



Home\$ense

Home-financing news for employees and retirees of Saint Louis University
brought to you by PHH Mortgage Corporation

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Do you know your ABCs?

Before you buy a home, get your house in order.

- Know what's **A**ffordable.
- Make and stick to a **B**udget.
- Manage your **C**redit.

Discovering The Benefits of Home Ownership

When you think about buying your own home, there are many factors to weigh in your decision process, such as neighborhoods, overall costs and quality of the investment.

Advantages

For many people, purchasing a home provides the satisfaction of having a place that they can call their own—a place to put down roots. There are other advantages to homeownership:

- When you own your own home, you may feel more a part of your community and your neighborhood.
- Homeownership offers more flexibility than renting if you want to make changes to your living space, such as painting your walls or adding carpeting.

- Homeownership can be a way to build wealth and achieve financial security. Over time, your home may increase in value, which may increase your net worth. As your home appreciates in value, you build equity in your home. Equity is the amount of financial interest you have in the property after your existing mortgage debt is subtracted from the property's current fair market value.
- The interest you pay on your home mortgage is often tax-deductible.

Tax Advantages

Unlike rent payments, a portion of your monthly mortgage payments may be tax deductible, which may result in a lower annual tax payment or a tax refund.

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Discovering the Benefits of Home Ownership

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If you own a home, you may be able to deduct the annual interest you pay on your mortgage loan and some of the upfront financing costs of the home, such as points. Your annual property taxes may be deductible as well.

If you are currently renting, you should consult your tax advisor for more information about the tax consequences of homeownership.

Building Home Equity

A lender determines how much equity you have in your home by taking the appraised value of the home and subtracting any remaining mortgage debt. For example, if your house is valued at \$100,000 and your mortgage balance is \$60,000, you have \$40,000 equity in your home.

If your home retains its value or increases in value over time, your monthly mortgage payment can be a way of building savings. As your home equity increases, so does the amount of cash you may receive if you decide to sell your home in the future.

If you have built up sufficient home equity, you can also borrow funds against it. You can take out a home improvement loan to make repairs or remodel your home. Or you can take out a home equity loan for other purposes, such as paying for emergency repairs, health costs, or educational expenses.

Responsibilities

In addition to the many advantages of homeownership, there also come responsibilities that may not apply to renters:

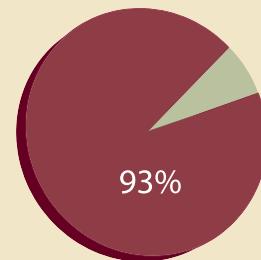
- You are responsible for maintaining your home and fixing any problems that may arise. Upkeep on a house can be time consuming and costly.
- You are responsible for paying all utilities such as heating, electric, water, and sewer services.
- You may need to purchase household items such as major appliances and lawn equipment.
- You are responsible for insuring your home against property damage.
- You are responsible for paying local property tax on your home.

Spotlight on Statistics

% of Home Financed

For most homebuyers, paying cash for the entire purchase price of a home is most likely not an option. According to the National Association of Realtors profile of home buyers and sellers in 2003, 93 percent of buyers obtained a mortgage to finance their home purchase. Buyers typically financed 84 percent of the purchase price. That means, for example, that a property costing \$100,000 had a loan of \$84,000 and a down payment of \$16,000. Compared with repeat buyers, first-time buyers are typically younger, have less savings accumulated, and have no home equity to tap. Consequently, first-time buyers generally purchase less expensive homes that require lower down payments.

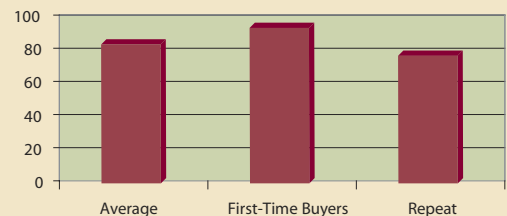
% of Buyers Who Financed Their Home



93% of all home buyers financed their home.

Twenty-eight percent of first-time buyers financed the entire purchase price of their home. In comparison, only 11 percent of repeat buyers financed the entire home purchase.

Median Percent of Home Financed



■ Median Percent of Home Financed

Source: The 2003 National Association of Realtors Profile of Home Buyers and Sellers

Renter to Homeowner

Valerie lived in a one-bedroom apartment with her one year old son, Daniel. The apartment had been spacious enough before Daniel's birth, but now that Daniel was learning how to walk, they needed more space. Valerie dreamed of one day owning a home, but she was worried about getting approved for the mortgage. She had also heard others talk of how much work and about how stressful it was to gather and send in all the paperwork – only to get a call from the lender asking questions and requesting more paperwork. Worse yet, she had heard people tell of getting approved for a mortgage, then the lender found some errors in the loan, and they could no longer buy their home. She didn't want to go through that.

Then a friend from Saint Louis University mentioned that he had spoken to PHH Mortgage Corporation about a mortgage to buy a home for his family. Like Valerie, he had been worried that he might not be approved, that the process would be difficult and stressful, and that he'd have to send in endless amounts of paperwork. However, he told Valerie that he had been approved in one ten-minute phone call. Better yet, he only had to send in a few documents, such as his most recent pay stub and bank statement. No W2 forms, tax returns and three months' of bank statements. Best of all, requirements were tailored to his financial situation and property. In his case, he didn't have to pay for a full appraisal, which saved him a considerable amount of money.

With her friend's recommendation, Valerie called PHH Mortgage Corporation to apply for a mortgage. She was approved during her ten-minute call. She sent in her pay stub and bank statement, and found the house she was looking for within 45 days. Now she could watch Daniel learn to walk and run in the back yard of their new home.

To find out more or to speak to a mortgage lender, call 877-718-4945 today.



PITI

PITI is the acronym for **P**rincipal (the amount borrowed), **I**nterest on the principal, **T**axes (property taxes), and **I**nsurance (homeowner's insurance that provides coverage against catastrophic loss, such as fire). For most homeowners, **PITI** represents the amount they must pay each month towards their mortgage.

Financial Matters

How to Get a Credit Report

Beginning December 1, 2004, for West Coast residents, and rolling East over the next nine months, you'll be able to get your credit report for free. A recent amendment to the federal Fair Credit Reporting Act (FCRA) requires each of the nationwide consumer reporting companies to provide you with a free copy of your credit report, at your request, once every 12 months. The three nationwide consumer reporting companies have set up one central website, toll-free telephone number, and mailing address through which you can order your free annual report.

To order, click on www.annualcreditreport.com, call 877-322-8228, or complete the Annual Credit Report Request Form and mail it to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. You can print the request form from www.ftc.gov/credit. For more information, visit the Federal Trade Commission's Web site at: www.ftc.gov.

Source: <http://www.ftc.gov/bcp/conline/pubs/credit/freereports.htm>



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