



BANKERS
MORTGAGE

5270 West 84th St. Suite 205
Bloomington MN 55437



Kip Boie
Mortgage Banker

Office (952) 374-6117

Cell (612) 849-5396

kboie@bankersmortgage.com

Your Mortgage Consultant for Life!



Buying a Second Home

Your Corporate Home Owner's Reward Program



Kip Boie
Mortgage Banker

Kip is a seasoned businessman with over 20 years experience in marketing and sales of high technology products. His educational background includes a Mechanical Engineering Degree and a Finance MBA from the University of Minnesota (2003). This puts Kip in the unique position of understanding both the challenges of a busy professional life and the complex financial instruments available today.

Kip's attention to detail and professional approach places clients at ease, knowing that their transaction will go smoothly from start to finish.

What is an HRP? Ask Kip.

Kip Boie
Office (952) 374-6117
Cell (612) 849-5396
kboie@bankersmortgage.com

Many people fantasize about buying a getaway. These dreams are particularly common while you're taking a holiday. Wouldn't it be nice to have your own chalet or cottage, and ski or stay at the beach whenever you like, instead of once a year?

Typically, those dreams last about the same length of time it takes to read a few vacationland real estate listings. Where would you come up with the money for the down payment on a second place?

The answer may be waiting for you when you arrive home. You can use the money you've invested in your principal residence to finance the purchase of a second, recreational property. With a home equity loan, you can access cash equal to as much as 125 percent of your home's appraised value, less mortgages already on the house. You'll get a lower rate of interest, because the loan is secured. And the interest you pay on the money may be tax deductible, as long as you meet certain conditions. Be sure to consult your tax advisor.

Still, buying a second home is not a decision you should rush into. As well as a down payment, you will have to service the additional debt you are taking on and pay other expenses. The total annual cost will include your monthly payments on the home equity loan plus the mortgage, utilities and maintenance on the second property.

Assuming you spend all your vacation time at your second home, the net annual cost will be roughly this amount, less what you'd otherwise spend on accommodations and food during holidays and any relevant mortgage-interest tax deduction.

You can offset your costs by renting the property out when you are not using it, but you will likely lose your mortgage-interest deduction on both the home equity loan and the mortgage on the second home as a result. You'll also have extra maintenance and other costs to contend with.

Unless you have enough income to cover the expenses listed above, you may have to give something up to buy your second home. You may want to consider the following questions:

- are you willing to sell one car or trade down to a less expensive vehicle than you currently drive?
- do you believe the value of your vacation property will appreciate sufficiently that you can rely on selling it to finance your retirement, and reduce contributions to your tax-assisted savings plan?
- could you share the second home with a sibling?
- would your grown children foot half the bills in return for using the cottage or chalet, and inheriting a share someday?

If the answer to some of these questions is yes, then you might be able to make that dream vacation home a reality.

Your Mortgage Consultant for Life!

Bridge Financing Basics

If your new home closes before the one you are selling, you'll probably need bridge financing. Here's how it works.

You're looking for your next home, and walk into the place of your dreams. The space is tailor-made, the location is perfect, even the price is right. Just one problem: the owner of your dream home has to close the deal within the month, and you can't sell your current home that quickly. How can you come up with the money to buy the new place, while carrying the old one?



Bridge financing could be your best way to seal the deal. This type of financing is a hefty short-term loan that bridges you over the period when you own and are paying for two homes.

To obtain bridge financing, you have to present your financial institution with two firm offers -- one for your current house and one for your next home. You should be able to obtain financing of 80 percent to 90 percent of the value of your equity in your current home in the form of a mortgage. You use it to finance the purchase of the new home and carry the two mortgages during the overlap period, before the sale of your current home closes.

Once that happens, you use the proceeds of the sale to pay off the bridge loan, plus interest and costs. Alternatively, you can arrange to repay the bridge loan in six months to a year. This may be useful if you need to save a bit to pay off the bridge in full.

Trouble is, the costs of bridge financing can really add up:

- interest on this type of short-term loan is relatively high, usually the prime rate plus one to three percent.
- set-up fees can be hundreds of dollars.
- you may have to pay up to six months' worth of interest in advance for bridge loans that are structured to allow you a year or more for repayment.
- you may be required to set up and pay for new mortgages on your old home and your new one, and use both homes as collateral against the debt.
- worst-case scenario: the deal for your old home falls apart at the last minute. If that home is collateral for the bridge loan, the bank could seize it.

The bottom line is you should only consider a bridge loan if you can afford the interest charges and can pay it off in full as soon as possible. With this type of financing, every single extra day can cost you hundreds or even thousands of dollars.

Buying a New or Existing Home

Consider factors such as cost, convenience, extras, neighborhood and resale value before you decide on a new or existing home.

Existing home:

Pros:

- You may get more quality workmanship for your dollar in a house that was built when labor and materials were less expensive.
- Appliances and window treatments are often included.
- If it has been renovated, updated kitchens and bathroom may feature valuable extras.
- Most likely has mature trees and landscaping.
- Often has unique architectural elements.
- Usually in established neighborhoods.
- Direct relationship between the price of homes for sale and the overall care and attitude of the neighborhood in general.



Cons:

- Generally less energy-efficient, so more costly to heat and cool.
- Past renovations may not meet today's building codes.
- Building materials may be harder to match or replace.
- May need expensive repairs and renovations.

Newly constructed home:

Pros:

- Less maintenance than an older home.
- Customized options and upgrades.
- Built to updated building and safety codes.
- More efficient and innovative use of space inside and out -- often more storage space.
- Modern amenities.
- More energy-efficient design and materials, better lumber, improved insulation.
- May be wired for today's technology and security.
- You can have input into decorating decisions.
- New subdivisions may have more recreational facilities.
- New building materials are often safer, as they don't include things such as lead or asbestos.
- Construction and appliance warranties often still apply, but read the fine print as these usually aren't as all-inclusive as you might think.



Cons:

- Construction delays are common and may necessitate an interim move.
- New homes can cost more than existing homes due to escalating land values, material and labor costs.
- Resale may be difficult before construction is completed in the entire subdivision -- most buyers in new developments prefer to choose a new home and all the options.
- Dirt, mud and construction noise may be a problem until the entire neighborhood is completed.
- You may be charged higher taxes to expand services to a new area with few inhabitants.
- Landscaping can be costly.
- Unwanted developments or businesses may continue to be built on neighboring land.
- New homes are often on the outskirts of a town or city, which may mean a longer and more expensive commute to work.
- Additional costs -- some subdivisions have mandatory fees for homeowners' associations and other assessments.