

# What You Need To Know About *Real Estate*

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## Introduction

Purchasing a home can be a very challenging task. It is hard to know how much you can afford to spend on a home and it can even be frightening to think that you may not be able to afford a home. There are also many other questions that you have to think about when purchasing a home.

- Is the market is good for buying a home?
- Do you need the assistance of a realtor?
- What type of loan is best for me?
- Are you purchasing a home to live in or to try and turn a profit?
- What tax advantages are there to owning a home?

This eBook will serve as guide to assist you when it comes to purchasing a home. We will talk about how to obtain good credit, finding a realtor to assist you in finding the perfect home, the different types of loans that are available, and how to invest in property and turn a profit.

It does not matter if you are purchasing your first home, or if you are looking for property that you can turn a profit on, this eBook will provide you with the information that you need to make any real estate buying experience a good one.

# Chapter 1

## Getting Ready to Purchase a Home

Many people think that all they have to do to purchase a home is find one that they like, obtain a loan, and move in. Unfortunately, this is not how the home buying process actually works. There are many things that you have to do before you even set foot into an open house.

## To Buy or Lease a Home

It is not always an easy decision when it comes to purchasing a home, you have to know exactly what you want or need before you decide to make an investment. It does not matter what is going on in the market, you will always have an option when it comes to purchasing or selling your home.

If you want to get into the real estate market, but you are not ready to make the big leap and purchase a home, you could always lease a home instead. In fact, this is a good step for many people who are not quite ready to purchase a home. One benefit is that you will have lower payments when you lease. You will also be able to build up your credit and increase your credit score. Many homes that are for lease will give you the option of purchasing them after a certain amount of time. This will allow you to live on the property for a while and decide if you like it before you purchase it.

Leasing can also be a great option if you are trying to sell your home. You may find that you are having trouble selling your home and you do not want to have to pay double mortgages. Leasing your home is one option that will prevent you from having to make two mortgage payments every month. If you decide to lease your home, you will become the landlord for a period of time that will be determined by the contract that is signed by both you and the tenants that states all of the terms, conditions, and how much the tenants will have to pay each month. After the contract ends, the tenant will have the option to purchase the property from you.

It does not matter if you are trying to sell your home or if you are looking to get in the real estate market without having to purchase a home, leasing a home can be a great option no matter what your situation may be.

## Understanding Your Credit

It does not matter if you are purchasing your first home, or if you are an investor and are purchasing your tenth property, your credit score will play a big role in getting approved for your mortgage loan. By properly managing your credit and understanding how your credit score will affect your mortgage, you will be able to make the most out of your investment.

Before you ever apply for a home loan, you will want to check your credit report and verify that you have the proper credit score to be able to obtain the loan that you want. Your credit score is a number that is given to you by the major credit reporting agencies based on how good your credit is. The higher your credit score, the better your credit is. There are three major companies that you can obtain your credit score from and they are Experian, Equifax, and Transunion.

By having a higher credit score, you will be able to get a better loan. Many lending companies will be more willing to work with if you have a high credit score and they will also be able to lend you a higher amount of money.

The best way to get a high credit score is to be responsible when it comes to paying your bills. You will want to avoid having late payments and large amounts of outstanding bills, like large credit cards. However, your credit score is not the only deciding factor that will determine if you are approved for a home loan. Lenders will also consider your financial stability, your income, and your job status.

By understanding how to maintain your credit and how your credit score will affect the type of loan that you will be approved for, you will be one step closer to being able to purchase the home of your dreams.

## Can You Afford a Home?

You have reviewed your credit report and your credit score is high enough for you to be approved for a home loan, the only problem is that you do not think that you can afford a home. There are many people that are in similar situations and many of these people do not invest in homes because they do not have the large amounts of money that are

normally required up front. If you are finding yourself in this situation, you should know that there are programs available to help you purchase a home and stop wasting your money paying rent.

One option that you can take advantage of are grant programs. Every locality will have several different grant programs that you can apply for and most of them are easy to qualify for. The grant programs that are available will vary depending on your specific needs and your current living situation. There are some grant programs that will simply give you the money that you need to purchase your first home while other programs will only give grants for special situations, like starting your own business.

If you do not know what type of grant program is best suited for you, simply ask your real estate agent. Many times they will be familiar with all of the local grant options that are available and they will be able to assist you in selecting the one that will provide you with the most benefit.

You do not have to have thousands of dollars saved up to be able to purchase a home. All you have to do is know where to look to find the assistance that you need and with a small amount of research, you will be able to stop paying rent and start applying your money toward an investment instead.

### **Fear of Investing**

Making the choice to invest in real estate is often a very difficult one because there are several unknown factors that have to be accounted for that will relate to your money. There are also several fears that are associated with investing in real estate.

One of the hardest things to deal with in real estate is taking a risk. To purchase a home, you will usually have to borrow a loan and if you find yourself in financial trouble later on down the road and you are unable to pay on your loan, you will be at risk of losing your home and damaging your credit. This fear may lead to you making the wrong decision about what type of loan to apply for. It is important for you to understand all of the risks that are associated with purchasing a home and also knowing how much risk you are willing to take when deciding on a loan type.

Another common fear that most people have is investing in real estate at the wrong time. If the economy is low and the market is not on your side, investing in a certain property could result in you actually losing money. Just like everything else, you will have to eventually face your fears and in doing so, you will be able to set boundaries in relation to your fears. This will enable you to not go overboard when you purchase a home, but you will also not be letting your fears stop you from making a good decision.

There will always be some amount of risk when you are investing in real estate, but if you do your research and set realistic expectations, you will be able to make an informed decision that will result in a good investment.

### **Initial Investments**

Many people think when they are purchasing a home that they will only have to make one payment during the closing procedures, but this is not always the case. There are several initial investments that you will have to make as soon as the first contract is signed.

Most real estate investments will require a down payment, which includes a set amount of money that is given to the person that is selling the home. This amount of money will then be placed on your credit towards the investment that you are making. The more money that you have saved for the down payment, the better off you will be. All of the money that is placed in the down payment will have an effect on your investment later on and it can help you with the financial approvals for the loan that you are receiving.

Another set of investments that you will have to pay for is the real estate team that you assembled to help you find the home of your dreams. One example of this is the cost of the home inspection. There may also be some other extra fees that are linked to the lenders paper work and other things that are related to the contract. Every person that you hire to help you find the home of your dreams will receive a commission or part of the investment that you are making in the beginning.

It is important that you understand all of the initial investments that you will have to make before you ever begin your search for the perfect home. Setting aside a specific amount of money for your home purchase or knowing how much money to include in a down



payment will help you to make the right investments from the beginning. You do not want to purchase a home and not have enough money left to get you through the door.

### **Knowing the Market**

When it comes to purchasing or selling a home, it is important to know if the market is right. Real estate is a profession that works directly alongside the economy and how the flow of cash is moving through the economy will determine whether or not it is a good time to purchase or sell a home. If you want to get a good deal, you need to make sure that the market is on your side.

The first thing that you will want to look at when you are evaluating the market is the current trends. There are typically two markets that you will have to look at and both of them will be dependent on the current economy and the conditions that are linked to the different neighborhoods. The first market is the buyer's market. This is where the prices of real estate are low and a buyer will be able to easily find good deals. The second market is the seller's market. This is the market that you will want to be in when you are selling a home because the economy is in your favor.

Another sign that you can look at besides the market is the environment that you will be in. Most communities have specific types of people and demographics. If you know the demographics of an area, you will be able to make observations about the current rates and you will be able to tell when it is the best time to make a home purchase.

If you take the time to observe and do your research about the different markets and trends in real estate, then it will only be a matter of time before you are able to find what you want and get the most out of your real estate investment.

### **Finding a Real Estate Team**

Now that you have evaluated your credit score, budgeted some money, and evaluated the market, you are ready to find a realtor to help you find the home of your dreams. By utilizing the help of a realtor, you will greatly improve your chances of finding the perfect home and getting a great deal in the process. If you do not know what you are looking

for, there are a few simple guidelines that you can follow to assist you in finding a realtor that will be able to assist you.

One of the easiest and best ways to make ensure that you are getting involved with a person that has your needs and wants in mind is to do your research. Most of the good realtors will have a reputation about how well their services are and what they were able to accomplish for other clients. A great way to find a good realtor is to ask your friends and acquaintances for a referral. A good friend will not refer you to a realtor that did not do a good job. You can also use the Internet to help you find the right realtor, or to possible eliminate some people that you do not think will work well for you.

You do not have to base your decision on what the realtors tell you, you can also look at how they have had their services set up and look at their performance record. The longer they have worked in the area, the more they are going to know and they will be able to better assist you than a realtor that is new to the area. One of the most important factors that you will need to consider when selecting a realtor is the commission that they charge. This will make a difference in how much you end up paying for your home.

If you are a first time home buyer, it is important for you to know the standard procedures that are associated with utilizing the help of a realtor. For example, you should not have to sign a contract at the beginning of the deal and you should not have to provide any money until you have found a home and signed a contract with the lender. If you do not feel comfortable with a certain realtor or how they are conducting their business, it is best not to use them. The real estate market is a very competitive one and you should be able to find a realtor that is going to listen to your needs and wants. A good realtor is going to help you find the home of your dreams and not take advantage of you because you are new to the home buying process.

You may also want to find a real estate broker as well as a real estate agent, or someone who can serve as both. A real estate broker will be able to sell you one of their properties directly without having to go through a third party and they will also be able to show you many different properties that are available. This can be very advantageous because you will not have to deal with a third source which means that you will be able to save money.

One person who usually works behind the scenes is the real estate bird dog. The main job of a real estate bird dog is to find property for individuals or companies that want to invest in real estate. Once they find a property, the investor will then pay them a service fee and then the real estate bird dog will no longer have any attachment to the property that they found. Real estate bird dogs can be a great resource because they will often find homes for sale that are not within plain sight. For example, they will find homes that are for sale by owner or homes that have been foreclosed on by the bank. The real estate bird dogs will then pass the information on to individual investors or to real estate companies for a fee.

A very important person to have on your real estate team is an inspector. An inspector's job is to go into the home that you are interested in purchasing and to find everything that might be a large problem before you commit to buying the house. They will look over all of the major systems like the electricity, water supply, plumbing, furnace, and the home's foundation and roof. This will ensure that everything in the home is up to code and will not cause you any problems after you move in.

If the inspector does find something wrong with the house, you will have the ability to ask the current home owner to repair the problem, or ask for money back so that you can perform the repairs yourself. You could possibly save yourself thousands of dollars by having an inspector evaluate the home for damages and because of this; you will want to make sure that you have a good inspector reviewing the home.

It will either be up to you or your real estate agent to find an inspector. If the real estate agent hires the inspector, they will be responsible for paying them and the cost will then be added into the fees that you will have to pay the real estate agent. If you choose to hire an inspector, you will be responsible for paying them up front as contract work. It is very important that you find an inspector that will do a thorough job and that they have your best interest in mind. By utilizing the services of a good inspector, you will be ensured that you will be able to move into your home and not be surprised by any unplanned repairs.

The last, and probably the most important, member of your real estate team is the lender. Many times, the lender will be a bank that works through a lending company. It is important that you choose a lender that understands what type of investment you are

making because this will determine what type of loan you are approved for, but how do you choose a good lender?

There are several things that you will want to look at before choosing a lender. The first thing that you will want to look for when choosing a lender is the types of loans that they offer and the policies that are set next to them. The loan that the lender offers you should fit your individual needs and circumstances and provide you with the benefit of the financial world. This does not mean that the lender should only provide you with the loan types; they should also inform you of any extra fees that are attached to the different loans and explain how these will differ with you. You should also find out if there are any pre-payment penalties and rate locks that may be attached to your loan.

You should also find out what your lender can do to benefit you. Many times you can have discount points added to your loan and possibly lender guarantees. All of these benefits will help to lower the rate of your loan and will help to improve your credit. It is important to make sure that no matter what loan you select, you will not be penalized for anything and that you will benefit from the loan that you are getting.

If you want to purchase real estate, it is important that you have the right people working with you so that you will be able to achieve all of your goals. By using the right people, you will be able to move along faster and more efficiently, but if you choose the wrong people, you may never find exactly what you are looking for.

### **Home Owner's Insurance**

Once you have purchased a home, with the help of your real estate team, you will want to make sure that you have the proper home owner's insurance. Most lending companies will require that you carry some type of home owner's insurance for the entire length of the loan to protect both you and the lenders in the case of an accident. Many times, the home owners insurance is chosen during the final closing of your home. This is to protect both your assets as well as the lending companies' assets. Choosing the right home owners insurance will ensure that you are protected against any type of natural disaster or accident that may happen.

Home owners insurance is divided into many different categories with all of them being beneficial in different situations. You will have to decide what type of coverage is most

important to you. The easiest way to do this is to first add in how much you own and the value of your home. This will allow you to choose a policy that will cover all of your current expenses and that you will be able to receive some type of return on everything that you already own.

Another factor that you must consider when you are purchasing home owners insurance is the different types of coverage that are offered. Many companies will have several different categories of insurance that you can choose from according to the types of things that you currently own and how this relates to what you will need replaced in the event of an accident. Once you have determined the value of all of your possessions, you will then want to add in what you know you will want covered and then determine which category of insurance this will put you into.

Purchasing home owners insurance is one way that you can ensure that your real estate investment is covered in the event of an accident. If something does happen, you will have peace of mind knowing that your property and possessions can be repaired and replaced and you will be able to move on with your life.

## Chapter 2

### Loans

It can be very difficult to find the home of your dreams, but it can be even more difficult to choose a loan that is suited for you specific needs. There are many different types of loans that are available depending on your situation and the length of these loans will also vary depending on what your income is and several other factors. It is important that you do your research and become very familiar with the different types of home loans that are available before you sign on the dotted line. If you do not know all of the details of your home loan, you could regret your decision for years to come.

### Loan Prequalification

One thing that you should consider doing before you start looking at homes to purchase is to get pre-qualified for a home loan. This can prevent a very embarrassing situation that could happen when you are trying to purchase a home. You do not want to sign a contract on your dream home and then have the lending company tell you that they will not be able to approve the loan because you do not qualify for a home loan for one reason or another. By getting pre-qualified for a home loan, you will know exactly how much money you can spend on purchasing a home and you will also know that you will be approved for the loan when it is time to close on the home.

Loan pre-qualifications will determine if you have the financial ability to invest in a home or any other type of real estate property. If you have the right pre-qualification, you can be guaranteed a specific amount of money and there will be nothing stopping you from moving into the home of your dreams.

The first thing that most lenders use during the pre-qualification process is how much money you earn each year from your employer. By knowing this, it will allow the lenders to determine how much you will be able to spend on a loan payment each month with regards to all of your other financial commitments. All of your personal debts like car loans and credit card expenses will be used to calculate an exact figure that will be used to help the lenders determine what type of loan is best for you.

Once all of these different items have been factored in, the time frame in which you will pay your loan will also be factored in. This will give the lending companies a good idea

of how much you will be able to pay and also how this will relate to the debt and finances that you already have coming out of your pocket every month. All of these factors will be determined by using formulas that will relate how much money you are making in relation to how much you will be able to pay toward the balance of your loan. This means that the lenders personal feelings will not play any part in determining how much money you will be approved for.

If you want to take the right step toward choosing the right loan, the becoming pre-qualified is the first thing that you should do. This will allow you to move forward and not have any fear of being turned down for a loan during the closing period. By knowing what to expect, you will be able to properly prepare for the process of applying for a loan and moving into the home of your dreams.

### **Ten Loan Terms That You Must Know**

Everyone knows that you should never sign a contract without first reading it. This is especially true of signing into a loan because you could end up losing a lot of money if you do not understand what you are signing. There are several terms that you should know and also understand how they will apply to your specific situation before you ever sign on the dotted line.

- **Interest Rate** – The interest rate is the percentage of your loan that is added on every month and this rate will vary according to the economy and your credit. The interest rate will make a difference in your monthly payment. The higher the interest rate is, the higher your monthly payment is going to be.
- **Fixed Rate** – A fixed rate is an interest rate that will remain the same for the entire length of your loan.
- **Variable Rate** – A variable rate will change according to the economy and the charts that state what the rates should be for interest. A variable rate will usually change every year and will adjust according to a specific given range of percentages.

- Principle – The principle is the amount of money that you will be paying on your actual house. The amount that you pay on your principle is what you will see in the end as your investment.
- Escrow – The escrow is very similar to a savings account of your loan. The amount that you put in escrow will accumulate without paying directly into the loan. At the end of the term, you can use it to finish paying off the loan or you can invest it in another loan. This is also how most home owners choose to pay for their home owners insurance and the taxes each year.
- Title – The title is an official piece of paper that will be issued to you after you have finished paying for your home. The title will state that the property belongs to you.
- Deed – A deed is most often used as a title for a commercial area. Instead of giving ownership, it will show that the given property is leased to the person who is using it as a business.
- Home Equity – This is a lone or line of credit that you can get for your home. It will finance up to eight percent of your other loan and will be paid back at a later date. This is a good loan to use if you want to consolidate loans or invest more into the property.
- Appraisal – An appraisal is an estimated value of what a home is worth and is determined after an inspection of the home is made.
- Equity – Equity is the actually amount of the property that you own, most likely, it is what is being paid off of your principal amount when you make your monthly payments.

It is important that you know the meaning of these basic terms so that you will be able to expand on your knowledge and be able to find the exact loan that will best fit your needs.



## Deciding on a Loan

Deciding on the type of loan that you will benefit the most from is not always an easy decision. Usually there are several loans that have their benefits and downfalls. What you have to decide on is which loan has the most benefits and the fewest downfalls for your specific situation. Before you sign on the dotted line, you will want to make sure that you carefully evaluate your individual needs and wants. The main purpose of a loan is to help you financially in more than one way.

One thing that you should consider when deciding on a loan is how long you plan to stay in a particular area. If you do not plan on staying in a particular area forever and plan on moving after a few years, you will want your records from the loan to show that you have invested in the property. In this particular situation, you should try and borrow a loan that will allow you to pay unlimited principle while you are there so that you will be able to benefit from your investment when it is time to move.

Another thing that you have to consider when deciding on a loan is how much you will be able to pay on the loan each month. If you are able to pay a large amount every month, then you might want to consider a more stable loan that has a fixed interest rate. On the other hand, if you are not in a financial position that will allow you to pay a lot now, but you know that later on down the road you will be able to pay more, you could get a loan that will increase by percentage rate over time. You could be in a situation where you expect your income to increase over time. If this is the case, you could consider a balloon. This type of loan will have you pay a large amount during the closing of your home.

It is important for your financial well being to choose a loan carefully. If you are not sure what type of loan you will be able to benefit the most from, your lender will always be available to help you with all of your concerns and to answer any questions that you will have throughout the process. By keeping yourself open to all of the different options and understanding your financial position, you will be able to invest your money the right way and you will be able to build your investments into larger profits over a period of time.

## Types of Loans

Many people think that when it is time to apply for a home loan that there is just one standard loan type that everybody applies for. It would be a much simpler world if that were the case, but it is not that simple. There are several types of home loans available that you can apply for if you are purchasing a home and there are also home loans available that you can use to finance home improvements or to consolidate all of your bills.

### *Balloon Loans*

Balloons are a type of loan that will give home owners a lower monthly payment by consolidating a specific percentage of the loan each month. At the end of the loan, you will have to pay the additional percentage that is left. Normally, this is equal to about fifty percent of the original amount that you borrowed.

Balloons can defiantly work to your advantage if you have the correct finances in place. If you do not have a large amount of money at the beginning of the loan, but you know that at the end of the loan you will have an excess of cash, then having a balloon loan will be able to save you money now (when you need it) and it will also give you the opportunity to build your credibility with financial investments later.

If you do not know what your financial situation will be in a few years, then a balloon loan could actually cause you more harm than good. You will be expected to make a very large payment at the end of the loan and if you do not have the money that is needed, you could end up in debt and you would not be able to make a future investment on another house. In relation to this, if you are making a specific amount of money now, but you know that you will be making more in the future, then you could use a balloon to stabilize you financial condition and start earning a return on an investment.

Balloon loans can be a great option for individuals who are short on money now, but know that they will be rolling in cash later on down the road. By using a balloon, you will be put into a situation where your monthly payment can more than double at the end of the term. By understanding all of the ups and downs of balloons and being realistic about your own financial situation, you will be able to find the best outcome to your specific situation.

### ***Interest Only Loans***

One of the major types of loans that are offered to individuals today are interest only loans, but what is an interest only loan? An interest only loan is a type of loan where you will first pay off the interest that is added by the lenders as a percentage to your loan. Once all of the interest is completely paid off, then you will start paying on the principle amount of the house.

If you are considering borrowing an interest only loan, you will want to make sure that the standard interest rates at the time you take out the loan have a lower percentage. When you are choosing an interest only loan, it is important to know that there are two types of interest rates that may be applied to your loan. The first type of interest rate is a fixed interest rate which means that the percentage you pay will remain the same the entire time that you have the loan. The second type of interest rate that is available is a variable interest rate. This type of interest rate will fluctuate according to the current economy. This type of interest rate can be beneficial because there will be times when you will be paying a smaller monthly payment, however there will also be times when you could be paying a very high monthly payment and if your financial situation will not allow for large changes in your monthly payments, then a variable interest rate loan would not be the best option for you.

The interest rate that you get with an interest only loan will initially be determined by the lender and how they decide to set up your loan. The amount of the down payment that you make toward the purchase of your home and the rules that are set into the loan will also have an effect on how much your monthly payments will be. If you want to ensure that you are getting the best possible deal, then it is important that you know and understand what all of the individual rules are. If you do this, you can make sure that your payments are going to be beneficial to you as well as everyone else.

### ***Home Equity Loans***

Home equity loans can be very beneficial to people who want to make repairs to their homes or who want to consolidate all of their bills into one monthly payment. A home equity loan is a loan that will allow you to borrow money against your first home loan.

For example, if you already have a home mortgage, you can take out a second loan against the first mortgage, known as a home equity loan. You will be able to borrow up to eight percent of your first loan in order to accomplish your investment goals.

Home equity loans can be used for many things besides home repairs and bill consolidation. You can use home equity loans as a way to invest in your home so that it can be improved which will allow you to make a larger profit off of the changes that you make to your home. If you choose to use a home equity loan to consolidate your bills, you will be building up your credit which will result in a higher credit score. This will give you a better standing when you are ready to make another investment.

One thing that you must consider before borrowing a home equity loan is whether you will be able to profit from it. Many people will borrow home equity loans and not be able to make the payments on them. This will only add the debt that they already had and will damage their credit in the process, making it very difficult to make future investments. Because the loan is taken out against your home, if you are not financially stable and able to make the required payments, you could end up having your home repossessed by the lenders. It is very important that you understand all of the risks that are involved in home equity loans before you sign on the dotted line. If you know all of the ropes of this type of loan, you can easily benefit from the various things that it has to offer.

### ***Home Equity Lines of Credit***

It seems like you are always spending money just as fast as it is coming in and sometimes you will be forced to spend money faster than you can earn it. One way to ensure that you will always have a steady flow of money when you need it is by applying for a home equity line of credit.

There is a difference between a regular home equity loan and a home equity line of credit. With a regular home equity loan, you will be given a lump sum of money all at once. With a home equity line of credit, the balance will shift as you pay back the loan. You will be approved for a certain amount and you will then be able to borrow the entire amount or a portion of the amount. As you repay the amount that you borrowed, the amount that is available to you will increase, much like a credit card. With a home equity

line of credit, you can borrow the amount that you need at a particular time and leave the rest in the bank for future use.

The major advantage of having a home equity line of credit is that you can use it just like a credit card. Once you have been approved, you can use as much or as little of the amount that you like. If you choose not to use the entire line of credit, you may use the money later on down the road to make more investments. If you decide to sell your home, you will only be responsible for the amount that you have spent with your line of credit, not the entire amount that you were approved for. Another advantage of using a home equity line of credit is that it is not as risky as other types of home equity loans because you can only take out the exact amount of money that you need and you will have the ability to pay back the money as you want.

### ***Loan Divisions***

Any type of loan that you borrow will have different divisions that will determine how your monthly payment is applied. If you know what all of the different loan divisions are, you will be able to make an informed decision when choosing a loan that is best for your specific financial situation.

The first way that a loan will be divided is by the principle which is the amount that you will pay toward the home's total worth. With every payment you make, you will be paying a percentage of this amount. The second division in most home loans is the interest rate. This is the percentage of your monthly payment that the lending company will keep because of their ability to loan you the money.

Each different type of loan that is available will have different rules in each division that will determine how you pay both the principle and the interest. All of the different rules and regulations will determine the way that your payment is applied to each of the divisions. There are different limitations for timing and the amounts of money that you are able to pay are both added into the loans. This could mean that the interest rate or the principle will change over a specific amount of time.

The main thing that you will need to consider is how you will be paying off your home and where your money will be going. Each different part of the loan will be an investment that will show your ownership of the home at some point in time. If you want

to ensure that you are getting the best deal that is available to you, it is important to make sure that you understand how each different part of the loan will work.

## Chapter 3

### Real Estate

Now that you have taken all of the preliminary steps that are required to become a home owner, it is time to actually choose a home or other type of real estate property to invest in. It does not matter if you are just looking for a home for you and your family, or if you are looking at investing in real estate to turn a profit, you are certain to be able to find the perfect property to fit all of your needs and wants.

### Types of Real Estate Investments

When many people think of real estate, they only think of the market for persona homes, but the world of real estate is much larger than most people think it is. The real estate market is about much more than just finding your dream home. There are several different categories of homes and business properties as well as divisions in the types of real estate that are available to others. It does not matter if you are looking for a home or for a property that you can turn a profit with, if you are going to make an investment then you should know about the different types of real estate investments that are available.

There are two major types of real estate investments that are available today; business and residential. Each of these two investment types have specific guidelines that are set with them that will make a difference in the functions of the real estate. Once you have decided which of the two types of real estate you want to invest in, you will be able to determine what is available to you.

If you are looking at only residential areas, then the real estate that is available will be divided up by the size of the home. These types of homes will usually be referred to as single family or multi-family homes. If you are looking to invest in a multi family unit, then you can expect to have neighbors sharing the same walls with you, such as condos or town homes. A single family home will be completely independent from the other homes in the area and will usually be shaped differently because the neighbor's cannot cross the yard.

Business real estate, like residential real estate, is also divided into smaller categories. These will often be referred to as commercial properties and can range from office

buildings to manufacturing sites. The main difference between a business building and a residential building is that there will be a different approach towards the regulations. There will be different zoning rules and the lease will have different divisions for such purposes and taxes and insurance.

If you are in the right area, you could have the opportunity to invest in real estate property that has both commercial and residential areas in one. Usually land investments or areas that have been zoned for commercial purposes will have these types of regulations. If you are thinking about having a business from your home or if you want to expand into a business, this type of real estate investment may be the best choice for you.

It does not matter if you want a cozy home or a place to start your own business, knowing the different types of real estate that are available to invest in is the best place to begin your search.

### **Finding Your Dream Home**

Many people believe that it is impossible to find the home of their dreams unless they have very large amounts of money available to buy the home that they want. This common belief is not necessarily true, if you know the right places to look, you will be able to find your dream home and not spend a fortune on it.

If you want to invest in real estate and stop wasting your money paying rent, it is possible and you can even find a home that will cost about the same as your monthly rent payment. All you have to do is find the right resources and know how they will work together. One place that you can look is at home auctions or in areas where there have been bank foreclosures. Many of these homes will be ones that the previous owners could not pay for and the bank was forced to foreclose on them. Because there is no one paying for the house, the bank is having to pay for it and often times the bank will lower the price of the home so that they will not have to keep paying for it.

If you do not know where to look for bargain homes, you can just browse through locations and do some investigating on your own. Many times, the Internet and local real estate magazines are designed to show you the market and they will also include the lowest priced homes in their listings. If you search local resources, you will be able



to compare the homes that are available and you will also be able to see the homes that are lower priced because of things such as foreclosures.

When it is time to look for the home of your dreams, you do not even have to set a foot outside. You can instead search what is available using the Internet and real estate magazines and find a home that will fit both your individual style and your budget.

### **Your First Home**

Choosing to purchase your first home is an important step to having the ability to build better finances and to live in a place that is comfortable. If you are considering purchasing a new home, there are some things that you will want to know before you make a decision that you may regret later on.

Before you ever even attend an open house, you should make sure that you have done your own research. This means that you should know what the going rates are, how much other home owners are paying every month, and know what you can and cannot afford. You will also want to look at your credit score and your income. This will prevent you from getting in over your head.

The next step that you should take is to get involved with the right people. This means hiring a real estate agent. Real estate agents have the ability to do investigations for you and find the homes that are best suited to your specific wants and needs. You will also want to make sure that the real estate agent has connections with a home inspector and if they do not, you will need to find one yourself. If you utilize the help of professionals, your home buying experience will be much smoother than if you decide to go out on your own.

Once you start looking at home with your real estate agent, you need to make sure that you understand all of the terms that they will be using. Some of these terms will refer to the market, loan terms, and other real estate jargon that you may not be very familiar with. If you do not know the meaning of something, do not be afraid to ask, after all, the real estate agent is there to help you in any way they can. If you take the time to learn the process that is involved with buying a home, you can be certain to get exactly what you want.

## Preventing First Home Downfalls

Buying your first home is a very exciting time in a person's life, but it can also be very stressful and have the potential of becoming a disaster if you do not know what you are doing before you make your purchase. Because of the large changes that occur when you buy your first home, there will always be those who will get in over their head.

The main thing that you must know when you are purchasing your first home is where you stand with your search. One of the largest mistakes that many first time home buyers will make is deciding on one specific home and then only investing in that home because they became emotionally attached to it. This can cause several problems. The first problem is that you may not be able to purchase the home because something happened during the process and the deal fell through. The second problem that people will face is making an offer that is either too high or too low. It is important to make sure that you know what the house is worth and how it fits into your financial needs before you make an offer. This will prevent you from paying too much and it will also prevent you from making an offer that is too low and not getting the house.

It is important to not let your emotions get in the way when you are searching for a home, but you should also keep your emotions in check after you have chosen a home. Even though you may have signed a contract on a home, the purchasing process is not over. There are still several steps that you will have to go through with the home inspection being one. If there is a large problem with the home, or if something goes wrong during the loan process, you will have to start your search over and find a different home.

The last thing that you need to remember is your budget. To determine what your budget should be, you can look at your credit history and your credit score. If you know what your credit score is, you will be able to estimate the type of loan that will be best for you and this will prevent you from purchasing more house than you can afford.

If you are careful from the beginning and stay detached and use your head when purchasing a home, you will be able to find the best home to suit your needs and wants.

## Profiting from Real Estate

If you already own a home, you can still invest in real estate, the only difference is that you will be able to make a profit from your invest much faster than you will from the home that you are living in. You do not have to be a realtor to be able to make a profit investing in real estate. All you have to do is study the market and know exactly when to make your move. When you do this, you will be able to earn a quick profit on your new investment.

Investing in real estate is simply finding a place that you like and deciding to use it for something outside of your living room. There are many ways that you can profit from real estate investments. You could rent the home that you invested in or you could do some minor repairs and re-sell it at a higher price. It does not matter how you decide to invest your money, you can be sure to earn a profit if you take the time to find the right space and location for your investment.

One thing that you will want to keep in mind when you are investing in extra real estate is to find homes at the right time. The market is not always going to be good for buying homes. The best time to invest is when the market price of homes is low, or if you can find a foreclosed home that is listed below market value. Another thing to consider is that depending on the type of home that you decide to invest in will also determine how much of a profit you can make. Many times you will be able to find a property that only needs a few minor changes and you will be able to resell it and make a very large profit, other times you may find a home that needs many repair and in the long run you may not make as much money as you would have liked because you had to put more into the home before you resold it.

If you are working with the right market, you can easily bring in money working in the real estate industry. If you are working with the right properties and turn the property around at the right time, you will be able to do exactly what you want with the real estate for your financial benefit.

Before you make your next investment, you will want to consider all of the different risks that you will be willing to take with the investment. Usually, it will take some time before you will begin to make some of your money back; therefore it is important that you have a very stable financial situation before you make your investment. You should never go out of your means when investing in real estate.

Many times, the easiest way to profit from real estate simply means having the ability to invest in your own home, and then sell it for a higher price when the market is better. If you are able to keep up with the real estate market, then you will know when the time is right for you to sell your home. If you have the time to find what is out there and make the right investment, you will be able to earn a profit by investing in the real estate market.

### **Becoming a Landlord**

A different way that you can profit from investing in real estate is by becoming a landlord. This can be a great way to make an investment and earn a living at the same time, however, there are several things that you will want to consider before you give yourself this title.

The most important thing that you should do before becoming a landlord is to make sure that you can earn a profit from it. This means that you will have to perform some research and make sure that you can find the right place for potential tenants and that you will have the ability to market the homes that you will be renting. Having the ability to locate the right people can help you if you are thinking about renting out your properties.

You also have to make sure that you can handle being a landlord. You will want to ask yourself if you will be able to deal with all of the different personalities from your tenants. You will also have to deal with problems that will arise like tenants paying their rent late, taking advantage of the property, and any other problem that is likely to arise. There will also be maintenance issues and property upkeep that you will have to deal with. You will want to make sure that you can effectively handle any situation that may arise and take care of the needs of everyone in your area.

Being a landlord can also be very beneficial. If you have properties in the right areas and the right people living in them, then you will not have to do much work and you will only have to collect the rent. Many landlords who own a large amount of property will have hired help, like property managers, to handle many of the problems that may arise. If you think that you have the finances and personality to become a landlord, then you will be able to make a profit and you will be able to collect rent from others instead of paying it.

## Flipping Properties

There are many different ways that you can turn a profit when it comes to investing in real estate. If you want to maximize your profits, the best way to do it is to flip properties. Flipping property is a term that is used by many people in the real estate industry and it simply means that someone will purchase a property, make some small changes to increase the value, and then resell the property for more money than they purchased it for. Most of the homes that are purchased for this purpose are referred to as “fixer uppers” and are always available on the real estate market. “Fixer uppers” are not the only types of properties that are bought for this purpose. Any home that can be purchased at a discount can be flipped. Any home that has been foreclosed on, a home that is for sale at an auction, or a home that has been neglected can be purchased at a price that is below market value. Flipping properties is usually done by dealers or retailers, but anyone who is financially stable and has some knowledge of the real estate industry can take part in the art of flipping properties.

Once you have found a property that you want to flip, you will have to purchase it just like you would any other home. You will then be liable for going through the mortgage process and will have to sign a deed of trust for the property. When you do this it is important that you do it as a business instead of an individual. Once all of the paperwork is complete, you will be able to take possession of the property and make the changes that you think will make it more desirable and then put it back on the market.

The major art of being able to successfully flip properties is being able to renovate and resell them quickly. If you want to stay ahead in the real estate market, then you must understand the basics of real estate to be able to make a profit buying and reselling homes.

## Partnership Investing

One of the main reasons that people do not invest in real estate is the fear of something going wrong and not being able to pay on their investment, or they may not have the finances that are required to make an investment. You should know that you can still invest in real estate and you do not have to do it alone. There are many other people

who think just like you do, but they may also be in your situation. One way to solve this problem and begin investing in real estate is to build partnerships. This will allow you to invest in real estate and to start building an income off of owning property.

One of the benefits of having a partnership is having someone else investing in real estate with you. This will allow for any missed parts of the process to be covered. If you are new to investing, you can form a partnership with someone who has invested in real estate before and they will be able to walk you through the process and you will not have the fear of having to invest by yourself. If you are just beginning your investing career, two heads are always better than one.

There are many organizational needs that will need to be met when you are investing and having a partner will defiantly help you keep everything in order. Everything from the basic paperwork to taxes and procedures can be better handled when there are two people keeping up with it. By having someone else invest in real estate with you, you will be able to set and keep your goals and move forward in the business.

### **Protecting Your Assets**

When you have something of value, you want to make sure that you keep it. This is not any different when you invest in real estate. By investing in the right types of protection and by insuring your property and belongings, you will have the ability to keep the things that are valuable to you or you will have the ability to replace them in the event of an accident. One way that you can ensure that you property is protected is with asset protection.

Asset protection is a plan that is designed to protect your real estate investment and all of the things that you own inside the property. If any type of financial disaster should occur, you will have replacements and other ways to ensure that the value of your property is not lost, even if something unexpected happens.

If you think that asset protection is the right option for your investments, you will want to talk to a lawyer or perform your own investigation to evaluate the best possible options that are available to you. An analysis will then be taken of the amount of money that you can protect as well as your valuables. After the assessments have been performed, you

will be provided with an estimate of how much money you will receive in protection as well as the programs that are best suited for you.

The amount of protection that you can receive will vary depending on your state's laws. Normally retirement and disability benefits are not considered part of any asset protection plan and personal items like furniture, clothing, and jewelry will most likely not be covered. Some states will allow a certain percentage of these assets to be covered instead of providing full coverage.

If you want to ensure that you get the most out of your real estate investment, then you should look at all of your assets and find the best way to get the most out of them. If you protect what you own, you will be more likely to keep what you cherish.

### **Advantages of Owning Real Estate**

There are many advantages of owning real estate that everyone knows about. You will be able to invest your money in something that you will be able to profit from in the future. You will also be able to build your credit and increase your credit score. This will allow you to get better loans on any future real estate investments that you might make. But there is another advantage to owning real estate that some people are not aware of. By investing in real estate, you will be eligible for several tax breaks. Most people think that they will have to pay more in taxes because they are gaining a profit off of it for a livelihood, just like any other job, but this simply is not true.

If you own your home, then you can expect for it to be tax deductible. There are also other ways that you can save money by investing in real estate. Any home related expenses or refinancing that you do for your home will be eligible for some type of tax break and you can also receive tax deductions from the mortgage interest that you pay on your loan. All you have to do is own a home and you can easily find a way to save some money on what you still owe.

When you are working on owning a home, you will be paying property taxes in your monthly payments, as part of your escrow, towards your loan. All of the taxes that you pay throughout the year will be eligible for deduction on your taxes. All you have to do to ensure that they are included in your deduction is to obtain a statement from the person

who carried out the loan as well as finding the interest that is connected to the property taxes that you have been paying.

It is easy to save money from owning your home. All you have to do is research the possibilities and find out what categories you are eligible for a tax break.