HOME BUYER'S PACKET

Compliments of:

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of
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The Buying Process

GETTING STARTED

On the surface, buying a home may seem like a relatively straightforward process. However there are dozens of variables in any transaction that can make home-buying quite complex. Being prepared and organized makes the process that much easier and more enjoyable. Here are some steps to take before beginning your search.

Choosing an Agent — Choosing an advisor to guide you through a transaction as important as buying a home is serious business. So homebuyers should give just as much consideration to hiring a buyer's representative as sellers give to hiring a listing agent. That means conducting interviews, seeking referrals and researching the company as well as the individual.

While it's important to ask potential agents a number of questions relating to their experience and routines, it's also important to listen for the questions they ask you to get a feel for if they're really intent on understanding your needs. Experience in your preferred neighborhood and/or style of home is important, but so is the comfort level between agent and client, because buying a home is a highly personal experience. Ultimately, you only work with one agent, so it should be someone you like, trust and respect and who feels the same way about you.

Assessing your Financial Situation — For starters, use an online mortgage calculator to get a sense of your buying power and monthly mortgage payments. As a general rule, most experts say that your housing expenses should not exceed 28 percent of your gross monthly income, but a variety of factors – from your credit score to other debt – can open this ratio up to a pretty wide range. Remember that there are other costs involved in buying a home, such as moving, decorating and remodeling expenses. You should also consult with your accountant or financial advisor to talk about how real estate affects your financial goals. Knowing where you will come out of the transaction will give you a lot more confidence going in.

Getting Pre-Approved — In today's home-buying environment, a mortgage pre-approval is not only essential; it is also incredibly easy to obtain – whether online, over the phone or in-person.

A mortgage pre-approval lets you know exactly what you can afford to buy. It also demonstrates to a seller that you are a willing and able buyer. And it gives you a head start in getting an actual loan commitment. Learn more about pre-approvals by visiting with one of our preferred lenders online or in person.

Creating a Wish List — Almost every home purchase involves some degree of compromise, which is why it is important to prioritize your wants and needs before you begin your search. There are many variables to think about depending on your prioritize your wants and needs before you begin your search. There are many variables to think about depending on your lifestyle, budget and future plans, but some universal considerations include:

- **Location** - Chicago offers many great neighborhoods, each with its own character. Consider the factors that are important to you, such as schools; transportation; and neighborhood amenities like restaurants, shops and parks. Here are some ways to research an area you're considering.
    - Tap local resources like the Chamber of Commerce, which can provide information about area businesses and community events.
    - Seek out neighborhood residents and get their opinion about where they live.
    - Drive or walk through the neighborhood at various times of the day and evening
    - Leverage your agent's expertise in the neighborhood.

- **Type of home** - A great diversity of housing exists within the city: single-family homes, condominiums, lofts, town homes, two-flats, new-construction, high-rises, vintage homes, re-sales and fixer-uppers. You probably have a preference for a certain style of construction. Weigh the pros and cons to narrow your focus.
- **Features and amenities** - Garage parking, hardwood floors, a fireplace, outdoor space, a doorman. In the end, these are the kinds of details that drive the decision to purchase one home versus another. In creating this list, some things to consider are resale value, your daily routine, and the cost of making changes or additions down the road.

FINDING YOUR HOME

Once you have obtained a mortgage pre-approval and selected a real estate agent, you are ready to begin your home search in earnest.

Today, approximately 80 percent of home searches begin on the Internet, and if you're searching for a home in Chicago, there's only one web address you need to know: www.StephensRealty.net. Our web site includes tools, tips and access to all of the Chicago properties listed in the MLS. Best of all, you're in control. Sign up for me to manage and customize your search, receive e-mail updates on new listings as they become available, conduct several searches at once and save and compare properties.

Review Listings — Using the guidelines you set forth, your agent will present you with available listings. In addition to price and property attributes, pay close attention to data like property taxes, market time and monthly assessments for condos and town homes.

View Properties — Your Stephens Realty Group agent will schedule showings and accompany you on each appointment. When you walk through a home, some things to consider are: how the space functions for your lifestyle; what's included in the total square footage (balcony, basement or garage); and, in new construction, which features are standard and which are upgrades.

According to the U.S. Department of Housing and Urban Development, the average buyer will view 15 homes before buying one. But that is just an average. Some buyers will purchase the very first home they see. Others will look at more homes.

Open Houses — Remember, if you are attending Open Houses without your agent, be sure to mention that you are being represented by an agent of The Stephens Realty Group. This will save you from being bombarded with calls from other agents trying to represent you. We will supply you with some business cards to make the Open House sign-in process even easier.

Compare Properties — Discuss each home you see with your agent, and provide candid feedback. Your expectations and the marketplace will begin to converge, and your agent will be able to adjust certain parameters such as location and features in order to present you with alternatives. Use Stephens Realty Group's Property Comparison Sheet to track and compare each listing. When you find a home and are ready to make an offer, your agent will perform a Comparative Market Analysis or CMA. This report compares the subject property with other properties that are currently listed and recently sold to help you formulate your offer.

MAKING AN OFFER

Chances are, when you find a home you absolutely love, someone else may love it too. So it's important to act quickly and make an educated offer based on a rational approach to pricing and negotiating that you and your agent have discussed. To start the process rolling, your agent will draw up a contract that includes your offering price and other terms and contingencies. Buyers often focus on price, but there are other important terms to a real estate contract. You can include any terms you like, but the more you add, the more likely the seller is to object. Here are the most common elements of a real estate contract:

Price — The market will determine the final price, but your agent will help you formulate an offer based on comparable listings and sales, and current market conditions.

Mortgage Contingency — A mortgage contingency stipulates that you will buy the home subject to obtaining a mortgage. If you cannot obtain a mortgage, and the seller will not agree to finance the sale, then the contract will be void. The terms of the mortgage must be stated in the contract, and you will also need to establish a timeframe for securing financing.

Home Inspection Contingency — A thorough inspection of the property by a licensed home inspector protects you against structural or material problems that are not detectable in a casual walk-through. Home inspections are just as important in new construction as they are in resale. Obviously, buyers can't inspect a home that isn't built yet, but they can request an inspection prior to closing. In new construction, an inspector will make sure that all mechanical systems are working properly. They may also spot repairs that need to be added to the builder's punch list (a list of items that need to be completed before the home is delivered to the buyer). The buyer, not the seller, is responsible for hiring and paying the inspector.

Attorney Approval — Attorney approval is generally a one-week period, in which your attorney can review the contract and suggest alterations. In most transactions, the seller is also represented by an attorney. Alterations will usually focus on the language of the contract in an attempt to protect you from any undue obligations. Your attorney will also add language to address points that were agreed to as part of the negotiation but that is not a part of a standard contract.

Even if you are using a standard-form real estate contract, an attorney's review is always highly recommended. It is also recommended that you use an attorney that specializes in real estate transactions. Something that is obvious to a real estate attorney might be overlooked by an attorney that isn't familiar with real estate transactions or real estate contracts. Upon attorney review, if the contract is not acceptable to either party, both have the option to cancel. If the contract is acceptable, then the transaction moves forward.

Earnest Money — Earnest money is a deposit, given by the buyer to the seller, which secures the contract until the closing. An initial deposit, usually in the form of a check, must be given to the seller or seller's agent along with the contract and the balance of the earnest money is usually due upon attorney approval. Earnest money is typically held in an escrow account until the closing, when it may be applied to the down payment and/or closing costs. If the sale does not go through due to contingencies covered within the contract, then the earnest money may be returned to the buyer. However, if a buyer is in breach of contract, then a seller may be entitled to keep all or a portion of the earnest money.

Closing Date — One of the most important terms of a real estate contract is the closing date – the date when ownership changes hands. This is usually, but not always, the date that the seller must vacate and the buyer may occupy the property. Flexibility on the closing date can give a buyer a big advantage over other potential buyers. Occasionally, it can also allow you to negotiate a lower price or other, more favorable terms.

COUNTER OFFERS

In many transactions, there is a fair amount of negotiation – offers and counteroffers – before both parties are satisfied. This is one aspect of a real estate transaction in which an agent is invaluable. Not only can an agent draw upon his or her experience and market knowledge to offer sound advice during a negotiation, but he or she can also serve as a buffer between the buyer and the seller/seller's agent. Negotiating for a home can be a highly charged and emotional process. But the most emotional buyer will look like one cool customer behind the right agent, and in the end, you usually wind up with what's important to you.

FROM CONTRACT TO CLOSING

In a real estate transaction, there are dozens of loose ends to tie up between signing the contract and closing the sale. The Stephens Realty Group is known for our attention to detail during this important phase in which we coordinate and oversee the following steps:

- Deposit earnest money with the seller or seller's agent
- Recommend and schedule a home inspector and accompany the buyer on the inspection. It is always highly recommended that the buyer attend the inspection along with his or her Stephens Realty Group agent in order to make sure that any issues that come up are properly relayed to the buyer's attorney.
- Recommend a real estate attorney
- Obtain important documents, such as property disclosure forms and condominium documents (budget, declaration, condo association minutes), and deliver them to the buyer and buyer's attorney.
- Recommend a mortgage broker and help expedite the loan-application process.
- Monitor all contingencies to ensure that they have been met
- Recommend service providers for moving, home-improvement and repairs
- Schedule a final walk-through. Again, both buyer and buyer's agent should be present.
- Coordinate your closing

In addition, if you have an existing home to sell, The Stephens Realty Group will customize a comprehensive marketing program to help you achieve the highest possible sales price in the shortest amount of time. For more information contact your Stephens Realty Group agent.

CLOSING

Your Stephens Realty Group agent will work closely with you, your lender, your attorney, and the seller's agent to make sure everything is in place for a smooth and efficient closing.

Typically, a day or two prior to the closing, your lender will forward all loan documentation to the title company and let you know the amount required to close. You will be responsible for bringing the balance of your down payment and closing costs (such as lender fees, title company fees, and state and city transfer taxes) to the closing in the form of a cashier's check. At the closing, your attorney will guide you through the many documents you need to sign, including the bill of sale, the deed and the affidavit of title.

The Stephens Realty Group's goal is to provide you with the information you need to feel confident at your closing. If you have questions about your closing, contact your agent at any time.

AFTER CLOSING

While your transaction is complete, our work is not. In fact, The Stephens Realty Group maintains relationships with our clients long after closing. We are always glad to help you find a variety of service providers and tradesmen to perform work on your home or make life a little easier.

As you're getting settled into your new home, here are a few situations you may encounter in the coming months and years that are important to think about.

Rebuilding Your Savings & Maintaining Financial Discipline — Buyers should definitely take the time to review and evaluate their finances after a home purchase. One important step to consider is setting up an automatic electronic payment with your mortgage lender, which lets you avoid costly penalties associated with late payments.

Also, make a plan for gradually rebuilding your savings account, which many buyers deplete in order to make their down payment and pay for moving costs. As a homeowner, it's more important than ever to have a cash reserve set aside for unanticipated maintenance that your home may require. In fact, a general rule of thumb is that homeowners should expect to spend about 1 to 3 percent of the cost of their home per year on maintenance and repairs.

Refinancing — Keep an eye on interest rates even after you purchase your home. If rates go down, you may be able to save money by refinancing, which simply means you take out a new mortgage at a lower interest rate to replace your original loan. Another common situation that calls for refinancing is the expiration of the initial, fixed-rate period on an Adjustable Rate Mortgage (ARM). If prevailing fixed rates are substantially lower than the rate your ARM will carry once it adjusts, then it might make sense to refinance into a fixed-rate loan.

Today, many lenders offer no-cost refinancing, which basically means they take the costs and fees associated with refinancing and roll them into the interest rate. It's a way for homeowners to lower their monthly payment with little or no money out of pocket.

While refinancing a mortgage has gotten much easier in recent years, it is still a major financial transaction with important implications. So be just as diligent in a refinance as you were in securing your original mortgage. The Stephens Realty Group will happily refer you to a mortgage professional to help you determine the right time to refinance.

Home Improvement — Whether it's a fresh coat of paint, new hardwood floors or a major kitchen remodel, most new homeowners have at least a few projects they want to undertake once they move in. The Stephens Realty Group can even help you find a variety of service providers and tradesmen to perform work on your home.

The Advantages of Homeownership

A home is most likely the biggest purchase you'll ever make, and it marks a major step in life. There's no scientific formula that tells someone when they're ready to buy, but you should take stock of your financial situation as well as your personal lifestyle. In general, there are a number of advantages to homeownership, both tangible and intangible, that you'll want to consider.

Investment - Every payment you make on your mortgage puts you one step closer to acquiring a major possession. And every improvement you make to your property not only enhances your way of life, but also adds value to your home.

Protection from Inflation - Once you purchase a home, the bulk of your housing costs are not exposed to inflation. That means your only housing expenses that will rise over time with inflation are property taxes, homeowners insurance and maintenance costs.

Equity - Because a home increases in value even as you are paying down your loan, most buyers effortlessly build equity. Equity creates wealth and can help you accomplish any number of financial goals, such as paying for retirement and funding a child's education.

Tax Advantages - Your real estate taxes and the interest on your mortgage are deductible from your income tax. For many buyers, that tax break can go a long way toward making home ownership just as affordable as renting.

Satisfaction - For many people, but certainly not all, home ownership simply makes life more enjoyable, whether it's the pride that comes from decorating and maintaining your home or the knowledge that your children will grow up in the neighborhood of your choice. Home ownership is still the American Dream.

How Credit Reports Work

If you've ever applied for a credit card, a loan to buy a house or car, or a line of credit to make some other large purchase, then you've probably had your credit report reviewed by the lender. If your report says you don't pay your bills on time, or that you have a lot of debt, you may not get that loan -- or you may get it but have to pay a higher interest rate. Because it can have such an impact on the things you do in your life, you should make sure that your credit report is accurate and that you understand how it affects the credit you can get.

In this article, I will talk about what goes into a credit report, who puts it there, and who can get access to it. We'll also find out how all of that information is compiled into a single document that can have a pretty big impact on your life.

A credit report is an accumulation of information about how you pay your bills and repay loans, how much credit you have available, what your monthly debts are, and other types of information that can help a potential lender decide whether you are a good credit risk or a bad credit risk.

The report itself does not say whether you are a good or bad credit risk -- it provides lenders with the data to make the decision themselves. Credit bureaus, also known as credit reporting agencies (CRAs), collect this information from merchants, lenders, landlords, etc., and then sell the report to businesses so they can evaluate your application for credit. Lenders make their decisions based on different criteria, so having all of the information helps ensure that they are making the right decision.

Information that makes up your credit report includes:

- Personal identifying information - This includes your name, address (current and previous), Social Security Number, Date of Birth, current and previous employers, and (on the version you get) your spouse's name may be included as well.
- Credit history - This section includes your bill-paying history with banks, retail stores, finance companies, mortgage companies, and others who have granted you credit. It includes information about each account you have, such as when it was opened, what type of account it is, how much credit it includes (or the amount of the loan), what your monthly payment is, etc. If you've closed the account or the loan has been paid off, then that information shows up as well. If there were missed or late payments, this is where that appears.
- Public records - Information that might indicate your credit worthiness, such as tax liens, court judgments and bankruptcies. This information is readily available from public records.
- Report inquiries - This section includes all credit granters who have received a copy of your credit report. It also includes any others who were authorized to view it. In addition, lists of companies that have received your name and address in order to offer you credit are included. These companies don't actually see your report, but get your name if you meet their criteria for an offer of credit, insurance or other product. This is where all of those "pre-approved" credit card offers come from.
- Dispute statements - The report may also include any statements you've made disputing information on the report. Most credit bureaus allow both the consumer and the creditor to make statements to report what happened if there is a dispute about something on the report.

Things that don't appear on most credit reports include:

- Bank account balances
- Race
- Religion
- Health (although medical bills may show up as debts)
- Criminal or Driving records
- Income

There are different versions of credit reports available depending upon who is requesting it. The consumer version includes all of the above information, as well as a listing of all inquiries for the report. The business version includes all of the above information, but only the inquiries made by companies with a "permissible purpose" -- this usually means someone you have initiated business with.

You've probably heard about a credit score as well. Don't confuse your credit score with your credit report. Credit scores are based on formulas that use the information in your report, but they are not a part of your report. Fair, Isaac and Company came up with a proprietary scoring formula that most creditors use, although there are other scoring methods that are used for various purposes. This score essentially boils down all of the information in your credit report to a single three-digit number. This gives creditors an easier way of making decisions about your creditworthiness. These numbers range from 300 to 850, with the higher number indicating a better credit risk.

How Credit Bureaus Get Information

A credit bureau is a clearinghouse for credit information about consumers. There are over 1,000 local and regional credit bureaus around the country that gather information about your credit habits directly from your creditors. Typically, these smaller local and regional bureaus are affiliated with one of three large national credit bureaus – Equifax, Experian, and TransUnion.

For example, let's say you apply for a credit card and provide the card company with all of your personal information, such as your name and address, your previous address (if you haven't lived at your current residence for more than two years), your employer, other credit cards you have, etc. The credit card company then contacts a credit reporting agency (CRA) and reviews your credit report. If the company approves your application for a credit card, then the information you've supplied is forwarded to the CRA. That credit card company also reports your payment history to the CRA, so that becomes part of the report. The CRAs also access information about you from public record information such as court records.

All of the transactions you have that involve credit are reported monthly to CRAs by the merchants or creditors you deal with. Most large creditors report this information to all three national credit bureaus (CRAs). Some smaller lenders or merchants, however, may only report the information to one. For this reason, your report from each CRA may not be the same. You might get a copy of your report from Experian that does not include an account that shows up on your report that is maintained by TransUnion. For this reason, it is wise to review copies of all three reports.

While the report itself only relays the history of your dealings with creditors, there is still information there that may seem innocent to you but NOT to potential creditors. This includes information like:

Inquiries

Every time you apply for a credit card to get a free travel mug, duffel bag, or tee shirt, you are adding another hard inquiry to your credit report. When potential lenders see these inquiries, it may wrongly imply that you're either in some financial situation where you need a lot of credit, or are planning to take on a large debt. Either can flag you as a high credit risk.

Other types of inquiries, such as your own requests to view the report, employer requests to view the report and requests by marketers to get your name in order to sell you something, count as soft inquiries. These inquiries don't show up on the reports that lenders see, and therefore don't affect how they view your credit.

Also, watch out when you are car shopping or mortgage shopping. Make sure you don't let the car dealer or mortgage broker run your credit unless you know you're going to be buying from them. While the FCRA allows these types of multiple credit inquiries that are within seven to 14 days of each other to be counted as a single inquiry, you would have to be careful of your timing to make sure you don't have multiple inquiries show up.

So, how many hard inquiries can you have without a problem? Some experts say that if you have 10 credit card inquiries in six months, that will probably scare a lender. Others experts say that as few as six credit card inquiries in six months can label you as risky. Inquiries that are older than six months may not be looked at as strongly because if you actually set up the loan or opened the credit card account, those accounts would now be showing up on your report as well. The newer inquiries might lead the lender to think that you actually have the credit accounts available now but they haven't shown up on the credit report yet. Most inquiries drop off of your report after two years.

- **Open credit accounts**
  Another thing to watch out for as you gather all of those free mugs and duffel bags is that even though you may have forgotten about them, accounts you don't use still count toward your total available credit. Just as with the hard inquiries we've talked about, these can indicate to a potential lender that you could easily put yourself into financial danger with all of that readily available credit.
  According to TransUnion and Experian, you should not close out your oldest card, because it has the most history on it; also, you should maintain four to six credit cards to "keep your credit score and debt balances healthy" (TransUnion). But other than that, close the accounts you don't use. In addition to avoiding excessive available credit, you're limiting your exposure to identity theft.
  Cutting up the card or just not using it doesn't mean the account is closed. You have to call or write to the card company and ask to close the account.
- **Missed payments**
  Obviously, your payment history makes a big difference. You should always make at least the minimum payment, or consolidate accounts to reduce your payments. These delinquencies stay on your report for seven years -- even if you've caught your payments up! The same goes for accounts that creditors have turned over to collection agencies or charged-off -- meaning that they've written the account off as a loss. Even if you do pay off the account at a later date, the charge-off or collection action stays on your report for seven years.
- **Maxed-out credit lines**
  Another thing that scares lenders is a maxed-out credit line (or two). This waves a big red flag and indicates that you may be financially strapped for some reason. Some experts suggest moving debt around if this is the case. For example, if you have a maxed-out card but have other cards that haven't reached their credit limits, you might consider moving some of the debt from the maxed-out card to the non-maxed-out ones.
- **Debt in relation to income**
  If you have unsecured credit card debt that is more than 20 percent of your annual income, lenders may not want to give you the best deal on a loan (if they'll take the chance and give you a loan in the first place). Work to reduce the debt-to-income ratio and you'll be able to get better rates on the loans you seek.

You can find the contact information for all three national credit bureaus in the United States.

- Equifax – www.equifax.com
  To order your report, call: 800-685-1111
  To report fraud, call: 800-525-6285/ TDD: 800-255-0056

- Experian – www.experian.com
  To order your report, call: 888-397-3742
  To report fraud, call: 888-EXPERIAN (397-3742)/ TDD: 800-972-0322

- TransUnion – www.transunion.com
  To order your report, call: 800-916-8800
  To report fraud, call: 800-680-7289/ TDD: 877-553-7803

How Mortgages Work

I have gotten so many questions in that last few months about how exactly mortgages work and what the different terms mean. The problem for most people is all the confusing terms that banks and lending institutions use. In this month's newsletter, I will go into detail and give a little insight on how mortgages work, explain some terms that are used in the industry, and well as explain the different loan options.

What is a Mortgage?

According to the Webster's dictionary, a **mortgage** is "the pledging of property to a creditor as security for the payment of a debt." In plain terms, it is the legal contract that says if you don't pay the loan back (along with all of the fees and interest that are included with it), then the lender can have your house.

In states following the "title theory," the lender holds the title to your house until the debt is completely paid off, and the lender will sell your house in order to get the money back if you can't make your mortgage payments. In states following the "lien theory," the mortgagee holds a lien on your property and can foreclose on that lien and sell your property in the event you default under the mortgage.

Your **down payment** is the lump sum you pay up front that reduces the amount of money you have to finance. You can put as much money down as you want, or you can sometimes pay as little as 3 to 5 percent of the purchase price. The more money you put down, the less you have to finance and the lower your monthly payment will be.

The mortgage payment is made up of:

- **Principal** - This is the total amount of money you are borrowing from the lender (after you've made your down payment). It is the amount of money you are financing.
- **Interest** - This is the money the lender charges you for the loan. It is a percentage of the total amount of money you are borrowing.
- **Taxes** - Money to pay your property taxes is often put into an escrow account, meaning that the money is placed in the hands of a third party until it is time to pay or certain conditions are met. A portion of your property tax is added to your monthly mortgage payment and held in escrow until it is due.
- **Insurance** - There are several types of insurance that can come into play when you get a mortgage. You'll have hazard insurance to protect against losses from fire, storms, theft, etc., and if your home is in a flood risk zone and you're getting a federally insured loan, you'll have to get flood insurance. Unless you have at least 20 percent equity in your home, you'll also have to pay private mortgage insurance (PMI). This can sometimes be pretty expensive, so it makes sense to put as much into your down payment as you can. (Equity is the portion of your home's value that you have already paid for.)
  These pieces of your mortgage payment are referred to as **PITI**.

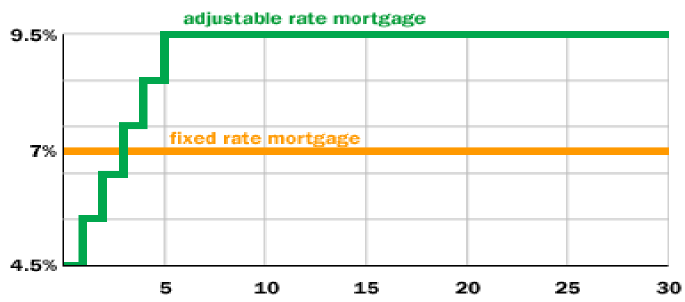
Mortgages are typically paid off in incremental payments that gradually chip away at the principal of the loan. This is called **amortization**. The portion of your payment that goes to pay the interest is much higher than the portion that goes to the principal -- at least for the first several years.

These payments are precisely calculated and scheduled to pay off the loan in a specified period of time.

Types of Mortgages

There are many types of mortgages you can choose from. Which type you choose usually depends on the length of time you think you'll be in your home or the other financial obligations you have. If you think you'll be there for the long haul, then you may want a fixed rate mortgage with the lowest interest rate you can get.

There may be other considerations, however. What if you have kids who are going to be entering college in 10 years? In that case, you might consider getting an adjustable rate mortgage or a mortgage with a balloon payment so you can keep your payments low for the first few years in order to save for college. Once the kids are out of college, you can refinance at the current rate. If you don't think you'll be in your home for that long, then you may also want to look at other options.



Fixed-rate Mortgages

This mortgage offers an interest rate that will never change over the entire life of the loan. If you lock in a rate of 7 percent that calculates a payment of $1,247 per month, then you know that in 20 years you'll still be paying $1,247 per month. The only things that will change will be the property tax and any insurance payments that are included in your monthly payment.

The length (known as the term) of your fixed rate mortgage can be 15, 20 or 30 years. These terms have an effect on the various benefits you'll get from your mortgage.

- **30-year fixed-rate** - The 30-year term gives you the maximum tax advantage by having the greatest interest deduction. While the fact that you're paying more interest may not seem like a benefit, you make lower payments with the longer term fixed-rate loan and you get a bigger tax deduction. If you will be staying in your home for many years (especially if you think your income may not increase tremendously), this may be the best option. This type of loan is also the easiest to qualify for.
- **15-year fixed-rate** - You can shorten your mortgage by 15 years and usually get a lower interest rate with the 15-year mortgage. The advantage with the shorter term, besides paying your loan off sooner, is that you'll also have more equity in your home sooner, but the down side is that you will also have a higher monthly payment.

Adjustable-Rate Mortgage

An adjustable-rate mortgage (ARM) has an interest rate that changes based on changing market rates and economic trends. They usually offer an initial interest rate that is two to three percentage points lower than fixed-rate mortgages, but these rates are not fixed. If you don't expect to be in your home for many years, however, an ARM may be a good option.

- **How often your interest rate adjusts** is determined by the terms of the loan. You may choose a six-month ARM, a one-year ARM, a two-year ARM, or some other term. There is usually an initial period of time during which the rate won't change. This might be anywhere from six months to several years. For example, a **5/1 year ARM** would mean the initial interest rate would stay the same for the first five years and then would adjust each year beginning with the sixth year.
- There will also be **caps**, or limits to how high your interest rate can go over the life of the loan and how much it may change with each adjustment.
- The **interest rates** for ARMs can be tied to one-year U.S. Treasury bills, certificates of deposit (CDs), the London Inter-Bank Offer Rate (LIBOR), or other indexes. When mortgage lenders come up with their rates for ARMs, they look at the index and add a margin of two to four percentage points. Being "tied" to these index rates means that when those rates go up, your interest goes up with it. The flip side is that if they go down, your rate also goes down.

- **Balloon Mortgage** A balloon mortgage offers an initial interest rate that is lower than fixed-rate mortgages. It keeps this low fixed rate for five to seven years and then requires a "balloon" payment. The balloon payment is the final payment of the loan and pays off the entire balance.

Monthly payments are low because the payments for those first five to seven years are amortized at a low interest rate over the total length of the loan. If you plan on either selling your home, paying it off, or refinancing it before the balloon payment is due, then this type of mortgage is good deal.

Tips for First Time Homebuyers

Purchasing your first home is a big step, which comes with some very serious decisions. Many homebuyers are intimidated by the process, and continue renting much longer than they should, or need to. However, if you break the home buying process down into these simple steps, and follow these important tips, you will find the process less intimidating, and much more manageable.

Before You Begin, Ask Yourself One Question
Will you live in your next home for at least 3 years? If the answer is "Yes," you should probably purchase, rather than continue renting. With average appreciation, you'll break even on your closing costs after 2 years, and start making money at year three. Every year after that will put more money in your pocket! The most expensive aspect of real estate is buying & selling, so the longer you can live in the home the better. However, purchasing makes sense if you can make as little as a 36 month commitment.

Down Payment?!
It always surprises me how many people want to purchase a home, but don't because they believe that a hefty down payment is required. Zero down programs have been very common over the last few years, and quickly become the norm. Unfortunately the option of 100% financing is not really possible with today's credit crunch, you can still get into a property with as little as 3-5% down. Perfect credit isn't required, but that is something I would be more than happy to help with.

Get Pre-Qualified
Pre-qualification is a *very* important step, and the step that first time home buyers dread the most. Qualifying to buy a home is pretty easy and requires relatively little work for you. Pre-qualification is what gives you buying power and allows you to make an offer on your dream home when you've found it. More importantly, pre-qualification will let you know how much your new home will REALLY cost - in monthly payments. A $150,000 or $300,000 home doesn't mean a lot to most buyers - but $1200 per month and $2500 per month are tangibles that everyone can understand. After your lender pre-qualifies you, ask them for a "payment table" that shows you a rough estimate of TOTAL monthly payment based on purchase price. Pick your payment, and you know the price range to shop in.

Consult a Real Estate Professional ASAP
Many first time home buyers avoid contacting a Real Estate Agent because they dislike high pressure sales. However, Real Estate Agents have an advantage over traditional salespeople because they have access to the Multiple Listing Service, which is a database that lists roughly 99% of the homes for sale in a given market. This means that your Real Estate Agent doesn't have to sell - he/she merely presents your options. The most important qualities to look for in your Real Estate Agent are his/her knowledge of your specific market and their willingness to help. Interview a few agents and choose one that will help guide you through the process. You'll find the help & insight will be invaluable - and you'll be glad you contacted your Real Estate Agent sooner, rather than later.

Make a List of "Must Haves" & "Wants"
Many new home buyers mistakenly think that they will "just know" when they "walk into the one." While some buyers DO fall instantly in love with a home, this is not the norm. You'll find your search is easier, and you will be

more confident in your decision, if you take a systematic approach to your search. The best way to organize your search is to make two lists: Your "must haves" and your "wants." Your "must haves" are the absolute necessities in your new home - in fact; you don't even need to view a home if it doesn't have every "must have." Great examples of your "must haves" are price, school district, size, etc... Your "wants" are the qualities that you would like for your new home to have, but it's not a necessity. Great examples of "wants" are color, flooring, kitchen appliances, surround sound, and type of exterior. By taking the time to articulate what you need and want in your new home, you will know exactly what to look for when viewing prospective homes.

Pick Your Favorite Neighborhoods
You can always make changes to your house, but you can never change its location. Most home buyers already have a good idea of where they would like to live because of school districts, work, or other factors. However, neighborhoods can be pretty different, even in the same area of the city. Ask your Real Estate Agent to email you a list of homes in the specific area of town you're interested in. Take a drive through the different neighborhoods on the list your Real Estate Agent sends you, and choose your favorites. Pay attention to area amenities, how well the yards & common areas are kept, and if you see a lot of "for lease" signs - which can be an indication of a heavy rental area, and lacking in "pride of ownership." After you have picked your favorite neighborhoods, and you know your "must haves" and "wants," you can literally make a list of EVERY home available that meets your criteria, and view those homes.

Make Your Decision!!!
Homebuyers often hesitate after they've found the right home because they're not confident about their decision, or their decision-making process. Your home is probably the largest investment of your life, and it's normal to feel butterflies in your stomach before putting your first home under contract. However, if you do your due diligence - and you have if you followed the steps above - then you will have your bases covered. If you've found a home that meets all of your "must haves," most of your "wants," is in the right neighborhood, and in your budget - it's the home for you! Don't wait and let another buyer take YOUR home!

Buying your first home can seem very intimidating, but can be extremely exciting. If you think that buying a home is right for you, it probably is. Make sure and follow these important tips and you'll know you made the right decision when you find your first home.

Mistakes to Avoid When Buying a Home

A great way to make the home-buying process flow smoothly is to educate yourself and learn from mistakes others have made - this can make the difference between buying the home of your dreams and buying a "lemon."

Not getting pre-qualified or pre-approved
If you receive pre-qualification or pre-approval from a reputable lender, your negotiating position is strengthened. It shows agents and sellers you are serious about buying a home.

Not seeking guidance from real estate professionals and inspectors
These people are trained in buying, selling and inspecting. Find someone you respect and trust and allow them to help – it will benefit you in the end.

Choosing an agent haphazardly
Don’t jump from agent to agent just because you saw their name on a sign outside of a house you like. Interview at least three agents and choose the one you feel most comfortable with and who will focus on your needs.

Not getting enough information about the properties
Obtain market statistics and sales records for the area you are considering buying a home in so you know how things (prices, conditions, list-to-selling price ratios) stack up in your neighborhood.

Not looking at enough houses for sale
The more you see, the more you'll learn about what you want and what each house is worth.

Not making the correct price comparison
Don't assess the value of a house only on the asking price. Your real estate agent should compile reports that reflect and compare the selling price of similar houses recently sold.

Forgetting to calculate all the costs
When calculating the maximum price you can afford, don't forget to include hidden costs, i.e. courier costs. Calculate a reasonable price range and look for a house that is priced closer to the lower end of your range.

Not asking enough questions
Don't be afraid to ask questions! You're not supposed to know everything about buying a home. Remember, this is potentially the biggest purchase you will make in your life – don't get caught in a "lemon" because you didn't ask enough questions!

Fear of losing a specific house
Don't fall in love with the first home you see. New listings come onto the market all the time. The best deal may still be around the corner.

Not looking past the interior decorating or cosmetic improvements
Don't choose a house because you like the interior decorating – that is not what you are buying and it will probably go with the seller when he moves. Check out the actual structure of the house!

Not checking out every nook and cranny before purchasing
Go through the house with a fine-tooth comb. You don't want to find out after you've bought the house that the roof is leaking. Open cabinets, turn on every switch, notice details, move stuff away from the walls, look in the attic, turn on faucets.

Not making a low offer
Pay only what you can afford. The seller can always make a counter-offer, and you can counter-offer again until you settle on a suitable price, or you can simply walk away.

Being pushed into buying a certain home
Don't make a decision until you feel you've seen enough to pick the best one**.**

Not Doing Your Homework: Knowledge is power. There is so much information out there today with the Internet and so many more online tools. Real Estate agents are not the only people that have access to the MLS (Multiple Listing Service). Consumers themselves now have access and see exactly what homes are list being sold for. It pays to do your homework when buying a new home, there is no excuse to enter the market unprepared. For MLS access, you can go to my website and sign up for access. www.StephensRealty.net

Trying To Make a Shrewd Investment: When buying a home, it is very important to make an investment that fits the needs of you and your family. You should not try to guess what will happen to the market. There are so many people that are trying to become real estate investors and property "flippers" from seeing different shows on TV. No matter what, every investment carries some type of risk.

Choosing A Poor Location: Location matters. Even within every neighborhood and subdivision, there is a difference in location. Is it on the busiest street? Is there a shopping center out the back window? Is there a train track that you can hear going by? These are just a few examples that can cause a home not to sell as easily as similar homes in a same subdivision.

Overlooking An Inferior Floor Plan For An Attractive Exterior: The home may have gorgeous curb appeal, but you will not be living on the lawn. No matter how attractive the exterior is, you need a home that is livable.

Overlooking How the House Will Function Your Family: How do you really live? Do you really need a formal dining room and living room? Would you be happier with an eat-in kitchen and a great room and a den to use as a home office? The house only needs to fit one family…Yours.

Not Having The Home Properly Inspected In A Resale: This is not the time for surprises. In the long run, it will pay to have a home inspection performed by a qualified, respected professional. You may be able to save yourself a lot of money and headaches by finding out about potential issues before purchasing a property.

Not Checking Out The Builder's Reputation On A New Home: Talk to three or four people who live in the builder's homes and see what they have to say. If one builder did all the houses in a neighborhood, talk to the residents and get their input. It's also a great way to meet your potential neighbors.

Not Getting What You Want Because You Are Impatient: This is an extremely big decision. You need time to review all the information and what is available. Impatient decisions can lead to mistakes. That is why it is always smart to work with a full time Real Estate agent who knows the intricate market.

Waiting for a Better Market / Better Interest Rates: Warren Buffet says the rear view mirror is always clearer than the windshield. But, remember…If you wait too long, you might just pass up the perfect home for you. Even in a slower market, nice homes that are priced right will sell very fast.

Not Buying At All: If you can afford to purchase a home and you decide not to purchase, you will be losing out on the benefits of tax deductions, building equity, and the appreciation in value. Over a long period of time, Real Estate has always been an extremely profitable investment and will continue to do so in the future.

New Home Buying Mistakes

Buying a new home is great! You get to choose where your home will be built, add a sunroom here, third garage bay there and before you know it you are moving into your dream home. With all the options to choose from it is very easy to overlook crucial elements to your new home buying experience that could cost you greatly in both time and money. New home sales are now at an all time low and builders are advertising great deals to purchase their new construction homes. You must ask yourself, "Is it too good to be true"? Here are some different things to watch out for when purchasing a new construction home from a builder.

Choosing upgrades with the lowest ROI or too many upgrades, period.
This is truly the most common mistake made by new home buyers who don't consider the resale value of their home in the future. When buying a new home be sure to stick with the essential upgrades like two sinks in the master bathroom, high quality cabinetry and above all else, top quality padding under the carpeted areas. Once you start getting into different upgrades, you may not see that return for a few years. And remember, will potential buyers when reselling the home think those upgrades are important as well, or is it something that is specialized for you.

Not examining your lot choice or unit thoroughly enough.

There are some very important aspects to choosing a lot for your new home to be built on. Among them are: terrain, noting that people psychologically feel more secure looking down at the street rather than up, location and lot shape which can affect your surroundings including the possibility of facing the rear of a neighbor's home. Does your home have a back yard, or is the home positioned on a pie shaped lot with a very large front yard? If it is a new construction condo, do I have a desirable view, or am I looking at an alley. These are all things that must be considered when choosing

Finding communities first, vitals second.

When you are buying a home you have to shop differently than you would if you were buying a car or shopping for clothes. To save yourself much heartache and frustration, be sure to hammer out your lifestyle requirements before even searching for a community to build a home in. For example, if you commute to Downtown Chicago and have school age children you would want to find a school district that you approve of in an area with multiple mass transit options (train, bus, and highway) and then locate new home communities within close proximity to both. Being close to a highway or public transportation is a definite plus in today's market.

Overlooking the "inspection" clause in builder contracts.

A dirty little secret in the new home industry is the fact that some builders, national builders included, send out contracts with a clause stating that they don't allow home inspections by an independent, third party home inspector until after the closing and you own the home. They offer to do a walkthrough of the home with you before you close but chances are, unless you are a licensed home inspector with many years of experience, you won't notice any red flags beyond the superficial.

Not using a buyer's agent.

When looking for a new home, be sure to find a buyer agent who specializes in new homes. There are numerous important steps when buying a new home that a new home buyer agent will be prepared to work with such as price negotiation, lot choice, researching future development around the community and the pros and cons of building materials your builder will use in the construction of your new home. As well as different things that builders are putting in their contracts these days. New homes sales are down as most people have heard, and this is making builder (very well known ones) come to desperate measures and are putting some very interesting things in their contracts to recoup their expenses. These little things in the contract can cost you lots more money in the long run. Most of the time, the buyer agent's services are paid for out of the builder's marketing budget, so it pays to work with a professional when shopping around.

Using the builder endorsed financing company out of convenience.

Many large builders have their own in-house financing company and they often offer incentives on their products by tying in the use of the incentives to financing through their in-house lender. In some instances you will find that the builder's in-house lender financing and incentives will cost you more money in the long run than if you had financed your purchase through an outside lender. Rule of thumb: Always check your financing options with the builder's in-house lender, a mortgage broker and a loan officer for a direct lender before signing the purchase contract. Many times the builder will have loopholes in the contract that will make it difficult for you to work with an outside lender and will ultimately cost you more money. The builder may offer $3,000 off the asking price to use their finance company, but they are usually making up for it somewhere else. Beware.

Believing everything you read in advertisements.
If it looks too good to be true, it probably is. Always verify everything you read in real estate advertisements including newspaper ads and the community's standard features list. Aside from the obvious typographical errors that occur I have also seen blatant false advertising. For example, I have seen new home community literature advertising the community's short "less than an hour" drive to downtown Chicago, despite the fact that it would take at least 90 minutes on a good day from that community.

Buying a new home is a wonderful, dazzling experience that will cater to your every need. By using reasonable care and professional guidance you will enjoy many great years in your new home and reap substantial rewards from your diligent buying efforts when selling your home in the future. And remember, everything is negotiable. Even if the contractor says that their terms and prices are standard, there is always room for negotiation.

NEGOTIATIONS

Most people look forward to a negotiation like they look forward to a root canal. Of course, there's also that rare breed that relishes trading in their car just so they can spend a few hours beating up on the dealer and sales person. No matter what category you fall into, one thing is for sure: negotiations are a part of almost every real estate transaction. And how they're handled goes a long way toward determining the success of a deal.

Here are five keys I have always followed in completing many successful negotiations:

1. Before negotiation begins, try to find out the motivation of each party. It's not always price. A flexible closing date could be just as important. This will help you formulate a strong offer going in.

2. Keep the negotiations away from an "us" versus "them" mentality. The goal is to truly create a win-win situation for both parties. Otherwise, you will never reach an agreement.

3. Keep negotiations alive, even if offers and counteroffers drag on over a long time. Many deals come back from the brink. And many times weeks after an original offer.

4. Don't forget the intangibles of a successful negotiation. For example, if buyers find themselves in a multiple offer situation, humanize it by writing a letter to the seller about how much you love their home. I recently just sold a home for a lesser price than a previous offer because the sellers really liked the buyer and thought that person would really appreciate their home.

5. People often say, "Don't get emotional". THAT'S NONSENSE! How can the average person not get emotional when negotiating a transaction as important as a home? Fortunately, the most emotional client can look like a cool customer behind the right agent. Share your feelings with your agent so you can refocus on the task at hand. In the end, you usually wind up with what's important to you.

Simple Ways Your Home Can Make You Money

Is your house an asset or a liability? Does it put money in your pocket or does it take money out? If you're like most homeowners, you might view your home as your biggest asset, even though it takes cash and does not create cash. As time goes on, your home's value increases and your loan amount decreases as you pay your mortgage. Thus, an increase in equity. That's how your house acts as an asset.
There is much more that your home can do for you. I have three great ideas to have your home start paying you, instead of the other way around. These are called, "home loopholes". These tax loopholes have been established by the government, for the public to use. A tax loophole is actually a government incentive to promote public policy. Follow these helpful rules, and you will be able to put more money in your pocket and still be able to sleep at night.

Home Loophole #1: Home office deduction
The home office deduction is one of the most misunderstood tax loopholes. There are three rules to get this deduction:

- You must have a business.
- You must have a space in your home that is used exclusively for the business.
- You must regularly do some kind of business activity in that space.

That's it. You don't need to have a separate entrance or see clients in your home office, but you need to do some sort of regular business activity (phone calls, emails, filing, etc...) in the space. You can have another office and still take the deduction for your home office. This space can be a spare room or even the corner of a dining area. Now, let's go through these three requirements in a little more detail.
If you receive a Form 1099 as an independent contractor, you have a business. If you have a part-time activity in which you make money (or in which you plan to someday make money), you have a business. Face it; if you're spending your time working, even if it's part-time as a Mary Kay representative, you have a business.
The home office deduction is calculated as a percentage of the business square footage of your home applied to the total square footage. In other words, if your home office is 200 square feet and your home is 2000 square feet in total, then 10 percent (200 divided by 2000) of your home expenses are deductible against your business income.

Home Loophole #2: Move
If you live in your home for two of the previous five years, you can take a capital gain exclusion of up to $500,000 if you're married, filing jointly and $250,000 if you're single. Chances are you've heard that strategy before, but had you ever thought about making it your career?
One of my clients will buy a fixer-upper property, fix it up, live in it for two years and then sell it for a gain. One client of mine made $110,000 after all expenses on his first home, after living in it for 2 years. Remember that's tax free. Now, how hard would you have to work in order to put $110,000 after tax in your pocket after two years? Well, my client makes that much simply by moving.

Home Loophole #3:
Combine #1 & #2 for best of all worlds! Maybe you've heard one of the tax myths that state that having a home office is bad because you pay tax when you sell your house. That's completely untrue! In fact, you can have a home office and take a deduction for it every year you own your home. Then, when you sell the home, you can still take advantage of the tax free gain exclusion.
You have a choice with your home. You can pay for it or it can pay you. Home loopholes make all the difference. Please feel free to contact me with all of your real estate and mortgage needs.

Top 5 strategies for a lifetime of savings

No matter which cliché you use, the message is clear: Achieving major goals takes time. That's true whether you're building a city -- or your savings. Over the course of your lifetime, you'll earn hundreds of thousands (if not millions) of dollars. To make sure that more of that ends up in your pocket, follow these tips.

1. BE CONSISTENT

Save Automatically
With the technology that we have today, it makes it so easy for us to have complete control over all of our accounts and is so easy to save automatically. Using an automatic payroll deduction to put money in your savings account is one of the easiest things to set up and take advantage of. If you don't have access to the money at your fingertips, you are more likely to adapt your budget accordingly. Taking steps to make savings automatic will make a difference. Anything you can do so that you don't have to physically write a check out each month will help. Having the money put in your savings account automatically is much easier than trying to rationalize writing a check each month. It makes saving “Excuse Free”.

Give Yourself a Raise
When you receive that annual pay raise, you should also expect to give yourself an annual bump in your savings too. Take at least a small portion of each salary increase to boost the amount of saving you do with each paycheck.

Don’t Get Frustrated
If your car needs a major repair or your furnace breaks in the middle of winter, you may have to use some of the money you've been diligently saving for other goals. Don’t let that discourage you. If you're saving and problems pop up, you might have setbacks. It's better to have a setback when you have some savings built up, as opposed to having a setback while you do not have anything.

2. WATCH DISCRETIONARY SPENDING

Make a Balance Sheet
Before you know what spending you need to cut out, you need to know where all your money is going. Realistically, you have to take a look at the full picture of what exactly you are doing you’re your money before you can make any changes. That starts with a balance sheet. Track your income and expenses carefully for a month or two to get a handle on where you can slash costs.

Plan for the Future
The average American spends $150 a month eating out. A little advance planning on your weekly grocery trip can easily cut that number in half. That's money you can put away toward retirement, big-ticket items or the unexpected expenses we all have from time to time. And instead of spending $5 on lottery tickets, consider joining an office pool and contributing just a dollar. The key is to make small changes and make them a habit.

Know Your Triggers
Maybe you can't control your spending when you walk into an electronics store or maybe you always have to have an extra pair of shoes. Knowing when you're likely to make an impulse buy can help you avoid buyer's remorse. If you like to window shop, go after the store has closed, or make sure you only buy the things that are on your list. Make sure you are even more aware of this when on vacation, because being away from home makes spending money that much easier.

Keep Your Eye on the Prize
Many purchases may make you happy for a brief period of time, but financial security may make you feel less stress. Money gives you options. Instead of going out to eat all the time or buying new outfits, you'll have backup savings, so you won't have to be worried about what will happen if you lose your job. Making sure you have some extra savings for a rainy day is never a bad thing.

3. SET GOALS

Write It All Down

In the back of your mind, you know you'd like to retire, save some money for your kids' educations, go on a vacation or two and do a few other things. But writing these plans down can help give clarity to those goals. Keep these goals handy, so when you're tempted to spend, you can decide if it's really worth the trade-off. I keep a list of financial goals along with a list of things that I would like to purchase. This keeps these things in front of my face on a daily basis, but always keeps me thinking before I use my discretionary money.

Make Adjustments When Necessary

The funds required to achieve your goals are likely to be substantial, but don't get discouraged. Sometimes it's almost counterproductive when people plug in the numbers and realize that they're going to have a shortfall. The key is to maximize that finite amount of discretionary income to achieve as much as they can with what you have.

Use Separate Accounts for Each Goal

Seeing how close you are to reaching your objective will help motivate you. Most people think saving is pretty boring, but if you've got accounts for each of your goals, you're actively engaged. When you open up the statement and see that you have $13,000, it's not just money in an account; it's money for your new house. That will help motivate you and get excited about saving. It is all about the way you look at the situation. By having a positive attitude, it will make it more exciting about your saving and help you more actively pursue you goals.

4. AVOID TAXING SITUATIONS

Maximize Your 401(k)

Your 401(k) at work is likely to be the best investment around. In addition to saving pretax dollars, your employer probably matches a portion of your contribution. Even if it's only a match that's 25 cents on the dollar, that's a guaranteed rate of return of 25 percent the first year. At the bare minimum, people should invest up to the full match amount. These are benefits that your employer is giving you that you NEED to take advantage of.

Use Tax-Advantaged Accounts to Help Reach Your Goals

If you've maxed out your 401(k) at work, consider contributing to an IRA. Whether you choose a traditional or Roth IRA will determine whether you reap the tax benefits now or in the future. To save for educational goals, consider 529 plans, which will allow your savings to grow tax free.

Take Advantage of Flexible Spending Accounts

Health care has gotten increasingly expensive, but a flexible spending account, or FSA, is a tax-smart way to pay for such expenses. Families can pay for up to $5,000 into a FSA tax free. In the long run, it means more money to pay for the things you really want.

5. DON'T DO IT ALONE

Get a Savings Partner

Whether it's a spouse, a friend, a relative or a co-worker, find someone who will help you stay accountable and make sure you're spending your money wisely. Once you have set a goal, they can help you stick with it and remind you to save consistently.

Make Sure You and Your Partner Are On the Same Financial Page

If you're frugal and your partner's a spendthrift, be willing to negotiate to make sure you both get what you want. You must remember that compromising is the key in this situation, and the way that you go about the situation can make a big difference. You can try by saying, "I would really feel safe if I knew we put away 10 percent of our weekly income for a rainy day". This is much more of a problem-solving statement than, "Your spending is driving me crazy".

Pass It On

Good savings habits don't just benefit you; they can benefit your children as well. By modeling good behavior, talking to your children about money, and teaching them that how to spend, save, and donate their money wisely, you'll help your family's next generation prepare for their financial future. Teaching your kids about money is easy to do. It makes so much sense and it will benefit them in the long run.