

SPRING 2009

WELLS  
FARGO

HOME  
MORTGAGE

# YOUR HOME<sup>®</sup>

## PRIME TIME

**FINDING HOME BARGAINS:**  
THE OPPORTUNITIES IN  
TODAY'S MARKET

**DETERMINE**  
THE FULL COST OF  
YOUR NEW HOME

**QUICK TIPS**  
TO BEAUTIFY YOUR  
OUTDOOR SPACE

IS NOW A GREAT  
TIME TO BUY YOUR  
FIRST HOME?

MORE THAN  
**\$1,800**  
IN DISCOUNTS  
AND OFFERS  
AVAILABLE!





THANKS TO HISTORICALLY LOW  
INTEREST RATES, AFFORDABLE  
PRICES AND ABUNDANT INVENTORY,  
NOW MAY BE THE TIME TO  
BUY YOUR FIRST HOME.

**BY MATT ALDERTON**

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# OWN IS THE TIME

## ALREADY A DOMINANT FORCE IN U.S. HOUSING ACTIVITY,

the first-time homebuyer is expected to play an even bigger role in 2009. "Our latest national survey tells us that qualified first-time buyers are taking advantage of home prices not seen in five to seven years in many areas," says Michael Bearden, president and CEO of HouseHunt Inc. "Affordability is no longer a major issue in many areas across the country." HouseHunt's fourth-quarter 2008 survey of nearly 2,000 real estate agents showed that first-time buyers accounted for 65 percent of existing home sales, up from 46 percent in the first quarter of 2008, he says.

Two such first-time buyers are Griselda and Ivan Zaragoza. As the parents of two young children, the lifelong renters decided they wanted to raise their kids in a home of their own.

"To rent is so expensive," Griselda says. "My husband said, 'Sometimes it seems like we're throwing our money away on rent. Why not have our own home?' So we decided to buy."

After searching for a home for several months, the Zaragozas found one in January 2007 and moved quickly from offer into contract, at the advice of their original real estate agent. But their agent had failed to educate them on the importance of loan preapproval, and when the Zaragozas finally applied for a mortgage, they were denied. "We were devastated," Griselda says. "We didn't think we would ever try to buy a home again."



A year later, the Zaragozas found they needed to find a new place to live because their landlord was facing foreclosure. That's when they gave homebuying another try. This time, they were preapproved for a mortgage by Wells Fargo Home Mortgage, so there were no unpleasant surprises. In July 2008, they closed on a four-bedroom single-family home. "I'm loving our new home," Griselda says. "It is better than the original home we looked at!"

For scores of first-time homebuyers like the Zaragozas, homeownership has become more attainable thanks to historically low interest rates, affordable home prices and limited-time government incentives.

"It is an excellent time right now for new buyers to purchase a property," says real estate agent Ivonne Somoano. Indeed, market conditions have created a "perfect storm" for real estate that is helping people enter the market who once felt that they had been priced out. If you're among them, consider these benefits to buying a home today.

#### **1. YOU NEED A PLACE TO LIVE. WHY NOT MAKE IT ONE YOU OWN?**

Perhaps the top reason to buy a home right now is the same reason people have always bought them: A home is a place to live.

"A home is a place that you go to," says Andy Tran, a Wells Fargo Home Mortgage Consultant. "It's not like the stock market, where your investment only exists on paper. A home will always be a home."

### **THE DREAM OF HOMEOWNERSHIP IS ALIVE AND WELL THANKS TO HISTORICALLY LOW INTEREST RATES, AFFORDABLE HOME PRICES AND LIMITED-TIME GOVERNMENT INCENTIVES.**

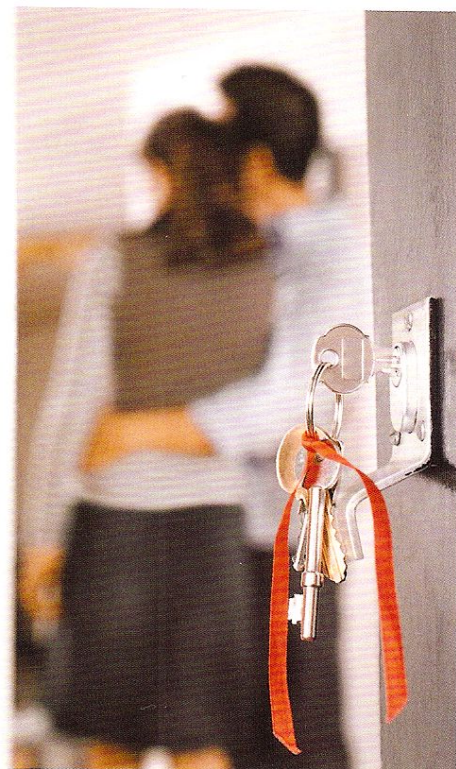
Every time you make a payment of mortgage principal, you help build equity. Every time you make an interest payment, you earn a tax deduction. And there's a chance your home will increase in value over time.

Your rent may also increase in value—just not to your advantage. "When you pay rent, it's like you're throwing your money away. You are making your landlord rich," says Idania Hernandez, a Wells Fargo Home Mortgage Consultant.

The average home price in the United States appreciated 279 percent (after inflation) between first-quarter 1975 and first-quarter 2007, according to data from the Federal Housing Finance Agency. And while values have decreased 13.6 percent from their peak in first-quarter 2007 to third-quarter 2008, prices have still appreciated 219 percent since first-quarter 1975.

#### **2. THE GOVERNMENT CAN HELP YOU BUY.**

Because real estate helps fuel the country's economic engine, the government is



offering attractive incentives to first-time homebuyers. Current guidelines for government-sponsored mortgage loans let buyers demonstrate their creditworthiness using documentation beyond a credit score and allow for smaller downpayments.

Wells Fargo Home Mortgage Consultant Jorge Becerra points out that qualified first-time buyers can obtain a mortgage that's insured by the Federal Housing Administration (FHA) with as little as 3.5 percent down. And members of the military can get a Veterans Administration (VA) loan that's secured by the Department of Veterans Affairs, which can be obtained with no downpayment at all. (See "The Low-Down," pg. 22.)



"FHA is a greatly favored product right now," says Pat Gleason, a Wells Fargo Home Mortgage Consultant.

For 2009, the U.S. Department of Housing and Urban Development will insure FHA loans of up to 115 percent of your area's median home price or 150 percent in high-cost areas, with a maximum of \$625,500.

These particular incentives are temporary and will eventually expire, but be on the lookout for new incentives in the future.

### 3. YOU HAVE THE ADVANTAGE.

While a buyer's market benefits all homebuyers, first-timers have the added advantage of flexibility, says real estate broker Sandy Loescher, owner of Sandy Green Realty.

"There are some marvelous houses for sale right now in the move-up market at great prices," Loescher says. "The problem is the people who traditionally want to buy those houses have not been able to sell their homes." Because first-time buyers don't have to sell a home to buy a new one, Loescher points out, they can snatch up homes that were once accessible only to existing homeowners.

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SOURCE: HOUSEHUNT INC.

First-time buyers may be more attractive to motivated sellers, who are often willing to negotiate on price to secure a desirable closing date—especially in a market where there are more sellers than buyers, Loescher adds.

In a buyer's market, there also tends to be more homes available from which to choose. That means you're more likely than ever to find what you're looking for. Further, because interest rates are low, you'll likely be able to buy more for a lower mortgage payment.

Current low interest rates and lower home prices helped long-time renter Noelle Sitthikul finally achieve her dream of homeownership. "I didn't have enough money to buy a big enough place," she says. "I didn't want to waste a lot of money for a one-bedroom/one-bath; I wanted to wait until I could afford something that I thought I could live in for a few years." When the national real estate market started to decline in 2008, Noelle finally

was able to make the first steps toward purchasing. "I was renting about a mile away from where I eventually bought," she says. "I first looked at the place about a year earlier. When I closed in October, the unit was about \$40,000 cheaper."

### 4. YOUR MONTHLY MORTGAGE MAY BE COMPARABLE TO YOUR MONTHLY RENT.

In some instances, your monthly mortgage payment could even be the same or less than your monthly rent payment. But you may need to adjust your thinking about what you need or want in a home in order to make the leap to homeownership.

For example, let's assume an interest rate of 5.5 percent on a 30-year, fixed-rate loan. For a mortgage of \$150,000, the monthly payment would be approximately \$852. A \$250,000 mortgage would translate to a monthly payment of \$1,419; \$1,987 for a \$350,000 mortgage. (See "What Will I Pay?," pg. 21.)

## UNDERSTAND YOUR MORTGAGE

Recent reports of foreclosures and borrowers needing to modify their mortgages are all over the news. It is essential when selecting your mortgage—or any large purchase—to fully understand what you will be getting.

To give you the information you need to select the right product for your home purchase, Wells Fargo Home Mortgage has prepared a **Mortgage Product Guide** that gives you the details of how each product feature works, and its benefits and downside. Read this guide thoroughly and ask your home mortgage consultant about anything you don't understand, and you'll be able to make an informed decision. Wells Fargo Home Mortgage is here to help you understand your mortgage.



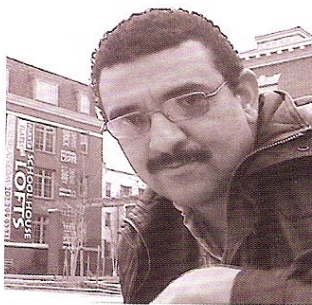
# A HOME OF HIS OWN

ONE FIRST-TIME HOMEBUYER FOUND PLENTY OF REASONS TO PURCHASE IN THE CURRENT MARKET.

For nearly 20 years, Steven P. Berry drove past the Gage School, a historic elementary school in the Bloomingdale district of Washington, D.C., and pictured himself inside it. Built in 1904 and abandoned in the 1970s, the building was just blocks from Howard University, where Steven has been an associate professor of film and television for more than 18 years. "For years, I fantasized about buying [the building] and renovating it," the former longtime renter says. "I wanted to put in a television studio with editing facilities and live on the top floor."

Unfortunately, real estate in D.C. had always been out of Steven's reach because of high home prices. After spending a year in Iowa, he returned to D.C. in 2008 and soon realized that the year's events finally changed things for him: The rapid increase in home values came to a halt, and home values began to tumble. When that happened, it didn't just cause some homeowners to owe more on their houses than they were worth. It also allowed people into the market who, before, were not able.

For Steven, prices had dropped enough to justify finally buying his first home—a one-bedroom condominium unit at the Gage School, which developers had purchased in 2004 and converted into private residences. In July 2008, he began the preapproval process through Wells Fargo Home Mortgage with the help of Home Mortgage Consultant Andy Tran. And on Oct. 31, 2008, he was able to close on his new condo.



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—PAT KEENAN, WELLS FARGO HOME MORTGAGE CONSULTANT

homeownership, such as property taxes, mortgage insurance and home repairs. (See "Before You Buy," pg. 8.)

## 5. LENDERS WANT TO LEND.

Contrary to popular belief, money is readily available to qualified buyers, which makes now an ideal time to apply for home financing, says Pat Keenan, a Wells Fargo Home Mortgage Consultant.

"I got an e-mail recently from a young fellow that lives a couple of blocks from my office. 'My wife and I are looking, but we're fearful that there's no money to lend,'" he says. "That's the impression people have out there, and it's just not the case. We have a lot to lend, and we want to lend it."

But credit is key. "If you have good credit, there is money there for you to borrow," Somoano says. Still, while lending guidelines have tightened, there are

"Look at your monthly budget, not at overall home values," Tran says. Becerra adds, "Because of what is happening in the market right now—with lower home prices and mortgage rates at or near historic lows—a lot of renters would probably be

pleasantly surprised by how realistic homebuying has become. They're in the driver's seat these days, and they should carefully consider becoming homebuyers."

Do remember, however, to add in additional expenses associated with

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—SANDY LOESCHER, SANDY GREEN REALTY

many mortgage programs—FHA and VA loans among others—that can help homebuyers with past credit issues and less funds for downpayments.

#### 6. YOU'LL GET TAX BREAKS.

Another incentive for homebuyers is tax relief, as the Internal Revenue Service allows homeowners to claim deductions on their annual tax returns for, in most cases, 100 percent of interest on mortgages up to \$1 million. What's more, homeowners can deduct 100 percent of the mortgage insurance required on downpayments lower than 20 percent if they make less than \$100,000 a year, as well as all of their property taxes regardless of income or property tax burden. For the average homebuyer, the potential savings could easily add up to thousands of dollars. Homebuyers should consult with a tax advisor.

An added, short-term advantage exclusively for first-time buyers is a \$7,500 first-time homebuyer tax

## WHAT WILL I PAY?

With historically low interest rates, your monthly mortgage payment could be less than what you pay in rent each month.

Mortgage Amount	4.5%	5%	5.5%	6%	6.5%	7%	7.5%	8%
\$100,000	\$507	\$537	\$568	\$600	\$632	\$665	\$699	\$734
\$150,000	\$760	\$805	\$852	\$899	\$948	\$998	\$1,049	\$1,101
\$200,000	\$1,013	\$1,074	\$1,136	\$1,199	\$1,264	\$1,331	\$1,398	\$1,468
\$250,000	\$1,267	\$1,342	\$1,419	\$1,499	\$1,580	\$1,663	\$1,748	\$1,834
\$300,000	\$1,520	\$1,610	\$1,703	\$1,799	\$1,896	\$1,996	\$2,098	\$2,201
\$350,000	\$1,773	\$1,879	\$1,987	\$2,098	\$2,212	\$2,329	\$2,447	\$2,568
\$400,000	\$2,027	\$2,147	\$2,271	\$2,398	\$2,528	\$2,661	\$2,797	\$2,935
\$450,000	\$2,280	\$2,416	\$2,555	\$2,698	\$2,844	\$2,994	\$3,146	\$3,302
\$500,000	\$2,533	\$2,684	\$2,839	\$2,998	\$3,160	\$3,327	\$3,496	\$3,669

These are the estimated monthly principal and interest payments for a 30-year, fixed-rate mortgage and are for illustrative purposes only. These amounts do not include property taxes or homeowners insurance, which must be paid in addition to the principal and interest.

credit, signed into law by President George W. Bush in July 2008. The credit gives tax relief equal to 10 percent of the purchase price of a new home, up to \$7,500, for first-time buyers who purchase a home between April 9, 2008, and July 1, 2009. Although the credit must be repaid in equal, interest-free installments over a 15-year period, it gives potential homebuyers quick cash with which to make a purchase this year. Check with your Wells Fargo Home Mortgage consultant or your tax advisor to find out about other forms of relief once this expires.

#### 7. HOMEOWNERSHIP FEELS GOOD.

"If you just see your home as an investment, you're missing the joy of ownership," Loeschler says. "You have the roof of choice over your head. You get to grow things outside. You get to have the pets that you want. You get to make the noise that you want. You get to decorate the way that you want. You finally get to control your own space. That's the joy of homeownership."

The Zaragozas agree. They enjoy their new home not just because it was within their budget, but because it's theirs.

"I love it," Griselda says. "We bought our home. It's ours. It feels so good to go home to something so great." YH