West USA Realty
2920 N Litchfield Rd, Suite 100
Goodyear, AZ 85395



# Hello.

Interesting And Helpful
Real Estate Info
**Just For You**

Local Postal Customer

## Over 1300 Homes Sold in Avondale and Litchfield Park!

## recentlistings


**10929 W. Wilshire Dr.**
A 2390 Model
4 BR, 3 BA with a loft, pool and on the lake in Crystal Gardens!
**Listed** by Al Gage for **$255,000**


**11410 W. Virginia Ave.**
A 1505 Model
1505 S.F., 3 BR, 2 BA in great shape in Crystal Point.
**Listed** by Al Gage for **$200,000**


**1906 N. 127th Dr.**
A Prescott Model
2038 S.F., 4BR, 2.5 BA with a pool and a cul-de-sac lot in Rancho Santa Fe.
**Listed** by Al Gage for **$240,000**

See inside for this month's **featuredlistings**

ISSUE 119

# Al Gage Report

April 2017

## How Do I Transfer My Equity?

One of the most common questions we receive is how do I make best use of the equity in my existing home when purchasing another home? Sounds like an easy question . . . . Sell your existing home and then use the proceeds as down payment on the one you want to purchase! Seems pretty simple, but there may be just a bit more to it than that. As our market continues to be very strong and Consumer Confidence hits a 16 year high, writing an offer on a property to purchase, contingent on the sale of your existing home, will not be nearly as competitive of an offer as it would have been even a few months ago. **It also sometimes leads to a rushed sale to complete the contingency and potentially sacrificing some of that hard earned equity to accomplish the end goal.**

The other alternative, selling your existing home and then closing on the one you want to purchase, has a couple of significant snags in the way as well. **First and foremost, it means that you have to move twice.** This is almost impossible to avoid on the purchase of a new home, unless it is a spec home, simply because the end property is not readily available to close simultaneously. **This is one of the many important reasons, you should take us with you when shopping for a new home.** Our advice can keep you out of some uncomfortable and foreseeable problems.

Moving twice in a transaction, for some people, is a fate worse than death and for others it appears to be no big deal. Many of our military families are quite accustomed to moving and so the double move does not add another level of stress. For others, moving twice is an absolute death nail. With the pod systems available today, at least moving to temporary housing is mitigated somewhat and we can usually find temporary housing for our clients.

If you want to avoid either of these two scenarios, **the first determination that must be made is whether or not you can qualify for both loans or not.** It is still a widespread misnomer that if you rent your existing home the income will offset the monthly payment for qualifying purposes. The criteria for this is quite extensive, but essentially the rental income either has to be listed on a prior year's tax return OR you must show proof of the deposit, first months rent AND 25% equity in the home. This amount of equity must usually be verified with an appraisal on the existing home.

Many of my clients, because they have large amounts of equity in their existing home (meaning low mortgage balances), and have lived in their existing home for a long time (meaning their incomes have grown and creditworthiness improved) are able to qualify for both loans. This certainly solves the moving twice problem. It also still leaves open the question of transferring equity.

**So if you do qualify for both loans without any other conditions, you still have to satisfy the problem of down payment and closing costs for the new purchase.** With a VA loan, of course, this does not present a problem. Remember,

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Al Gage, P.C
Phone: 623-536-8200
Mobile: 623-694-9004
Fax: 623-536-8222
Email: al@algage.com
**www.algage.com**

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you can't have two VA loans (unless you are both veterans), so if your existing loan is a VA, you will have to use another vehicle to finance the purchase. These other vehicles such as FHA and Conventional offer down payments between 3.5% and 5% as a minimum but both carry large mortgage insurance premiums which is one of the things your are trying to avoid by transferring your equity.

Here are a couple of strategies that may accomplish the end goal without having to either move twice or pay large mortgage insurance premiums. Let me stress that none of these address the payment stress of having two mortgage payments. You must rely on the ability of a good agent to ensure that once you embark on one of these avenues that they can actually get the existing home sold after the fact.

**Borrowing from a 401k:** Many 401k programs allow you to borrow or withdraw funds from them to complete the purchase of a home. While this may not be a good long term investment strategy, in the short term this may solve all of the problems of moving twice, paying higher mortgage insurance and really has no effect on your loan qualification other than if those 401k assets were being used as reserve funds for the mortgage. This option is very viable and preferred. The only two down sides to this strategy are that in some cases it can take up to 90 days to obtain those funds and also it is very important that all of those funds are paid back to avoid any tax penalties for early withdrawal. You should ensure that there are no tax consequences BEFORE you proceed down this path.

**Home Equity Line of Credit:** This method may actually be simpler overall. It is quick and relatively easy to obtain a line of credit on your existing home. It can usually be accomplished in a few weeks. You simply have us over to determine the approximate net proceeds from your home and then obtain a line of credit for that amount. You then utilize those funds for the down payment and closing costs on the home your are purchasing. A month or two later when your existing home sells, the line of credit is paid off and you have successfully transferred your equity with very little costs to you. The major down sides to this method is that some people borrow the maximum they are allowed on the line of credit and then the proceeds of the sale are insufficient to pay off the line of credit. Another issue is that this additional debt may affect the qualification process for the new purchase as opposed to the 401k solution where you are borrowing from yourself.

**Just refinance after the fact;** The simplest of all these methods if you qualify for both loans and the one with the most quantifiable risk is to purchase the home with one of the lower down payment programs and then once your existing home sells, pay that equity down on the mortgage and refinance the entire mortgage. Of course, this costs money! Generally 2.5-3% of the NEW loan amount after the equity has been applied. This is a significant amount of money but it is a known amount and therefore the cost-benefit can be evaluated on known information.

**Adjustable rate mortgages:** If you have an affinity for adjustable rate mortgages this also solves the problem. VA, FHA and Conventional all offer adjustable rate loans that in most cases do better than fixed rate mortgages. They all have one very unique feature. The payment amount is recalculated based on the remaining balance. This means that should you close on your new purchase and then sell your old home, then apply the equity to the loan balance, the payment will be recalculated based on the new balance effectively solving all of these problems at once.

**If you need help navigating the complicated areas of finance and real estate in todays ever changing market, give the Al Gage Team a call at 623.536.8200 or email us at al@algage.com**

## RITA'S CORNER

## Good News For Some?

PINNACLE CAPITAL mortgage corporation

Virtually all mortgage loans have a minimum credit score requirement. The best interest rate available for VA and FHA loans can be had with a credit score of 640. For conventional loans, the score needs to be at least 720. The minimum score for all kinds of loans is 580. Credit reports include payment history, tax liens and public records, all which have an effect on score.

BUT, beginning July 1, 2017, the credit bureaus are no longer allowed to report judgments or tax liens. Also beginning July 1st, utility and cable companies will be reporting credit history. This can be especially good for people that don't have a lot of consumer credit, and thus have no credit score. This can be great news and a chance at a second start for a lot of potential borrowers.

We will have to wait and see if these changes have an adverse effect on people not needing to take advantage of the new rules.

**RITA MARIE** NMLS ID #186758
**623-935-4664**
Mortgage Advisor
Please leave me a "LOAN"
**rmarie@pcmloan.com**
Pinnacle Capital Mortgage LLC. #1071
17215 N 72nd Avenue D-145
Glendale, AZ 85308

*Call me for information about this and other programs. I pride myself on keeping up to date with the ever changing mortgage market.*




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Stay up to date with the current news, right in your inbox. Subscribers are placed in a drawing to win a set of FREE movie passes! 4 sets of passes will be given out this month! Please share this opportunity with family, friends, and neighbors.

# featuredlistings


**12913 W. Holly St.**
A Cottonwood Model
1290 S.F., 3 BR, 2 BA with a great room
in Rancho Santa Fe!
**Listed by** Al Gage for **$180,000**


**12706 W. Almeria Rd.**
A Carmel Model
1611 S.F.,3 BR, 2.5 BA with a pool
in Rancho Santa Fe.
**Listed by** Al Gage for **$207,000**


**12414 W. Roanoke Ave.**
A Cheyenne Model
1642 S.F., 3 BR, 2.5 BA / den
with a pool in Rancho Santa Fe.
**Listed** by Al Gage for **under $230,000**


**12809 W. Holly St.**
A Carefree Model
1956 S.F., 4 BR, 2 BA
with solar in great shape
in Rancho Santa Fe
**Listed** by Al Gage for **$215,000**

## What's My Home Worth?

Email Al at
**al@algage.com**
with the address,
a list of upgrades,
the current condition of the property rated
< from 1 being terrible condition and 5 being model perfect > and he will personally prepare a professional market analysis of your home free of charge.
Use *"What's my home worth?"* in the subject line and also include the purpose of the evaluation in the email.

*No automated valuations here!*

*Want a current and local Market Update go to **www.algage.com/April2017MarketUpdates.html***

*In 2016, Al Gage successfully represented **36%** more clients than the closest competitor and **214%** more than the average of the Top Ten Agents in your neighborhood! #1 in your neighborhood three years in a row!*