

Wi\$e Up Teleconference Call
Real Estate
May 31, 2006
Speaker 2 – Evelyn Lugo

Jane Walstedt: Now let me turn the program over to Gail Patterson, also a member of the Women's Bureau team that plans the Wi\$e Up teleconference calls, to introduce our second speaker. Gail--

Gail Patterson: Thank you, Jane.

Our second speaker is Evelyn Lugo. Evelyn has been bringing buyers and sellers together for over 18 years. She loves what she does and it shows.

She has a full service attitude towards her clients and will assist you with every aspect of your real estate transaction. Evelyn has aligned herself with the very best in the industry from financing to settlement. She's there for you every step of the way.

Her career accomplishments include numerous top producer awards and designations within her company and the real estate industry. Evelyn is ranked in the top 5% of realtors in the country and has affiliated herself with Long & Foster Realtors, the number one selling real estate company in the area and the number one independent in the country.

When Evelyn's not at work servicing her customers' needs, she can be found enjoying the company of friends and family, or teeing off at one of our local golf courses.

She may be spotted at one of D.C.'s many fine restaurants or at Borders picking up a new novel to read while vacationing at a warm and sunny beachfront destination.

Evelyn is licensed to sell real estate in Washington, D.C., Virginia and Maryland and specializes in the communities within the Beltway.

Evelyn, welcome.

Evelyn Lugo: Thank you, Gail. That was a very nice introduction. I appreciate it.

The topic that I have chosen to cover this evening -- or this afternoon - - I'm sorry -- how to buy and own real estate in today's market.

We have all seen what's been happening over the last six years and the incredible increase in value that properties or real estate investments have been able to turn around for us.

Having been in the business for so long, I saw this once before. It was when I first started, and there was a huge boom in real estate going on at that time, and people were in a frenzy. And at that point, the interest rate was 16%.

That was followed by a crash in the market -- in the real estate market -- and that was in the early 1990s.

So you have to kind of look at that when you're looking at what's happening now and the question mark is there -- you know, we have been in a boom, is there going to be a crash?

And that's what most people are asking right now, and that's pretty much why the market has seemed to slow and to tail off. I call it the "Standoff at the OK Corral," where the seller and the buyer are both looking at each other with a pistol pointed at each other wondering which one is going to give first or which one's going to shoot first.

While we're not seeing much of a drop in value in the Washington D.C. area, we are seeing that the market time has extended itself, so that instead of selling a property in three days with, you know, ten offers on it, you're selling it now in two weeks, four weeks, with maybe one or two offers on it.

But we're not seeing a large drop in prices. We're seeing some leveling off, but properties are still selling. They're not – we're not seeing the increases, but we're not seeing a large drop either, especially in the single family home and townhouse. Condominiums, that's a little different.

Now I know we're talking country, I'm talking to an audience throughout the country and your markets may be different wherever you are.

So, I'm going to leave that topic there and just move on and say that real estate investment is obviously the largest investment that most people will make, and in the Generation Xers, it's probably the largest investment you've ever made to date.

And there are several things that I will prompt you to consider when you're looking at making a real estate investment.

I think the number one thing in today's market if you are a buyer is that you first find yourself a good buyer broker. If you get yourself into a situation where you are not represented, it would be similar to, for instance, if you're making a \$300,000 investment on a piece of real estate, would you make a \$300,000 investment in stocks and bonds by yourself without advice from a professional? Of course you wouldn't.

So the very first thing you're going to do is interview and select the buyer broker. What you're looking for when you're doing that is somebody that you feel comfortable with, somebody that you trust, somebody that's knowledgeable in the marketplace.

How do you find a good buyer broker? You talk to your different - you talk to friends who have already purchased, you might go around to open houses -- it's a great place to find agents, because they're there representing sellers and they're showing properties and so on, and you can chit chat and you can move around, and nobody is really expecting you to hire them at that point.

So that's a great place to find buyer brokers, but the best place is always through friends and family.

Once you've chosen a buyer broker, you then want to align yourself with other people in the industry that that agent that you've chosen has done business with.

For example, financing. That's the next most important thing you do when you've decided, when you've made the decision to purchase real estate. You're going to identify your buyer broker; and secondly you need to get yourself approved for your loan.

That should be the very first thing you do, so that you're not going out there looking at properties that you can't afford. You definitely want to be financed.

Why do I suggest that these two people have a relationship with each other? Because it's very easy to get a deal to go sour; and this usually happens when you're dealing with people who haven't dealt with each other before.

For example, if you - if I am representing you in a transaction and you bring your lender to the table, I don't know your lender from Adam. If something goes wrong, there's nothing that I can do to get him to make it right.

There's obviously, if you're dealing with one of my lenders, these are people I've done business with for years. If they tell me they can do a transaction, they're going to do the transaction, and if something comes up, I can make it right.

The settlement attorney, that's the other person in this whole transaction. The buyer broker, the lender, and now you have the settlement attorney. He's got a very important role in the transaction also.

So if you want it to go as smoothly as possible, you want those three people to know each other. That's the best advice I could give a new buyer out on the market as far as how do you position yourself so that you get the best advice possible when you're making the largest investment you've made.

The real estate market -- thanks to the Internet, it's very easy to get online now and take a look and see what's available. That's something when you're starting to think about purchasing real estate you should do.

You should go on to the Internet. There are a lot of sites. You're welcome to visit mine -- www.isellldchomes.com. If you hit the property search tab, it gives you free access to everything in the Washington DC, Virginia and Maryland area, if that's where you're looking.

And if not, try www.realtor.com. There's a number of Web sites that you can go to. You really want to get a hands-on idea of what your money can buy you.

The other thing is, once again, do the open houses. It's the best way to get educated on the market. How will you know when you've found the right place if you've never seen anything else?

How will you know if it's priced right? How will you know if the location is right? You won't unless you've gone out there and you've taken a look around.

And all of you know on Saturdays and Sundays open house signs are everywhere. So it's a very easy thing to do and it is the best way to educate yourself.

Let's move from that to financing options. There are so many financing options out there, and what I recommended is that when you do identify your lender, the first thing you want to get from them is

something that's called a good faith estimate. It's required by federal law that they give that to you.

Why do I say that? Because a good faith estimate is going to line up all of your costs involved in that particular loan. You may want to get a quote for a couple of different loans, so you can see what the bottom line is, and what it's going to cost you and what money you're going to have to bring to the table.

There are several different ways to own real estate. And I'm going to talk about the mortgage, the financial instrument, and I'm going to talk about the title or deed. It's called different things in different places of the country.

But the mortgage or the financial instrument. When you are purchasing a property, you want to be cautious about how you're purchasing that as far as the financing is concerned, or you just want to be aware. Cautious was the wrong word.

You want to be aware of how you're financing that property and how you're going to hold title to that property because those two things can be completely different.

Let's use an example.

A young woman is purchasing a property with her boyfriend, and they both go on the mortgage, and they end up both on the deed, or therefore, the title. You are now bound to this person.

You both own this mortgage, you both own – you're both on that title and deed. Not one person can then just walk away from the

transaction or from the property -- put it that way -- if in fact you're on both.

Let's flip it. Let's say one person is on the mortgage; the other person's credit wasn't as good. And that happens a lot. I've dealt with that a lot with couples.

So to get a better rate, they just use one person on the mortgage. Now, that one person is the only one that's financially liable for that property or responsible for that note.

The other person can then be added to the deed, and a lot of people do that. That means that then two people actually own the property, but only one person is financially responsible for the property.

So that's something you want to be very clear about when the title attorney is asking you how do you want to hold title to the property. If you want to be - if you want to own the property and not be responsible for the mortgage, obviously the way to go is to have one person on the mortgage.

But if you're both on the mortgage, the lender will require that you're both on the deed, so you don't get it both ways. But one person can be on the mortgage and more than one person on the deed.

It may be that you want to add, if you purchase it yourself and you want to add your sister or your mother or someone else to the deed, so that if something happened to you, someone else would be in ownership of the property.

So those are different things - different forms of ownership that you can have, and that's a conversation you want to have with your buyer broker. Your buyer broker is very important to you because they're going to answer questions for - on ownership, on financing, on everything.

So that's something to be very clear about.

There are several different ways to have ownership of the property - and I'll just review that very quickly because I think I'm getting short on my time here.

Let's see.

There - the most common is if you are a married couple and you're purchasing a property and you're both on the mortgage and you're both on the deed, you will more than likely own the property and the term - that's called tenants in the entirety.

What that means, tenants in the entirety means that the two of you own whole interest to the property with the right of survivorship. So that if one of you passes, the property then passes 100% to the survivor.

That's one way to own.

The other way to own would be joint tenancy. Joint tenancy. I'll give you a good example.

Myself and two partners just purchased a property down in South Beach. We all have our own family. So we decided to own this property in joint tenancy. So each one of us owns 1/3 of this property.

Survivorship then goes -- I'm sorry - survivorship then goes -- and I made an error -- Joint tenancy. Three - so three of us are owning it, let's say we're all sisters. I apologize.

Let's say we're all sisters, and we want to make sure that the next one gets survivorship rights to the property. We would then own it in joint tenancy.

So there is survivorship with joint tenancy. Whoever else, it could be eight people that own that property. As each person passes, their portion of ownership then passes to the other owners.

Now, what I was getting to was Tenants in Common. That's the story where I'll use - that's the example I'll use for the South Beach property.

There are three of us, and we all own 1/3 of that property. If I die, my portion of ownership does not go to the other two. My portion of ownership is then willed to whoever I choose as a survivor - or to my estate. That's a better way to put it.

So to own - and you can do this, and you know it's very popular actually because it's a lot less expensive to own property when there are more than one - when there's more than one owner involved in it, for instance, with this transaction.

And I suggest this to people because it actually works pretty well if you have a good relationship with a group of people, especially if it's an investment property or a vacation property, to own it as Tenants in Common. Three of you, four of you, six of you, however many there

are, you can all own that property; you're all only responsible for your portion of the – you all only own your portion of it.

And if you should pass, then you do have that – that ownership then does just go to your estate. It doesn't go to the other owners.

And that's a great way to maybe start your investment portfolio if you haven't started it already.

And with that, I think that I will close and wait for questions after.

Thank you.

Jane Walstedt: Thank you very much Evelyn, that was a very interesting suggestion, and I certainly did use a buyer broker when I bought my second condominium, and it was a friend, and it was very helpful.