

The information provided in this book is with understanding that the author is not engaged in rendering legal, accounting, or professional advice. If such expert assistance is required, the services of a competent professional are recommended.

STOP TAKING ALL MY MONEY

HOME BUYER'S BEWARE.

BY DAVID M. GIOSA



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INTRODUCTION

This book is based on personal experience and is designed to help first-time home buyers and current home owners. After reading this book, you should have enough basic knowledge to go into the real estate marketplace and purchase a home. Educated buyers won't make the same mistakes other people do when faced with a real estate transaction.

The material in this book is also helpful for those buying their second home. With the information in this book, buyers will

be able to avoid most problems. They'll be prepared to know what to expect and what to ask the people they meet when they purchase a home.

Read the whole book. Don't skip through it. The information you miss could make or break your deal. This book will help you find a piece of property, get the best price, get financing, and close the deal with the least amount of problems. Everything is explained in simple English so everyone will understand it.

I wish you luck in purchasing your new home and hope the information I provided has helped you make your purchase a smooth experience.¹

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HELPFUL MATERIALS

The following list of items can be obtained at any bank, real estate office, mortgage company, or office supply store.

Calculator

Scratch pads

Blank real estate sales agreements

Amortization schedules

Phone book

Mortgage payment table booklet

Newspaper

Real estate directory for your area

Multiple listing book

A mill list of all the townships in the county in which
you wish to live

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CHAPTER ONE

The Budget

Being in Control of Your Money

In this chapter, we'll discuss how to create a budget. You'll need a budget to control your cash outlay. First, list your expenses by breaking them into two categories. One is *Needs*, the other is *Arranged*.

Needs

Expense	Pay Now	Budgeted
Rent	\$ 650.00	\$ 500.00
Credit cards	200.00	0.00
Auto Insurance	2600.00/yr.	1200.00/yr.
Utilities	132.00	98.00
Medical Insurance	12.00	9.00

Arranged

Auto	500.00	200.00
Food	100.00	80.00
Entertainment	150.00	60.00
Clothing	100.00	50.00
Furnishings	600.00	150.00
Personal items	100.00	70.00

After looking at that budget, you might think I was crazy to cut my bills by the amounts shown. The truth is, I do. If I can, so

can you — if you really want to own a house and be able to keep it.

You must train yourself to spend wisely. Most people spend money too freely. They live off their weekly paychecks and have nothing to show for it. You should save ten percent of your gross monthly income. Most people don't know that when they get their paychecks, they should pay themselves first, not their bills. Over time, that money will become a down payment on a house.

Let's work on the budget first, and you'll see what I mean. Let's assume you're paying \$600.00 - \$1,000.00 per month to rent a place that's bigger than you need. You're wasting money, and all you're doing is paying your landlord's mortgage and making him rich. You can bring in another renter to cut your expenses, or you can live in a less expensive place.

Next on the list is credit cards. You must pay them off. You're paying 15%-24% interest on them, and it's a legal rip-off. You only get 5%-6% on your savings account, so you're operating at a loss. It's not even tax deductible, so why pay it? A credit card should be saved for extreme emergencies or for situations

where you've got the cash to pay it off immediately without incurring interest. Get rid of your department store credit cards and keep only the ones you can use for any purchase. Smaller cards make you prey to impulse spending, which is one of the biggest reasons people are in debt.

Next is auto insurance. That is an expense everyone has, but it doesn't mean you have to pay top dollar. Sit down with your insurance agent and see how you can reduce your premiums. If your car's five years old or more, it might not pay to have full coverage on it. If you have some perks on your policy, such as towing, cut them down or eliminate them.

Be ready to pick up the phone book and call other agents, too, to get better rates. If your agent can't meet your needs, find another one. Ask your friends who their agents are. Sometimes, they'll give you a good way to save money.

Always make the agent explain exactly what you're paying for. See what you can do without. Try for lower liability, higher deductibles, territory where the auto is garaged, passive seat belts, air bags, antilock brakes, alarm systems, driving less than 7,500

miles a year, having a clean driving record, or better rates for your age group.

Utilities are the easiest things to cut. These include electricity, gas, oil, phone, water, and cable TV. Start by saving money and energy and use lower wattage bulbs in your house. Turn the heat down and dress warmer. In the summer, turn the air conditioner down or off when not needed. Change or clean the filter on your air conditioner once a month.

Take shorter showers and make sure you wash only full loads of clothes or dishes. Turn off lights when you're out of the room. Look over your phone bill and see if you can get cheaper service. Cut down how long you talk long distance. Eliminate all calls to area codes that are 900 numbers.

If you feel you must have cable TV, get only the basic service. Paid channels play the same movies repeatedly for days. It's cheaper to rent the movie. I don't encourage people to watch TV, because it weakens the mind and turns some people into couch potatoes. If you're bored, read a book. At least you'll be better educated when you're done.

Medical insurance is next. If you're paying for it yourself, it's very important. If you work for an employer who pays, you're lucky, but you still need to know what you're covered for. Read the employee handbook. If you don't understand it, call the personnel office and have someone explain it. Know your deductible and what the policy covers.

People who pay their own medical insurance should shop around. There are many plans available, and they're all different. Use the phone book to find companies to call and see how to get the best coverage for the best price. See if there are options for lowering your rates, like preventative medicine, a good physical exam, a higher deductible, and your occupation. Ask questions — it'll save money.

Next is the group of Arranged expenses. Those are things that come from everyday existence, and you must control them. Auto expenses can cost a lot of money. Try to do some repairs yourself. Change your own oil, oil filter, and air filter every 3,000 miles. Check all fluid levels. Change your spark plugs, wires, and caps. Keep the tires inflated, and rotate them every 20,000 miles.

Shop around for the best prices on car parts. Those things will save money and improve the life expectancy of your car.

Food is an area where it's easy to cut costs. Shop at supermarkets, not convenience stores. There's a big difference in price. Try using coupons and look for sales on foods you like. Smart shopping can help increase your savings for a home.

Entertainment is good for everyone, but you can cut back. Instead of going out four or more times a month, cut back to once or twice. You don't have to stop having a social life just to buy a house, but take it easy. Keep receipts for your spending and see where you can cut back.

Some people love to buy clothing and get all the new fashions. That can get out of hand and won't be noticed until it's too late. Buy good quality clothing, not cheap things that'll fall apart after wearing them only a few times. Check the material and the stitching to make sure you're getting your money's worth.

Furnishings can cost a lot, too, so shop around for the best prices. Don't get caught in the rush to buy new electronic gadgets. Most electronic devices are out of date within one year.

Buy something practical that serves your needs without a lot of extras.

When it comes to personal habits, like smoking, drinking, or gambling, you should try to reduce those and eventually break the habit completely. You'll end up with a lot more money in savings. Calculate what you spend each year on those things and see how to cut back.

Impulse buying is last on the list. It can destroy a savings account as quickly as termites can ruin a house. Break the habit before you lose your finances. Before you go shopping, write down what you need. Don't deviate from your list.

Creating a budget and sticking to it can be difficult. By doing it, you reroute your money into savings and break some bad habits, too. You may have more ideas than those I mentioned. List everything you spend money on, then cut back.

Once you've built up a savings account and know where your money's going, you can see what changes you'll need to make so you can afford a house. No one else will control your money or destiny for you. Make a list, save your receipts, and cut back.

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