you like. However at all cost stay within your price range. Remember the three factors of homeownership. (1) Comfortably afford the price; (2) meets your needs; (3) good condition and safe community. The worst thing to do is to rush through the process. Do not settle for just anything. That old adage "haste makes waste," is still true.

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Another mad rush on home buying is looming on the horizon. For first time home buyers the window of opportunity is getting smaller and smaller. You must position yourself to purchase within the next 6 months because home prices are again increasing and interest rates are on the rise. What does that mean for you? Simply this – stop procrastinating! You can no longer put off until tomorrow what needs to be done today.

Most of us missed the great home purchase opportunity of the eighties when the city was virtually giving away brownstones. This may be the last chance to purchase a home before the interest rates and the home values become completely unaffordable. The decision is yours. If you are tired of paying rent, which is constantly increasing than homeownership might be right for you. But you must be dedicated to the process. Don't give up on your dream. You can become a homeowner but it takes a lot of hard work, desire and determination to complete the process.

The question becomes now how bad do you want a home? Are you willing to make the necessary sacrifices to purchase your home? That is where some many people fall short. They do not have the personal discipline required to change their spending habits and current lifestyle in order to prepare for homeownership. You must be able to maintain your focus throughout the entire process. This starts with establishing a monthly household budget, reviewing your current income and

expenses, then deciding on what expenses can be either reduced or eliminated.

Plan to buy as soon as possible. In order to reach that goal you must start an aggressive savings plan. (1) Pay yourself first. Put away as much money as you can for your purchase. Don't wait until after you pay your bills to start saving, you may not have any money left by that time. (2) Eliminate all wasteful spending. By reviewing your monthly budget, you will begin to recognize where you are wasting money. Once you have identified these areas you can start making the necessary corrections in your spending habits.

I often share this example in my home buyer workshop – if you have been living in your apartment for ten years and paying \$1000 per month, you have already paid \$120,000 in rent and have absolutely nothing to show for it. Over that same period of time, with that amount of money you could have been well on your way to paying off your home! Plus now you would have created some equity in the property. This is a major advantage of homeownership, especially as your home increases in value. Now is the time, take the first step by registering for the Home Buyer Education Workshop.

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Hey everyone if you have not notice the mortgage interest rates have gone up nearly a point within the last 30 days! I heard the rates may be as high as 6% by the fall. This means if you wanted are to take advantage of the lower rates, you must be ready to buy your home right now! I mean like in the next 30-60 days. I know most of you have been contemplating purchasing property for a while, but now the time for contemplation is over. You must move aggressively forward with your plans for homeownership.

So here is what you need to do. Start with getting a pre-approval from an authorized lender. If you are not sure about these lenders, please call me and I can assist you in determining which lender would be most appropriate for meeting your needs. Remember not every lender will offer every type of mortgage. The pre-approval will provide you with an approximation of the amount money you will be able to borrow.

You also need to have calculated the amount you feel comfortable borrowing. You can do this best by using your monthly household budget. The monthly budget is your primary tool in this process.

It will tell you how much you can save each month, how soon you will ready to buy and how much you can afford to spend for a monthly for a mortgage payment. Remember if you are considering purchasing a coop or a condo you will also need to calculate a monthly maintenance fee in with your housing cost.

There are still some great housing deals available especially in the area of Housing Fund Development Corporation (HDFC) coops and new development properties through the New York City lotteries programs. Some of the existing lottery programs may still have vacant units available for purchasing. You will need to contact the marketing agent to see what is available and the asking price.

If you search really hard, you may run across a short sale. That is where the owner sales the property for less than what is owed to the bank. The bank must approve the sale before the deal can be finalized. This usually slows down the entire process, but usually the price is below market value and that makes the purchase worth the wait.

Banks seem to be willing to lend money again, but they are still conserva-

tive in their lending practices. Most banks will want to see where is the money coming for your down payment and closing cost. They will also require that you have demonstrated a consistent work history for a minimum of two years. Most of them will want to see at least 24 months clean

credit history. That will mean no late payments, delinquent accounts and nothing in collections.

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People are still asking me if there are any affordable homes left to buy in Harlem. My answer to them will vary depending on what they are looking to buy and on their definition of affordable. The big question is how much can you afford to spend on a monthly mortgage? That's what will determine if the home is affordable for you.

When applying for a pre-approval your lender will calculate your housing affordability based on your debt to income ratio (DTI). This ratio is based on an allocated percentage of your monthly gross income and is represented by fraction such as 33/38. The numbers in the ratio slightly will vary depending on the mortgage product. The first number is known as the front end or housing ratio. This is the amount the bank will allow for your housing cost based on your monthly gross income. By housing here I mean your mortgage payment which consists of principle, interest, taxes and insurance (hazard).

If you are purchasing a condo or coop your monthly maintenance or common charges will also be taken into consideration. Also if your down payment is less than twenty percent in most cases you will

have to pay private mortgage insurance (PMI). All of these payments will constitute your front end or housing cost. Remember if you are purchasing a coop you will not be paying taxes, but a portion of your maintenance fees will be applied to the taxes on the building.

The back end ratio will be determined by your housing costs and your minimum monthly credit debt. It becomes important to minimize your credit payments when purchasing a home. If your credit debt is too high the bank may either (1) reduce the mortgage amount; (2) decline the pre-approval because the credit debt is too high or (3) require you to pay off some of the outstanding credit. If you are making student loan payments or if they are currently deferred your lender will calculate the monthly payment into the back end ratio.

The lender will provide you with an amount based on your DTI however you will need to determine what is affordable for you using your monthly household budget. Your budget is your primary tool in this process for two reasons: (1) you are basing your mortgage payment on net income rather than gross income. (2) You

are factoring in your monthly living expenses into determining just how much you can afford to spend for housing.

You will usually come up with a number much lower than what your lender will offer. Home prices have increased sharply the last few years making it an expensive proposition to find a home that

you can truly afford. That's the challenge for most buyers.

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HOME BUYING IN HARLEM: "KEYS TO SUCCESS-PART 7"

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In concluding "Keys to Success" for first time home owners the final thought is having a financial plan for the future. Usually most first time home buyers will get a 30 year fixed rate mortgage. So for the next 360 months you can expect to be making mortgage payments providing you still own the property. The uncertainty of the economy as it relates to employment can make owning a home a risky proposition; thus the need to have a financial plan in place becomes paramount.

There are things to consider in developing your plan: (1) what is your current age? How many more years are you planning to work? How much money are you anticipating earning over the balance of your career? Will social security provide you with

an adequate amount to live on once you retire? Do you have adequate financial resources available to sustain you after you retire? Most people are living from paycheck to paycheck and that's alright, but when you are a homeowner you must for the future.

(2) Start to establish investments and retirement accounts. If you currently don't have a retirement account, start one. Speak with a financial planner to establish some sort of investment program either an IRA account or some type of mutual fund account to earn more money than a regular savings account. Make sure you have adequate life and health insurance coverage. Again most people do not have enough coverage to provide any financial protection to them in case of any

major medical problems occur. If you are a homeowner you must be prepared for any unexpected situation especially gigantic problems like changes in your employment or health issues that can start to drain your resources.

If you have school age children, you may have to set aside money for their college education. This means even more money will be necessary as you are planning for your future. Some people may use part of their home equity to pay for the children's education. I would recommend this only as the last resort, but again every case and situation must be reviewed according to its own merit.

(3) The instability of the job market should be obvious to everyone by now. With employers outsourcing jobs to foreign

markets, job security is a bygone expression.

Develop additional income through creating business opportunities. It is important to start your business now while you are working, so you will have time for it to become productive. It is far more difficult to create substantial income from scratch. This may not be for everyone but I would suggest you start to think about what type of special skills, talents or unique abilities you have that can be translated to an income producing venture. These steps may be the difference in keeping your home.

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