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THE BOCA BEACH REPORT

Your Home Investment Makes You Wealthy

Along with all of other benefits of owning a home are the benefits of wealth that accrue to the homeowners. The net worth of the people who own a home is on average much higher than those who rent property. (Net worth is your "bottom line" after subtracting debts from assets.)

The figures come from Harvard's Joint Center For Housing Studies and show that the average homeowner had a net worth of \$250,000. Renters had a median net worth of \$8,700. The wide difference is startling.

The reason that may come to mind first is that people who buy homes were wealthier in the first place. True, but even among people with similar incomes the difference is considerable. For example, renters with annual incomes of \$60,000 or more had a net worth of \$50,700. Comparable homeowners had a net worth of more than \$300,000.

After the home is purchased, payments on the loan each month

reduce the mortgage. Usually, houses increase in value. The combination will do wonders for the net worth of the homeowners, even if they have no cash savings.

When wealth builds up in equity over the years, it can usually be tapped and used by owners by the use of refinance or home equity loans.

The study did not include owners who own a second or third home, but certainly the wealth of these owners would be much higher than the average owner.

Houses Are A Top Investment

Homeowners may struggle and save to buy their first home. Many of them then dream about the time when the mortgage is paid off and ♦♦



August 2004

Privileged information about your real estate

This publication is not a solicitation but is an information service from this real estate office.

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Please Clip and Mail or Call Me for More Information

As your real estate professional, I am available to assist you in your planning. Simply complete and return the following request for information or contact me today for immediate assistance.

- | | |
|--|--|
| <input type="checkbox"/> Purchasing a home or second home | <input type="checkbox"/> Long distance Relocation |
| <input type="checkbox"/> Selling a home or second home | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Purchasing or selling Investment Property | <input type="checkbox"/> Please contact me between these hours _____ |
| <input type="checkbox"/> Checking on current value of my property | |

Name _____

Address _____

City _____ State _____ Zip _____ Phone _____

E-mail: _____

If your property is now listed with a broker, please disregard this offer. We will cooperate with other brokers.

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there are no more payments. Wouldn't it be great if at the time you pay off the mortgage on your home, you also paid off two or three other homes? You could sell them for a good price or keep them for rental income in retirement.

You can do just that. Just save a bit more, buy another home as a rental, and the dream can come true. After the down payment, the monthly rent can pay off the loan every month.

Rather than buy apartment units as a rental property, it could be wiser to invest in a small house, condo or townhouse, or more than one, if possible.

There are reasons for this demand for small houses and condos. Here are some of them:

1. There has been a trend for young people to stay single longer and wait to get married.
2. There is an increase in the numbers of nontraditional households (single parent, singles-not-married, married two-income, no children) that should create a demand for smaller houses, condos and townhouses.
3. The elderly people who have increased dramatically in numbers will have a major impact on the market for real estate for many decades to come. Many of these will try to remain close to family and friends. The convenience and good locations of many houses and condos will make them desirable to this group.
4. As the baby boom population ages, the country will need more housing that will be of the type that older Americans will prefer, usually the small house, condo or townhouse.

Owning a rental home or homes automatically adjusts for inflation. Real estate goes up in value while other types of investments may not.

Give me a call when you want to get started in investment homes! ♣

Insulation Is Key To Year Round Comfort

While having the best and most efficient heating system in a home is important, it is not the most important. The trick to keeping your home warm in winter, once that heating system is on, is to trap the heat in the house. Insulation is the key to it all. A well-insulated house will not only trap warm air in winter, but will retain cool air in the summer months.

Heat rises and cooler air sinks. Much lost heat goes out through an inadequately insulated ceiling. The recommendations formerly given for insulation was that it should be at least six inches thick over the ceiling of the top floor and at least three to four inches thick in exterior walls. Recently, experts have changed these recommendations, sometimes recommending thicker insulation in ceilings, depending on the type of weather. In any area, heating and insulation companies will give local recommendations. Often gas and electric utility companies will help with this information also.

Hire professionals when doing insulation in your ☞

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home. It is not an average do-it-yourself project. Improper insulation in exterior walls may cause condensation. In addition to insulating the attic and walls, you'll want to use weather-stripping to prevent leaks around doors and windows.

Heat travels from warm areas to cold ones. Since glass acts as a heat conductor, insulating glass should be installed even in the most temperate climates. Closing the drapes or other

window coverings will help prevent heat loss through the glass and provide help in keeping heat in and cold out.

Make sure your heating unit is working efficiently. Your furnace should be checked by a professional to ensure that heat-exchange surfaces and air filters are clean and that the air-combustion level is correctly adjusted. Remember, an inefficient furnace works harder and wastes fuel—and money. ♣

Owner Financing— A Marketing Strategy

When a home goes on the market, the owner and broker will usually discuss a marketing plan. This usually consists of the agent responding in terms of advertising, signs, explaining the referral system, holding the home "open" and wide exposure through the multiple listing service. These are the things expected of any real estate office.

Further, an explanation is given regarding the efforts that the owner should provide: painting, cleaning, making repairs, gardening, etc. Many times, one of the most important marketing strategies is overlooked and never discussed at all.

Seller Financing

The seller can assist the buyer by acting as the lender, financing all or part of the sale. The term given to such seller financing is carryback financing. Literally, the seller is carrying back part or all of the financing on the property instead of the buyer financing with a bank or savings and loan.

When the property is free and clear of loans, seller financing is no problem. If there is a small institutional loan still on the property, it must be assumable and allow additional financing. The agent must ascertain this when property is listed.

Seller financing is a vital part of any successful sales program. If the seller is aware of all of the benefits, it can cut the sales time of a property by expanding the market. Many more buyers would be able to purchase the property.

Many sellers of real estate do not need all of the money that will come from a sale. Often the seller must go out and look for a place to invest the proceeds, to get the best possible return.

Benefits to the Seller:

- Even though mortgage money is relatively cheap and plentiful, some people who would be excellent buyers cannot qualify under institutional lender standards.

- Some properties just don't meet institutional standards.

- A good amount of money from the sale is invested in a note that is extremely safe, secured by the real estate that the seller knows well, the property that was sold. This gives the seller a

substantial monthly income.

- This investment, in addition to being safe, will pay a much higher interest rate than is paid in other investment vehicles. When current institutional mortgage rates are at 6%, the seller can have the proceeds from the sale invested at that rate, rather than 3% at a bank.

- By taking a small down payment, and carrying the loan, the seller may be able to defer taxes because of qualifying for an installment sale. (Internal Revenue Code, Section 453.)

- Makes a sale at the top price. When a buyer is able to get excellent terms, usually there is less haggling over the price.

- The transaction may be lightning fast. With no lengthy loan qualification at a lender, the buyer can be ready to close immediately.

Benefits To The Buyer

Some of the benefits mentioned above, such as the speed of the closing will also apply to the buyer. Here are others:

- Buyer can save cash paid to purchase the home. Seller may accept a lower down payment than required by an institutional lender. Buyer will save a substantial amount by completely avoiding loan origination fees (points) that can amount to thousands of dollars.

- Although the buyer may be paying the seller a higher interest rate than the seller can get at a savings account at a bank, the interest rate may be lower than the buyer would have to pay on a bank loan.

- Seller will not charge the buyer an appraisal fee and a variety of additional costs and fees normally charged by lending institutions.

Often an older seller has a free and clear home and would be more than happy to get the benefits of a carryback loan, but no one asks.

Vacation Homes and Other Solutions

Institutional lenders can often get troublesome on certain properties. Vacation homes can be one that is on their problem list. Others include:

- 1) Land, improvement ratio, e.g. house on 15 acres.
- 2) Old house without concrete foundation.
- 3) Zoning, e.g., a single family home on a lot zoned commercial or other non-conforming zoning.
- 4) Many, many others.

All can be a problem that can be solved instantly with carryback financing. ♣