



# Perspectives

MORTGAGE SERVICE PROGRAM

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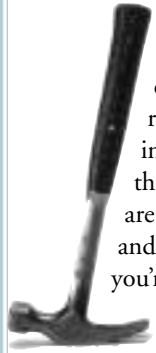
## PROFESSIONAL ADVANTAGE FINANCIAL GROUP

A LEGACY OF PROVIDING  
MORTGAGE EXPERTISE TO  
BUSY PROFESSIONALS

Professional Advantage Financial Group has been committed to meeting the home financing needs of busy professionals since 1988 through our Mortgage Service Program. Because we are professionals ourselves, we understand the high touch service you deserve. Professional Advantage offers consistently low rates with unequalled service and convenience. Our mortgage consultants provide personalized service, time savings, value and peace of mind. We cultivate life long, personal relationships with our clients, which is why they return to us time and again.

## BUYING A FIXER-UPPER, IS IT RIGHT FOR YOU?

**T**o buy or not to buy a fixer-upper is a good question. People who buy fixer-uppers are typically looking for a real estate investment. They figure they will buy a home that needs a little work, throw some money into it and turn around and sell it for a profit someday. In addition, buying a fixer-upper is a good way to buy a home in a preferred neighborhood that otherwise would be out of reach financially.



But let's be realistic, some of these homes are in such disrepair that it can cost more to do all the necessary repairs and improvements than it would to buy a home in move-in condition. This does not mean, however, that it is never a good idea to buy a fixer-upper. If you are serious about making the investment, both in time and money, then read on for advice on how to make sure you're not buying a lemon but rather a ripe homestead.

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## FACTORS EFFECTING RESALE VALUE

**H**omebuyers who give a significant amount of consideration to the resale potential of their purchase before they lay down their signature tend to reduce the likelihood of losing money on their investment when they eventually sell.

Location, location, location! This common phrase is often touted as the primary value indicator for real estate. The reason for this is properties in prime locations appreciate more during good real estate markets and hold their value better during down markets. The community in which you choose to buy will ultimately have an effect on your property's resale potential, as will the conditions of the market at the time you choose to sell.

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# FACTORS EFFECTING RESALE VALUE

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Properties located in areas where public schools perform well tend to be in higher demand. As a result, these communities tend to be the most expensive areas to buy into. However, when parents are faced with the alternative being costly private schools, many prospective buyers would rather pay for a more expensive home located in an area where their children can attend public schools. In this case, mortgage interest and property taxes are tax deductible, which helps to offset the higher purchase price of the home.



A buyer will pay more for a home that offers easy access into a main living area. Entries that are level in from the street are ideal and a garage that opens directly into the kitchen is also desirable. On the opposite end, homes that are located up or down a lot of stairs are a hassle for most buyers. Inconvenient access can have an adverse effects on value. If you do decide to buy a home that has shortcomings like a busy location or too many stairs, be sure not to overpay. There isn't anything you can do about an incurable shortcoming and it can impact the asking price of the property when you decide to sell.

If you are able to predict trends in community upswings, the payoff can be big. These upswing communities are typically located adjacent to affluent communities that are beyond the price range of most buyers. Look for areas close to public transportation and within a reasonable commute distance of a major metropolitan area.

It's always a good idea to check the permit history on the property before you decide to purchase a home. Be sure that you aren't paying a premium for remodeling that was done without necessary building permits. Some communities penalize homeowners fiscally should their building department become aware of any work done without permits. This could cost you unanticipated expenses in the end.

Location within a community can also affect a property's resale potential. It is usual for homes built on busy streets, or near highways, to sell for less than an identical home located on a quiet side street. In addition, a home located across the street from a school, which can be quite noisy, can sometimes result in a discounted price.

Finally, remember to maintain your property to the best of your ability. Deferred maintenance usually results in a lower sale price when it's time to sell. Your best protection is to keep your home well maintained



## BUYING A FIXER-UPPER, IS IT RIGHT FOR YOU?

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When considering whether to buy, ask yourself the following questions:

Here's what you should look for:

### Do you have the time and required skills to meet with contractors or make the improvements yourself?

Yes, the average homeowner knows how to paint a living room and install new light fixtures, but these simple tasks are very different from adding a second bathroom or remodeling a kitchen. Moving forward with these improvements without the necessary experience and skill set can cause costly mistakes in the long run.

### Do you have the wherewithal to know which improvements are likely to add value?

Improvements that merely bring a house up to par or are nearly invisible don't add much resale value. If you make the wrong improvements, you won't see much return on your investment. Also be careful not to over-improve your home when compared to other homes in the neighborhood.

### Are market conditions in your favor?

It doesn't get much worse than buying a fixer-upper with the intention of turning around and making a profit on it in a couple of years only to realize the real estate market has turned south. When home values go down, a fixer-upper tends to be worth less than what you paid for it even with the improvements that have been made.

Finally, make sure to get a professional home inspection before you go to purchase your new home. Buying and selling fixer-uppers can pay off. By educating yourself on what is a good find, the time and money spent rehabbing the home can result in a profitable investment.

✘ A home in a neighborhood that is desirable, selling for at least 25% less than comparable homes merely because of its condition.

✘ A building that warrants only minor structural repairs, i.e. replacement of roof, furnace, or electrical system, not the foundation or damage to physical structure.

✘ A house that has rooms, i.e. kitchen, bathroom, that are functioning but need to be updated.

✘ A home that needs cosmetic work, i.e. wallpapering, painting, new carpet, replacement of kitchen appliances.



## A MESSAGE FROM THE PRESIDENT

JIM DEMETRAKOPOULOS  
PRESIDENT

**S**chool report cards may be a distant memory, but try buying a house or a car and you'll feel the pressure of being graded all over again. Credit scores don't just affect your financial life, they are an important factor in your personal life as well, and are used by lenders, insurers, potential employers, and even some educational institutions. Maintaining a good credit rating is an extremely important factor in leading the life that you want to lead. Here are a few easy steps I recommend in order to improve and protect your credit score.



### CREATE A GOOD CREDIT HISTORY

Past credit behavior is the most important factor in determining your credit score. Here are four things I suggest to help you

maintain good credit standing.

- 1 Have 2 to 4 active credit cards; not having at least one credit card can seriously damage your credit score, while having more than four will also lower your score.
- 2 Pay your credit bills on time to ensure a strong credit rating.
- 3 Be wary of credit card companies that allow you a grace period before charging late fees on outstanding debt.
- 4 Stability in both your financial and personal lives will reflect well in your score.  
If you have kept the same open accounts, lived in the same place, or worked at the same job for a significant length of time, it will raise your credit score. Numerous recent requests for additional credit will reflect poorly, and should be kept to a minimum.

### MAINTAIN GOOD RATIOS

There are several ratios that are central to the calculation of your credit score. The first, and most important, is the ratio of outstanding balance to credit limit, a figure calculated by using all of your active credit cards. One of the best ways to improve this ratio is to pay down your credit card balances. Be careful of consolidating credit and closing unused accounts, because this will actually lower your credit rating, as it raises your ratio of outstanding balance to limit. For example:

*If you have two credit cards with limits of \$5,000 and you have outstanding balances of \$1,000 on each, your balance/limit ratio is 1/5.*

*If you consolidate your balances onto one credit card and close the other, your ratio is increased to 2/5.*

So while consolidation of debt is a good money management strategy, it may actually lower your credit score. Two other guidelines to follow to ensure good credit ratings are:

- Keep credit card balances at less than 20% of your limit.
- Keep debt to less than 20% of your total income.

### WATCH OUT FOR POTENTIAL CREDIT HAZARDS

There are several dangers that can seriously damage your credit score if you are not careful. The first danger arises when your credit card account is sold. The new company has the right to raise interest rates, lower or eliminate an existing grace period, or increase late fees. I suggest that you read all the small print on the mail that you get from your old and new credit card companies to prevent serious credit card shock.

The second danger comes from identity thieves who, after gaining access to your social security number and date of birth, can assume your credit identity and open accounts and credit cards in your name. Things you can do to protect yourself are keeping your social security number as private as possible, routinely checking your credit report and shredding all documents with personal information instead of throwing the information in the trash.

Finally, get your credit report and look it over – both to see where you stand with lenders and check for mistakes. Reports are generated by three major credit bureaus: *Equifax*, *Experion* and *TransUnion*, and can be purchased for \$9.00 at [www.myFICO.com](http://www.myFICO.com) and [www.Equifax.com](http://www.Equifax.com). Lenders will usually look at the reports from all three credit bureaus, so I recommend looking at all three yourself. Good luck!



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# MORTGAGE MYTHS

## MYTH #1

### “FIXED RATES ARE ALWAYS BEST”

**T**his simply is not true. What may be best for one homeowner is not always ideal for another. Many factors can effect how and why you choose a certain mortgage, i.e. salary, retirement plans, age, number of years expected to remain in current home, etc. While a fixed rate may be good for your neighbor who never plans to move, a different kind of mortgage may be right for you. For example, a 5/1 ARM at 4.25% borrowing \$333,700 results in a principal with an interest payment of \$1641.60. A 30-year fixed at 5.875% borrowing

\$333,700 results in a principal and interest payment of \$1973.96. You would save \$19,941.69 in the first five years with the ARM versus the fixed rate mortgage. To get the answers on which mortgage is right for you, just ask a mortgage consultant at Professional Advantage.

They can help by discussing a variety of mortgage options with you. To discuss your possibilities further, please call 800-809-5626 in Boston, or 212-582-5222 in New York.



## MYTH #2

### “MORTGAGE LENDERS CARE ABOUT NUMBERS, NOT PEOPLE”

**P**rofessional Advantage Financial Group cares very much about people, and our community. You'll find that we treat you as a person, not just a number, as is evident by our Happy Homeowner column we publish in every newsletter. In addition, Professional Advantage has contributed to several charitable events and organizations over the years including *Rosie's Place*, *The Eight Foundation*, *The Horizon's Initiative*, *The Kenneth B. Schwartz Center* and the *Jonathan Rizzo Memorial Foundation* to name just a few. We're proud to support these causes.



### “HAPPY HOMEOWNER”

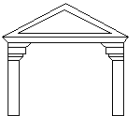


**CHRIS & FIORELLA SILVEIRA,**  
SR. RESEARCH ASSOCIATE,  
FIDELITY INVESTMENTS

**W**e love the ease and convenience of dealing with Professional Advantage so much that we keep coming back to them over and over again, three times in the last 3 years!

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