



The Malm-Cluett Team
 barbaramalm@jennypruitt.com

Jenny Pruitt & Associates
 404-851-0731

Personal Note

The Atlanta Real Estate market heats up just as the temperature does during the summer months. If you or your family or friends need a professional REALTOR, I'd appreciate your referrals!



Volume XI, Issue 7

PREFERRED FINANCING— A New Way to Set Yourself Apart from the Competition

In today's highly competitive real estate market, agents are working with lenders to utilize financing options to promote and sell their properties. Additionally, full service agents are helping their clients maximize their buying power with creative financing options. One way to capitalize on the market shift is to implement preferred financing into your marketing plan. This is easy to do as all parties in the transaction benefit.

Home buyers can realize lower monthly payments and sellers negotiate away less of their equity. The amount a seller often pays towards preferred financing is less than the typical price reduction, yet the benefits to the buyer are greater. Lew Sichelman, from his article in the National Mortgage News, comments " that they might find helping would-be buyers qualify for a mortgage or trimming their monthly house payments might prove to be a much better alternative than cutting prices and trying to get a lower price or cost. "

The chart below is an example of the actual monthly savings from the most common program utilized which is the 2-1-0 buy down – which means that if the current 30 year fixed rate is 6.5 percent the borrower will receive 4.5 percent the first year and 5.5 percent the second year and then the remaining thirty years are at the original rate of 6.5 percent.

Traditional 2-1-0 Buy Down Program @ 6.5 %

\$300,000 Sale/Finance Price

Payment \$ 1,896.20 @ yrs 3 - 30

Year	1	2
Rate	4.5%	5.5%
Savings Per Month	\$376.14	\$192.83
Savings Per Year	\$4513.68	\$2,313.96
Savings	\$6,827.64	

Traditional \$10,000 Price Reduction

\$290,000 Sale/Finance Price @ 6.5%

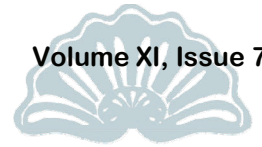
Payment \$ 1,833.00 @ yrs 1 - 30

Year	1	2
Rate	6.5%	6.5%
Savings Per Month	\$63.20	\$63.20
Savings Per Year	\$758.40	\$758.40
Savings	\$5,310.84	

Both Buyer and Seller WIN !!

Selling the financing proves an attractive alternative to price reductions.

Continued on Page 2



One of the best advantages to the buyer is that they realize all of the monetary benefits of the program in the first 24 months of homeownership. In addition, the homeowner does not need to worry about any risk of an adjustable rate mortgage later on down the road. They also have the benefit of easing into their monthly payments over a two year period. Once a potential buyer realizes the benefits of the monthly cash flow benefits, it makes sense to offer close to the list price and negotiate a finance package which benefits them monthly.

Kenneth R. Harney states in his article titled, **Mortgage Rate “Buy down” Can Sell Houses in Slow Markets**, “ One creative technique is known as a mortgage rate buy down. Rather than lower the asking price on a house by thousands of dollars, a seller can offer a discounted rate package that lowers purchaser’s effective interest costs and monthly payments during the early years of their loan. “

The seller benefits because they can negotiate with their real estate agent on the front end a preferred mortgage rate package, in other words, they can market the property without taking a significant price reduction. Price reductions typically offer the minimal monthly payment reduction. (Note in the previous example, only \$63 per month). The seller also benefits while preserving the seller’s net equity out of the sale of their home as well as keeping prices comparable within their neighborhoods which helps all their neighbors.

The Atlanta real estate market continues to out pace the rest of the country, and we are all fortunate for our active market whether you are a buyer, seller or REALTOR®. Even in a challenging market, we can all get back to basics and look at creative ways to market and sell homes. Let me help you realize the American Dream !



PAY YOUR MORTGAGE WITH A CREDIT CARD ?

Paying Your Mortgage with a Credit Card – A New Trend in Real Estate?

If you have ever thought, “Wouldn’t it be great to be able to use my credit card to pay my mortgage and earn points too” ?– you may be in luck ! American Express is offering this service to their card members who obtain either a new purchase or refinance loan through their partner, American Home Mortgage. Cardholders have to be pre-authorized to take part in the program but they would receive rewards like cash back and travel points as well as discount offers for home related products from American Express merchants.



American Express did not go down this path overnight. In the past they have allowed some cardholders to make luxury rental payments and condo down payments on their cards and this seems to be the next logical step. This is a major announcement in the world of finance and American Express is moving forward positively, but cautiously. If this proves to be successful for American Express, it is almost assured that other credit companies will follow.