THINGS TO CONSIDER WHEN

BUYING A HOME

WINTER 2021
EDITION

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Why You Shouldn't Wait Until Spring to Buy a Home

The housing market recovery has been nothing short of remarkable. Many experts agree the turnaround from the nation's economic pause is playing out extremely well for real estate, so it's framing up to be an ideal time to buy a home for those who are ready to make a purchase. Here's a dive into some of the biggest wins for homebuyers this season.

1. Mortgage Rates Are Low

In 2020, mortgage rates hit all-time lows **more than a dozen times**, falling below 3% for the first time ever. Continued low rates have set buyers up for significant long-term gains. *realtor.com* notes:

> *"Given this means homes could cost potentially tens of thousands less over the lifetime of the loan."*

Essentially, it's less expensive to borrow money for a home loan today, a huge opportunity for buyers to capitalize on right now, before rates start to rise.

2. Buying Is More Affordable Than Renting

This trend toward low mortgage rates has made the typical monthly payment (including principal and interest) less expensive for buyers. According to *realtor.com:*

> *"Over the past year, many counties have seen the difference between the cost to purchase a home compared to the cost to rent a home improve toward favoring buying a home."*

Buying a home versus renting one may be a game-changer, as it amplifies long-term savings for homeowners. When paying a mortgage, as opposed to paying rent, that money is reinvested back in your favor. Instead of contributing to your landlord's savings, you're contributing to your own net worth. This is a term called equity, and it is one of the biggest financial benefits of owning a home.

3. Equity Is Growing

According to *John Burns Consulting*, **58.7% of homes in the U.S. have at least 60% equity**, and **42.1% of all homes in this country are mortgage-free**, meaning they're owned free and clear. In addition, *CoreLogic* notes the average equity mortgaged homes have today is **$177,000**. That's a tremendous amount of forced savings for homeowners.

With this much equity in place for the typical homeowner, the chance of the market seeing a rush of foreclosures is not likely. Today's homeowners have many options to avoid foreclosure, such as selling their homes and leveraging that equity to protect their investment.

As a buyer, you can rest assured that your homeownership investment is a sound one, and foreclosures are not expected to dominate the market as they did when the housing bubble burst over 10 years ago.

4. Home Prices Are Appreciating

According to leading experts, home prices are forecasted to continue appreciating. Today, many experts are re-forecasting their projections in an upward direction, anticipating home prices to continue rising through 2021.

Knowing home values are increasing while mortgage rates are so low should help you feel confident that buying a home this year is advantageous from a price perspective, and a strong long-term investment.

Bottom Line

If you're considering buying a home, this may be your moment, especially with today's low mortgage rates. Let's connect to assess your changing needs and set you up for success in the homebuying process.

A New Meaning for Homeownership

Today, Americans are purchasing homes for a variety of different reasons. The current health crisis has truly re-shaped our lifestyles and needs, prompting many of us to think more about what we truly want in a home. Spending extra time where we currently live is enabling many people to re-evaluate what homeownership means and what they find most important in a home.

According to *Zillow*:

> *"In 2020, homes went from the place people returned to after work, school, hitting the gym or vacationing, to the place where families do all of the above. For those who now spend the majority of their hours at home, there's a growing wish list of what they'd change about their homes, if possible."*

With a new perspective on homeownership, here are some of the top reasons people are reconsidering where they live and thinking differently about what they need in a home.

1. Working from Home

Remote work is becoming the new norm, and it's continuing on longer than most initially expected. Many in the workforce today are discovering they don't need to live close to the office anymore, and they can get more for their money if they move a little further outside the city limits. Lawrence Yun, *Chief Economist* for the *National Association of Realtors* (NAR) notes:

> *"With the sizable shift in remote work, current homeowners are looking for larger homes and this will lead to a secondary level of demand even into 2021."*

If you're renting a small space or recently tried to convert your dining room into a home office with minimal success, it may be time to make a change. The reality is, your current house may not be optimally designed for today's lifestyle, making remote work and continued productivity very challenging.

2. Virtual and Hybrid Schooling

Many school districts are using a model of virtual or hybrid learning, turning their curriculums into digital formats for students. If you have school-age children, you may have a need for a dedicated learning space. If so, it might be time to find a home that provides your youngsters with the same kind of quiet room to focus on their schoolwork, just like you likely need for your office work.

3. A Home Gym

Staying healthy and active is a top priority for many Americans. With various levels of concern around the safety of returning to fitness facilities across the country, dreams of space for a home gym are growing stronger. The *Home Builders Association of Greater New Orleans* explains:

> *"For many in quarantine, a significant decrease in activity is more than a vanity issue – it's a mental health issue."*

Having room to maintain a healthy lifestyle at home – *mentally and physically* – may prompt you to consider a new place to live that includes space for at-home workouts.

4. Outdoor Space

Especially for those living in an apartment or a small townhouse, outdoor space is a new priority for many as well. *Zillow* also notes the benefits of being able to use your yard throughout the year:

> *"People want more space in their next home, and one way to get it is by turning part of the backyard into a functional room, 'an outdoor space for play as well as entertaining or cooking.'"*

You may, however, not have the extra square footage today to have these designated areas – indoor or out.

Moving May Be Your Best Option

If you're clamoring for extra room to accommodate your changing needs, it may be time to take advantage of today's low mortgage rates to find your perfect home. It's a great time to get more home for your money, just when you need it most.

Bottom Line

Today, many peoples' needs have changed. If you've been trying to decide if now is the right time for you to buy a home, let's connect to discuss your options.

The Expert Winter Housing Market Forecast

Based on recent data on the economy, unemployment, real estate, and more, many experts are indicating that an economic recovery is underway. The extent of the recovery, however, is largely dependent on the course of the virus. Here's a look at what some experts have to say about key areas that will power the housing market and the economy going forward.

John Burns, CEO, *John Burns Real Estate Consulting:*

> *"A high-quality home has never been so important because people are spending so much time in the home…New home supply will ramp up beginning next year, as the homebuilders have only increased land-buying activity very recently, and it takes a while to get building approvals."*

Archana Pradhan*, Principal Economist, CoreLogic*:

> *"Given the continued economic uncertainty and lack of activity among existing homeowners (repeat buyers), we anticipate the inventory shortage to persist throughout the rest of the year, with inventory levels remaining at 20% to 30% below last year's levels."*

Mike Fratantoni, *Chief Economist, Mortgage Bankers Association:*

> *"Interest rates for the 30-year fixed-rate mortgage will end this year at about 3% and could hit around 3.3% in 2021."*

Lawrence Yun, *Chief Economist, National Association of Realtors*:

> *"The demand for home buying remains super strong…With persistent low mortgage rates and some degree of a continuing jobs recovery, more contract signings are expected in the near future."*

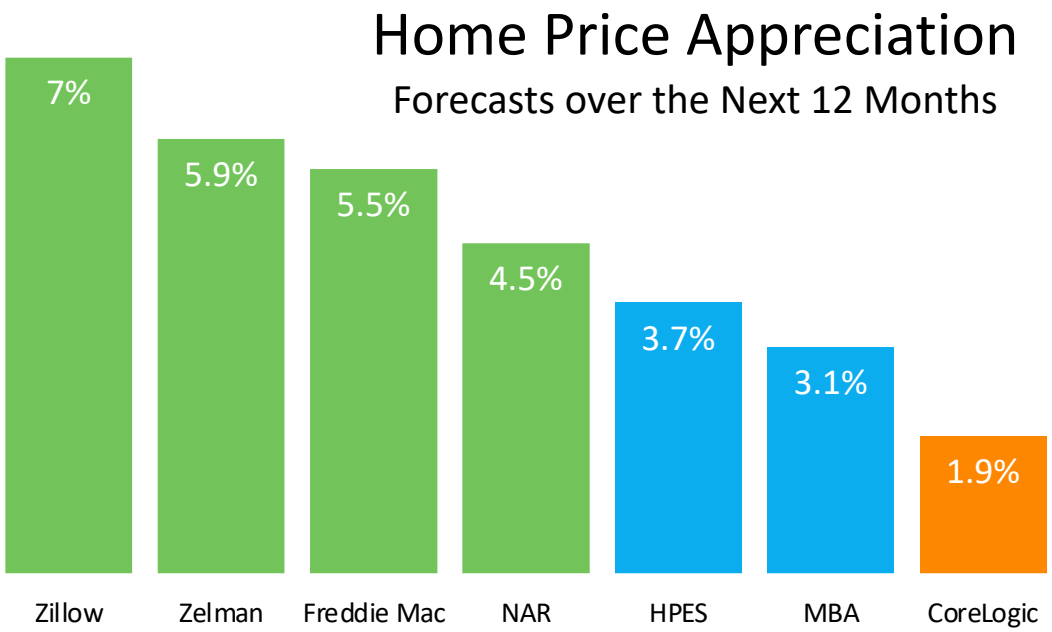
Bottom Line

The experts are very optimistic about the housing market. If you recently pressed pause on your real estate plans, let's chat to determine how you can re-engage in the process.

Home Price Appreciation Is on the Rise

Due to the undersupply of homes on the market today, there's significant upward pressure on home prices. When there's high demand for an item and a low supply of it, consumers are willing to pay more for that item. That's what's happening in today's real estate market. The housing supply shortage is also resulting in more bidding wars, which drive price points higher in the home sale process.

In addition, there's no evidence that buyer demand will wane. As a result, experts project home price appreciation will continue over the next twelve months. Here's a graph of the major forecasts going forward.



What does a rise in prices mean for buyers?

When purchasing a home, it's important to feel confident about your investment, and that it will increase in value over time. Home prices have been rising for 104 straight months, and are forecasted to continue going up, meaning your investment is a sound one. It also means purchasing a home before prices continue to climb might be your best move.

Today, some are concerned that homeowners who entered a mortgage forbearance plan might face foreclosure once their plan ends. However, when you analyze the data on those in forbearance, it's clear the actual level of risk is quite low.

Ivy Zelman, *CEO* of *Zelman & Associates* and a highly-regarded expert in housing and housing-related industries, notes:

> *"The likelihood of us having a foreclosure crisis again is about zero percent."*

With demand high, supply low, and little risk of a foreclosure crisis, **home prices will continue to appreciate**.

Bottom Line

Originally, many thought home prices would depreciate due to the economic slowdown from the health crisis. Instead, prices appreciated substantially. Over the next year, home values will likely rise even higher given the continued lack of homes for sale.

Key Terms to Know
in the Homebuying Process

Here's a list of some of the most common terms in the homebuying process.

APPRAISAL

A professional analysis used to estimate the value of a home.

A necessary step in validating a home's worth to you and your lender as you secure financing.

CLOSING COSTS

The fees required to complete the real estate transaction. Paid at closing, they include points, taxes, title insurance, financing costs, and items that must be prepaid or escrowed.

Ask your lender for a complete list of closing cost items.

CREDIT SCORE

A number ranging from 300—850 that's based on an analysis of your credit history.

Helps lenders determine the likelihood you'll repay future debts.

DOWN PAYMENT

Down payments are typically 3—20% of the purchase price of the home. Some 0% down programs are also available.

Ask your lender for more information.

MORTGAGE RATE

The interest rate you pay to borrow money when buying a home.

The lower the rate, the better.

PRE-APPROVAL LETTER

A letter from a lender indicating you qualify for a mortgage of a specific amount.

This is a critical step in today's competitive market.

REAL ESTATE PROFESSIONAL

An individual who provides services in buying and selling homes.

Real estate professionals are there to help you through the confusing paperwork, find your dream home, negotiate any of the details that come up, and so you know exactly what's going on in the housing market.

The best way to ensure your homebuying process is a confident one is to find a real estate pro who will guide you through every aspect of the transaction with **'the heart of a teacher'** by putting your needs first.

Source: Freddie Mac

The Path to Homeownership

1 Save for Your Down Payment

Create a budget and do your research. There are lots of low down payment options available.

2 Know Your Credit Score

Learn your score and clean up outstanding debts like student loans and credit cards.

3 Find a Real Estate Agent

Contact a local professional to guide you through the process.

4 Get Pre-Approved

Differentiate yourself as a serious buyer and have a better sense of what you can afford.

5 Find a Home

Work with your agent to find a home in your budget that meets your needs.

6 Make an Offer

Determine your price and negotiate the contract.

7 Have a Home Inspection

Address any hidden issues in the home with the seller.

8 Get a Home Appraisal

Ensure the property is worth the price you are prepared to pay.

9 Close the Sale

Schedule a closing date once the loan is approved so you can sign the final paperwork.

10 Move In

Congrats!

You're a homeowner.

Steps to Take If You Want to Buy a Home

If you're thinking about buying a home, there are some important things you can do to keep the process moving forward. From saving for your down payment to pre-approval for a mortgage, you can work confidently toward homeownership today.

1. Learn About the Process and How Much You Can Afford

The process of buying a home is not one to enter lightly. You need to decide on key things like how long you plan on living in an area, school districts you prefer, what kind of commute works for you, and how much you can afford to spend.

Keep in mind, when you start, you'll want to get **pre-approved for a mortgage**. Lenders will evaluate several factors connected to your financial track record, one of which is your credit history. They'll want to see how well you've been able to minimize past debts, so make sure you've been paying your student loans, credit cards, and car loans on time. According to *ConsumerReports.org:*

> *"Financial planners recommend limiting the amount you spend on housing to 25 percent of your monthly budget."*

Pre-approval will help you better understand how much you can afford so you can confidently make a strong offer and close the deal. Today's low inventory means homebuyers need every advantage they can get. If you were pre-approved prior to the beginning of the health crisis, you may need to go through the process again, as lending standards have evolved in recent months.

2. Save for Your Down Payment & Closing Costs

In addition to knowing how much you can afford on a monthly mortgage payment, understanding how much you'll need for a down payment and closing costs is another critical step.

What's a Down Payment? According to *Bankrate*:

> *"A home down payment is simply the part of a home's purchase price that you pay up front and does not come from a mortgage lender via a loan."*

Thankfully, there are many different down payment assistance resources available to potentially reduce the amount you may need to put down on your home purchase.

What Are Closing Costs? *Trulia* says:

> "*When you close on a home, a number of fees are due. They typically range from 2% to 5% of the total cost of the home, and can include title insurance, origination fees, underwriting fees, document preparation fees, and more*."

If you're concerned about saving for these items, start small and be consistent. A little bit each month goes a long way. Jumpstart your savings by automatically adding a portion of your monthly paycheck into a separate savings account or house fund. *AmericaSaves.org* indicates:

> *"Over time, these automatic deposits add up. For example, $50 a month accumulates to $600 a year and $3,000 after five years, plus interest that has compounded."*

Before you know it, you'll have enough in your savings if you're disciplined and thoughtful about your process.

Bottom Line

If homeownership is on your wish list, identify what you can prioritize now to help you get there. Let's connect to determine the steps you should take to start the process today.

How Down Payment Assistance Opens the Door to Homeownership

Many people are eager to buy a home right now while historically low mortgage rates are powering the market. However, a recent survey by *Sparks Research* shows that 20% of first-time homebuyers cite a lack of financial education as a barrier to homeownership. This is definitely understandable. If you don't feel comfortable with the financial process of buying a home, it's hard to make a confident decision. In fact, four in five homebuyers say they need help understanding what they can even afford in the first place. That's why finding the right professionals to help you through the process is so important.

On top of that, the same survey reports over two-thirds of prospective homebuyers believe they'll need assistance to save enough for a down payment. What they may not realize is there are a lot of down payment assistance programs at the state and regional levels, and many of them have funds available for potential buyers. *Down Payment Resources* recently released their *Q3 2020 Homeownership Program Index*, which explains:

> *"The number of total programs is 2,340, and* ***over 81 percent (81.1%) of programs currently have funds available*** *for eligible homebuyers."*

Down Payment Assistance Programs Are Not Only for First-Time Homebuyers

Keep in mind, these programs aren't just for first-time homebuyers, so it's worth exploring your options no matter where you are in your homeownership journey. For example, if you're working from home now, you may be thinking about relocating to a more affordable area where you can stretch your dollar further and have more space, inside and out. Lawrence Yun, *Chief Economist* for the *National Association of Realtors* (NAR), explains:

> *"Rural areas have mortgages (USDA loans) that don't require down payments; and some workers who can work from home may want to consider outer suburbs or small towns where USDA home loans are available and where homes are very affordable."*

If affordability is on your mind and you're expecting to be working remotely for the long-term, the right home may be in an area you haven't considered yet. In addition, the assistance program you need might be within reach too.

When you're interested in learning more about down payment assistance programs, information is available through sites like *downpaymentresource.com*.

Bottom Line

Thanks to a range of down payment assistance programs, affordable options are out there for today's hopeful homebuyers. It's important to get the financial education you need to understand the homebuying process and accomplish your real estate goals. Let's chat to get you started on the path to your dream home.

5 Tips for Making a Successful Offer

Today's real estate market has high homebuyer interest and low housing inventory. With so many buyers competing for a limited number of houses for sale, it's more important than ever to know the ins and outs of making a confident and competitive offer. Here are five keys to success for this important stage in the homebuying process.

1. Listen to Your Real Estate Advisor

A recent article from *Freddie Mac* offers guidance on making an offer on a home today. Right off the bat, it points out how emotional this can be for buyers and why your trusted agent can help you stay focused on the most important things:

> *"Remember to let your homebuying team guide you on your journey, not your emotions. Their support and expertise will keep you from compromising on your must-haves and future financial stability."*

Your real estate professional should be your primary source for answers to the questions you have when you're ready to make an offer.

2. Understand Your Finances

Having a complete understanding of your budget and how much house you can afford is essential. The best way to know this is to get pre-approved for a loan early in the homebuying process. Only 44% of today's prospective homebuyers are planning to apply for pre-approval, so be sure to take this step so you stand out from the crowd. It shows sellers you're a serious and qualified buyer and can give you a competitive edge if you enter a bidding war.

3. Be Ready to Move Quickly

According to the *Realtors Confidence Index,* published monthly by the *National Association of Realtors* (NAR), the average property sale today receives over three offers and is only on the market for just a few weeks. These are both results of today's competitive market, showing how important it is to stay agile and vigilant in your search. As soon as you find the right home for your needs, be prepared to submit an offer as quickly as possible.

4. Make a Fair Offer

It's only natural to want the best deal you can get on a home. However, *Freddie Mac* also warns that submitting an offer that's too low can lead sellers to doubt how serious you are as a buyer. Don't submit an offer that will be tossed out as soon as it's received. The expertise your agent brings to this part of the process will help you stay competitive:

> *"Your agent will work with you to make an informed offer based on the market value of the home, the condition of the home and recent home sale prices in the area."*

5. Be a Flexible Negotiator

After submitting an offer, the seller may accept it, reject it, or counter it with their own changes. In a competitive market, it's important to stay nimble throughout the negotiation process. You can strengthen your position with an offer that includes flexible move-in dates, a higher price, or minimal contingencies (conditions you set that the seller must meet for the purchase to be finalized). *Freddie Mac* explains that there are, however, certain contingencies you don't want to forego:

> "*Resist the temptation to waive the inspection contingency, especially in a hot market or if the home is being sold 'as-is', which means the seller won't pay for repairs. Without an inspection contingency, you could be stuck with a contract on a house you can't afford to fix."*

Bottom Line

Today's competitive landscape makes it more important than ever to make a strong offer on a home. Let's connect to make sure you rise to the top along the way.

Things to Avoid After Applying for a Mortgage

Once you've found the right home and applied for a mortgage, there are some key things to keep in mind before you close on your home. You're undoubtedly excited about the opportunity to decorate your new place, but before you make any large purchases, move your money around, or make any major life changes, consult your lender – someone who is qualified to tell you how your financial decisions may impact your home loan.

Below is a list of **things you shouldn't do** after applying for a mortgage. They're all important to know – or simply just good reminders – for the process.

1. Don't Deposit Cash into Your Bank Accounts Before Speaking with Your Bank or Lender. Lenders need to source your money, and cash is not easily traceable. Before you deposit any amount of cash into your accounts, discuss the proper way to document your transactions with your loan officer.

2. Don't Make Any Large Purchases Like a New Car or Furniture for Your New Home. New debt comes with new monthly obligations. New obligations create new qualifications. People with new debt have higher debt to income ratios. Higher ratios make for riskier loans, and then sometimes qualified borrowers no longer qualify.

3. Don't Co-Sign Other Loans for Anyone. When you co-sign, you're obligated. With that obligation comes higher ratios as well. Even if you promise you won't be the one making the payments, your lender will have to count the payments against you.

4. Don't Change Bank Accounts. Remember, lenders need to source and track your assets. That task is significantly easier when there's consistency among your accounts. Before you transfer any money, speak with your loan officer.

5. Don't Apply for New Credit. It doesn't matter whether it's a new credit card or a new car. When you have your credit report run by organizations in multiple financial channels (mortgage, credit card, auto, etc.), your FICO® score will be impacted. Lower credit scores can determine your interest rate and maybe even your eligibility for approval.

6. Don't Close Any Credit Accounts. Many buyers believe having less available credit makes them less risky and more likely to be approved. Wrong. A major component of your score is your length and depth of credit history (as opposed to just your payment history) and your total usage of credit as a percentage of available credit. Closing accounts has a negative impact on both of those determinants of your score.

Bottom Line

Any blip in income, assets, or credit should be reviewed and executed in a way that ensures your home loan can still be approved. If your job or employment status has changed recently, share that with your lender as well. The best plan is to fully disclose and discuss your intentions with your loan officer before you do anything financial in nature.

Reasons to Hire a Real Estate Professional

Contracts

We help with all disclosures and contracts necessary in today's heavily regulated environment.

Pricing

We help you understand today's real estate values when setting the price of a listing or making an offer to purchase.

Experience

We are well-educated in real estate and experienced with the entire sales process.

Negotiations

We act as a buffer in negotiations with all parties throughout the entire transaction.

Understanding of Current Market Conditions

We simply and effectively explain today's real estate headlines and decipher what they mean to you.

CONTACT ME TO TALK MORE

I'm sure you have questions and concerns about the real estate process.

I'd love to talk with you about what you read here and help you on the path to buying your new home. My contact information is below, and I look forward to working with you.