



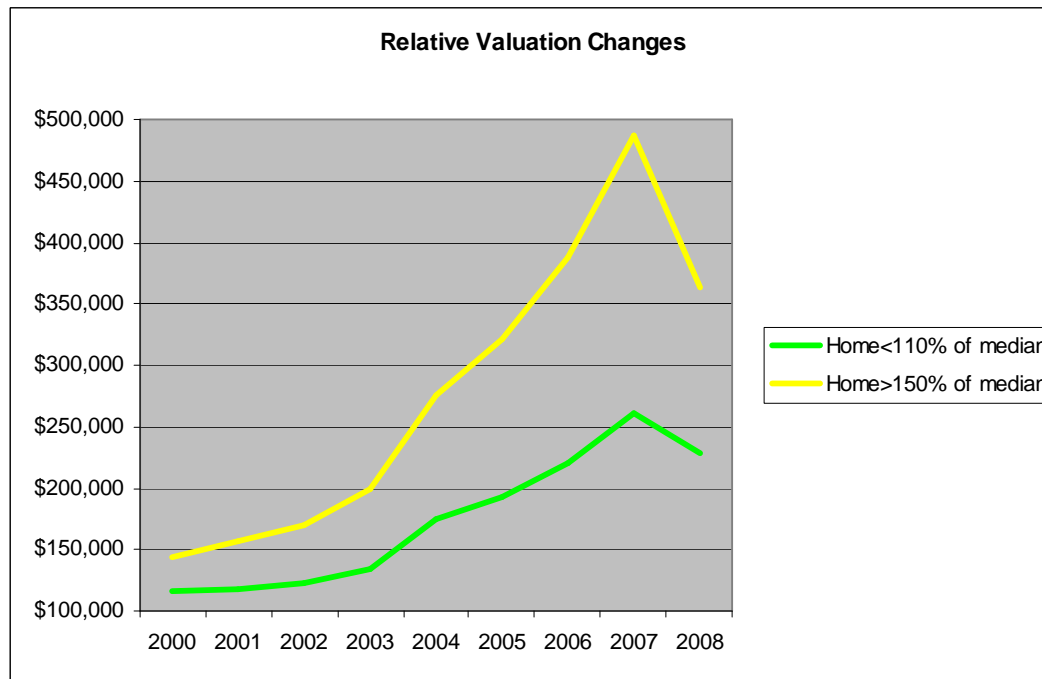
Why it is good to move up in a down market.

Many homeowners who purchased their home three to five years ago were hoping to make a move up to a larger or more upscale home by now. They may have purchased their three bedroom two bath 1500 square foot ranch in a starter home neighborhood for \$175,000 in 2004 hoping to build equity to create a large enough down payment to allow them to step up to the home they really always wanted but was just out of reach. Does this sound like you? If so, the news may get better, read on.

In the above mentioned scenario, that \$175,000 home grew in value as the market heated up and peaked at around \$275,000 in mid 2007. A handsome, 57% gain in appreciation. Let's assume the homeowner bought the home with no money down and financed the full \$175,000 and paid their own closing costs. So at the top of the market in 2007 they owed about \$171,000 on the loan and had roughly \$104,000 in equity. So why did they not make the move up? Simple, the house on Prune Hill that was selling for \$275,000 in 2004 had appreciated to \$500,000. Upscale homes often appreciate at greater rates in a booming market. The payment on the new house would be more than double even with the huge down payment they could now bring to the table. Dream slashed? No. Here we are in late 2008 and our broken dreams home owner's house is worth about \$220,000. They still have \$50,000 in equity in their home. The higher end homes that boom in the seller's market often come down faster in price during a buyer's market. That \$500,000 home has come down to \$330,000.

Our broken dreams home owner is about to see the proverbial light at the end of the tunnel! Let's assume like many borrowers they used 100% financing with two loans. A low interest first at 6.75% and a second at 9%. Their monthly payment is \$1200. Now they can put \$40,000 down and take advantage of lower rates we currently have and that payment will go up to \$1675. They just got double the house for a mere \$475 a month! The best part is that when the market comes back, they will enjoy the much larger appreciation of a more expensive house in a more desirable location.

I find that any people view this downturn as a loss of money because their equity has been reduced. But that would only be true if only their house came down in price and all the others did not. Another interesting fact to consider is that even with all this crazy tightening in the lending market, FHA loans are available on many of the upscale homes because the values have fallen into the FHA lending limits. Now you have an opportunity to purchase a gorgeous upscale home with the 3% down, low interest financing afforded by the FHA. FHA is scheduled to sunset the high loan limits at the end of this year. I suggest you call me and let's find out if you can make that move up. The dream is still alive.



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