

How To Purchase a \$650k Home on a \$571k Budget!



With a full shift in power from a seller's market to a buyer's market, both sellers and buyers need to reevaluate the best approach to a transaction. The examples below illustrate how a credit from the seller to the buyer (called a Seller Buy Down or SBD) towards the buyer's interest rate can produce significant monthly savings.

	How you Overpay on Your House Payment Every Month	How to Buy a Home for \$650k on a \$571k Budget with an SBD	You would have to reduce the price by \$79,000 to Equal the SBD offer
Sales Price	\$650,000	\$650,000	\$571,577
Down Payment	5%	5%	5%
Loan Amount	\$617,500	\$617,500	\$542,998
Program	FHA 30 Year Fixed	FHA 30 Year Fixed	FHA 30 Year Fixed
Interest Rate	5.50%	4.375%	5.50%
Term	30 Year Amortized	30 Year Amortized	30 Year Amortized
P&I Payment	\$3,506.10	\$3,083.09	\$3,083.08
Income to Qualify	\$128,492	\$115,802	\$115,802
Monthly Savings	\$0	\$423.01	\$423.01

In this example, we used 3 points of SBD or \$19,500 to buy down the interest rate from 5.50% to 4.375% resulting in a net savings of \$423.01 per month.

Also, the points are tax deductible for the buyer in the year the property is purchased. Please consult your CPA for specific information.

This example is designed to show you the power of reducing interest rate versus purchase price. Please contact me to discuss how this strategy can help you purchase or sell the home of your dreams!



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