A full-page photograph of a man and a woman smiling warmly at each other, with a black dog in the foreground. The scene is bathed in golden light, suggesting a sunset or sunrise. The man is wearing a dark leather jacket, and the woman is wearing a grey and white patterned sweater. The dog is a black Labrador with its tongue out.

THINGS TO CONSIDER WHEN **BUYING A HOME**

**SPRING 2018
EDITION**

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Here are four great reasons to consider buying a home today instead of waiting.

1. Prices Will Continue to Rise

CoreLogic's latest Home Price Index reports that home prices have appreciated by 6.6% over the last 12 months. The same report predicts that prices will continue to increase at a rate of 4.3% over the next year.

The bottom in home prices has come and gone. Home values will continue to appreciate for years. Waiting no longer makes sense.

2. Mortgage Interest Rates Are Projected to Increase

Freddie Mac's Primary Mortgage Market Survey shows that interest rates for a 30-year mortgage hovered close to 4.0% in 2017. Most experts predict that rates will rise over the next 12 months. The *Mortgage Bankers Association*, *Fannie Mae*, *Freddie Mac*, and the *National Association of Realtors* are in unison, projecting that rates will increase by nearly a full percentage point by this time next year.

An increase in rates will impact YOUR monthly mortgage payment. A year from now, your housing expense will increase if a mortgage is necessary to buy your next home.

3. Either Way, You Are Paying a Mortgage

There are some renters who have not yet purchased a home because they are uncomfortable taking on the obligation of a mortgage. Everyone should realize that unless you are living with your parents rent-free, you are paying a mortgage - *either yours or your landlord's*.

As an owner, your mortgage payment is a form of '*forced savings*' that allows you to have equity in your home that you can tap into later in life. As a renter, you guarantee your landlord is the person with that equity.

Are you ready to put your housing cost to work for you?

4. It's Time to Move on with Your Life

The 'cost' of a home is determined by two major components: the price of the home and the current mortgage rate. It appears that both are on the rise.

But what if they weren't? Would you wait?

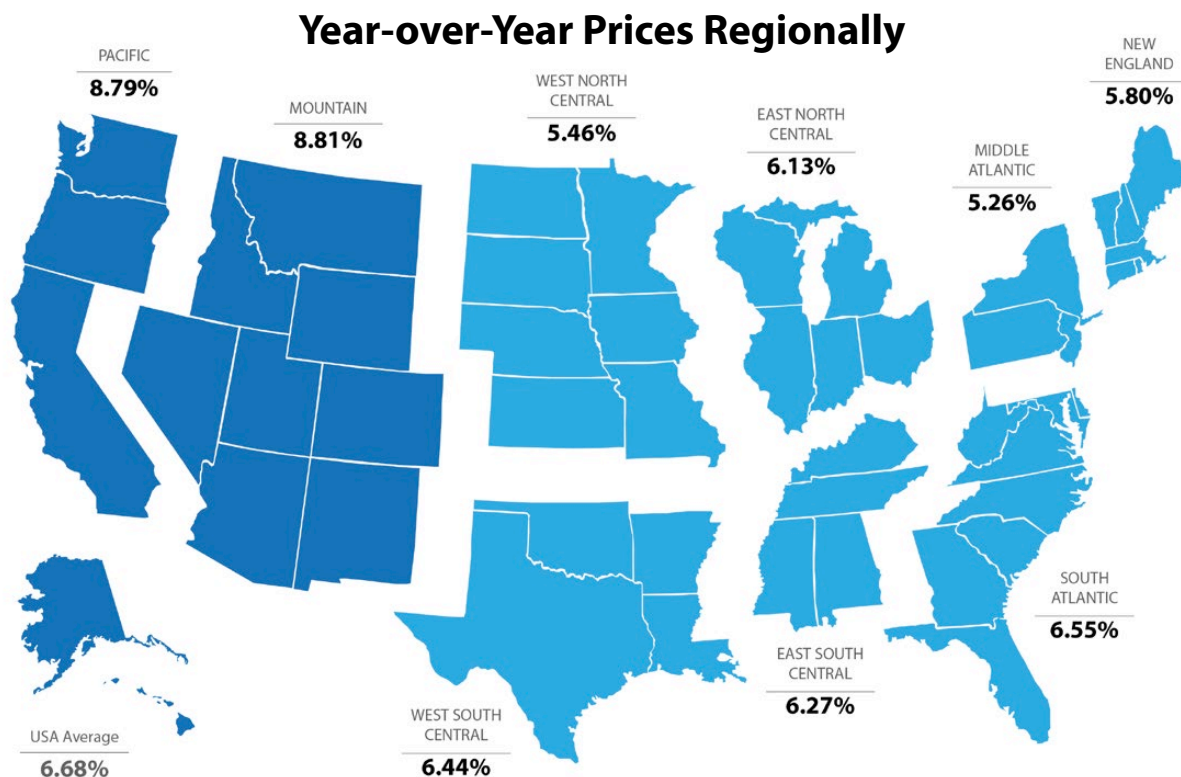
Look at the actual reason you are buying and decide if it is worth waiting. Whether you want to have a great place for your children to grow up, you want your family to be safer, or you just want to have control over renovations, maybe now is the time to buy.

If the right thing for you and your family is to purchase a home this year, buying sooner rather than later could lead to substantial savings.

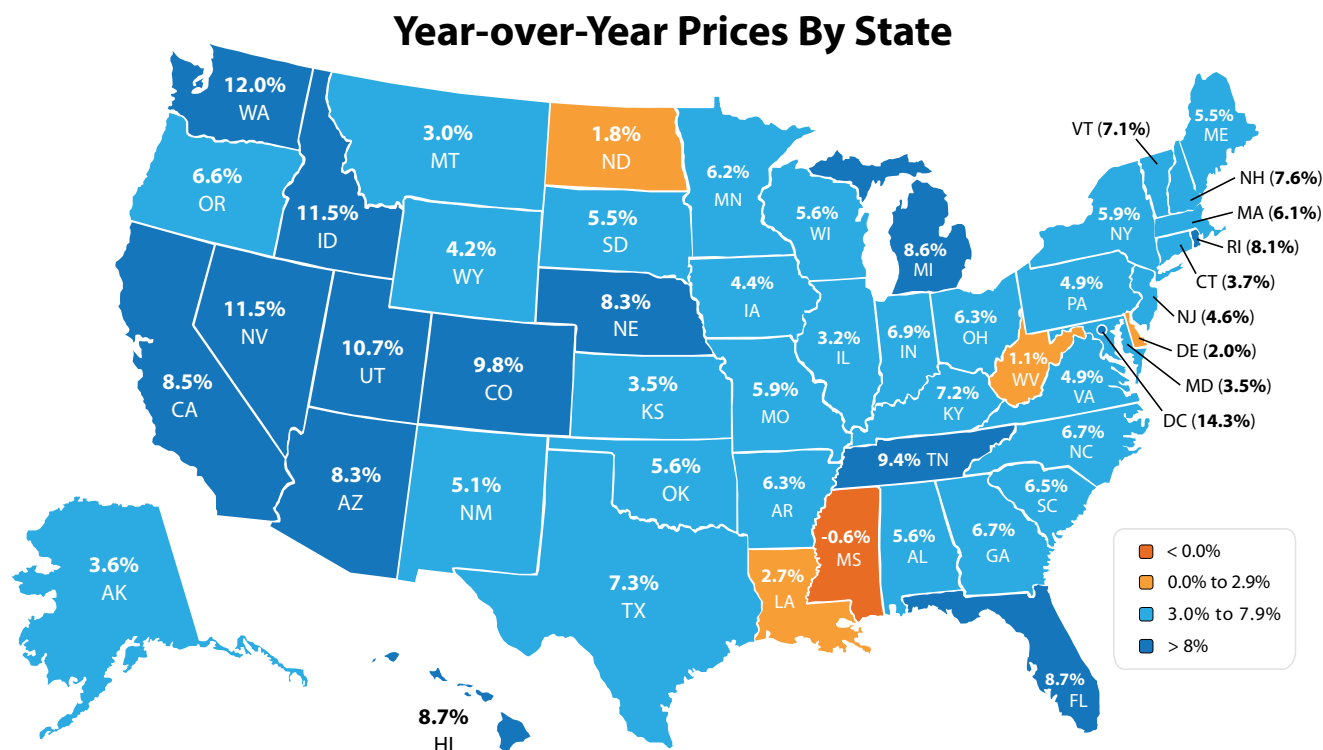


Home Prices Over The Last Year

Every quarter, the *Federal Housing Finance Agency* (FHFA) reports on the year-over-year changes in home prices. Below, you will see that prices are up year-over-year in every region.



Looking at the breakdown by state, you can see that each state is appreciating at a different rate. This is important to know if you are planning on relocating to a different area of the country. Waiting to move may end up costing you more!

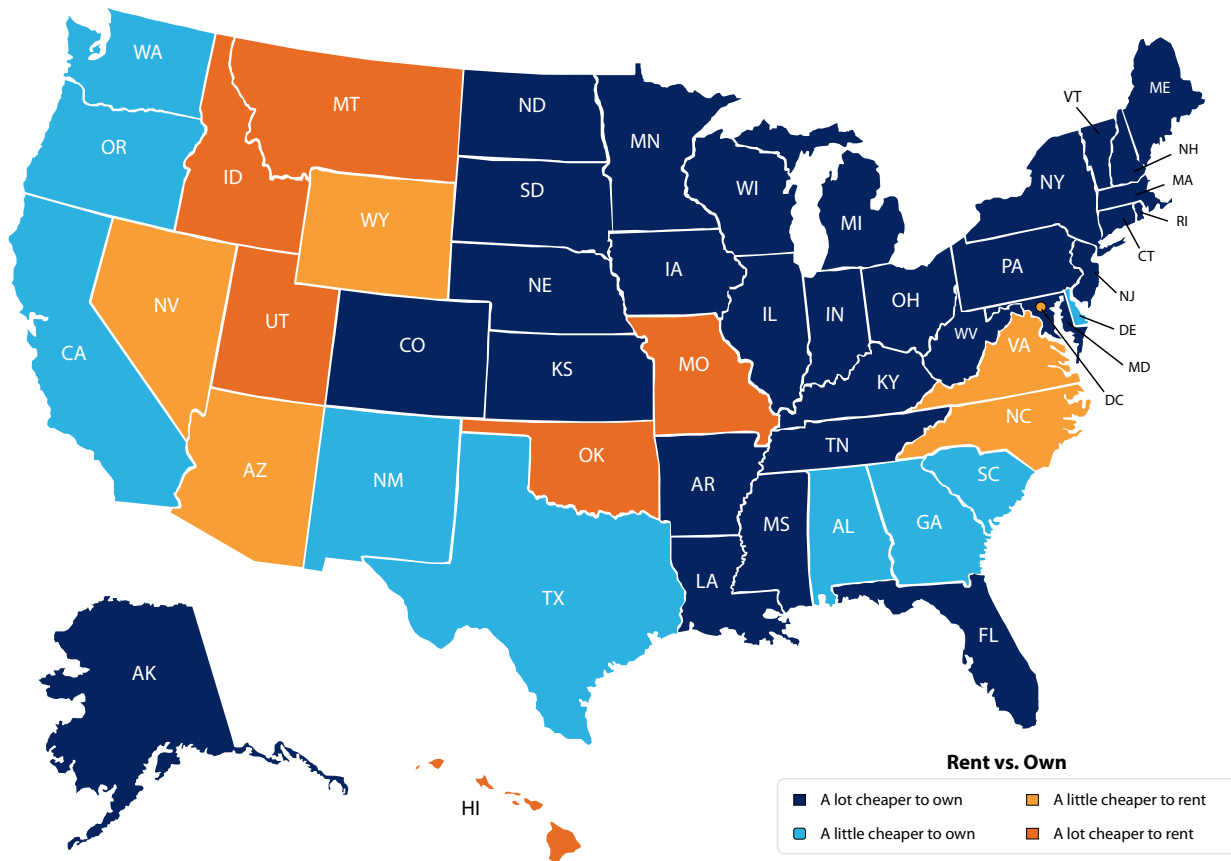


Buying Remains Cheaper Than Renting In 39 States!

In the latest *Rent vs. Buy Report* from *Trulia*, they explained that homeownership remains cheaper than renting with a traditional 30-year fixed rate mortgage in the 100 largest metro areas in the United States.

The updated numbers show that the range is an average of 6.5% less expensive in San Jose (CA), all the way up to 50.1% less expensive in Detroit (MI), and **37.4% nationwide!**

A study by *GoBankingRates* looked at the cost of renting vs. owning a home at the state level and concluded that in 39 states, it is actually 'a little' or 'a lot' cheaper to own (represented by the two shades of blue in the map below).



One of the main reasons owning a home has remained significantly cheaper than renting is the fact that interest rates have remained at or near historic lows. *Freddie Mac* reports that interest rates for a 30-year fixed rate mortgage have hovered around 4%.

Nationally, rates would have to reach 9.1%, a 122% increase over today's average of 4.1%, for renting to be cheaper than buying. Rates haven't been that high since January of 1995, according to *Freddie Mac*.

Bottom Line

Buying a home makes sense financially. If you are one of the many renters who would like to evaluate your ability to buy this year, let's get together and find you your dream home.

Is Your First Home Within Your Grasp?



For the longest time, many experts doubted whether millennials (ages 18-36) valued homeownership as a part of *their American Dream*.

Looking at the latest statistics from the *National Association of Realtors*, we can see that 'old millennials' (ages 25-36) are *dominating the first-time homebuyer category*.

% of Buyers

Median Age



All First-Time Homebuyers

100%

32



Married Couples

57%

32



Single Females

18%

35



Unmarried Couples

16%

30



Single Males

7%

31

2% of first-time homebuyers do not fit into the categories above and represent an 'Other' category. The median age of this group is 37 years old.



Buying A Home? Consider Cost, Not Just Price

As a seller, you will be most concerned about ‘short-term price’ – where home values are headed over the next six months. As a buyer, however, you must not be concerned about price, but instead about the ‘long-term cost’ of the home.

The *Mortgage Bankers Association* (MBA), *Freddie Mac*, and *Fannie Mae* all project that mortgage interest rates will increase by close to a full percentage point by this time next year. According to *CoreLogic’s* most recent *Home Price Index Report*, home prices will appreciate by 4.3% over the next 12 months.

What Does This Mean as a Buyer?

If home prices appreciate by the 4.3% predicted by *CoreLogic* **over the next twelve months**, here is a simple demonstration of the impact an increase in interest rate would have on the mortgage payment of a home selling for approximately \$250,000 today:

	Mortgage	Interest Rate*	Payment (P&I)**
Today	\$250,000	4.3%	\$1,237.18
2019	\$260,750	5.1%	\$1,415.74

Difference in Monthly Payment \$178.56

**Rates based on Freddie Mac’s prediction at time of print*

Monthly	Annually	Over 30 Years
\$178.56	\$2,142.72	\$64,282

Mortgage Rates Rising... Will Home Prices Follow?

Mortgage interest rates have already risen by over a quarter of a percentage point in 2018. Many are projecting that rates could increase to 5% by the end of the year.

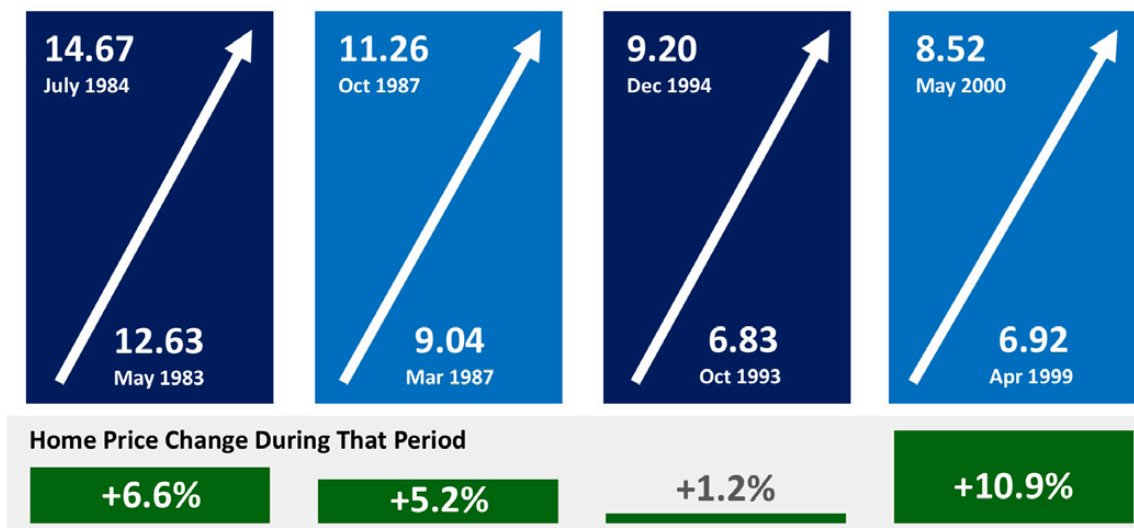
What impact will rising rates have on house values?

Many quickly jump to the conclusion that an increase in mortgage rates will have a detrimental impact on real estate prices as fewer buyers will be able to qualify for a loan. This seems logical; if there is less demand for housing then prices will drop.

However, in a good economy, rising mortgage rates increase demand as many prospective purchasers immediately jump off the fence to guarantee they get the lower rate.

Let's look at home prices the last four times mortgage rates increased dramatically.

Dramatic Mortgage Rate Increases



In each case, home prices APPRECIATED and did not depreciate. No one is projecting as dramatic an increase in rates as the examples above. Most are projecting an increase of approximately 1% by the end of the year.

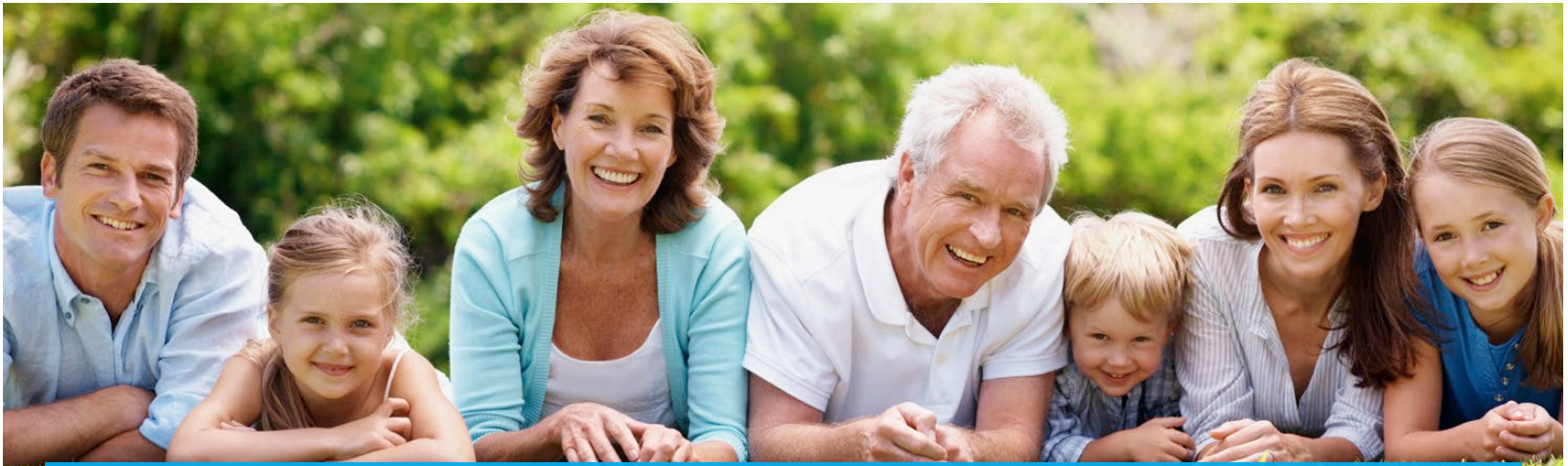
The last time mortgage rates increased by 1% over a twelve-month period was January 2013 (3.41%) to January 2014 (4.43%). What happened to house prices during that span? They appreciated by 9.8%.

Recently, Rick Palacios Jr., *Director of Research at John Burns Real Estate Consulting* explained:

"Mortgage rates have risen 1% or more ten times in the last 43 years, with little impact on home sales and prices when the economy was also strong...Historically, rising confidence, solid job growth, and higher wages have more than offset reduced demand for housing resulting from higher mortgage rates."

Bottom Line

When mortgage rates increase, history has shown that prices appreciate (and do not depreciate) during that same time span.

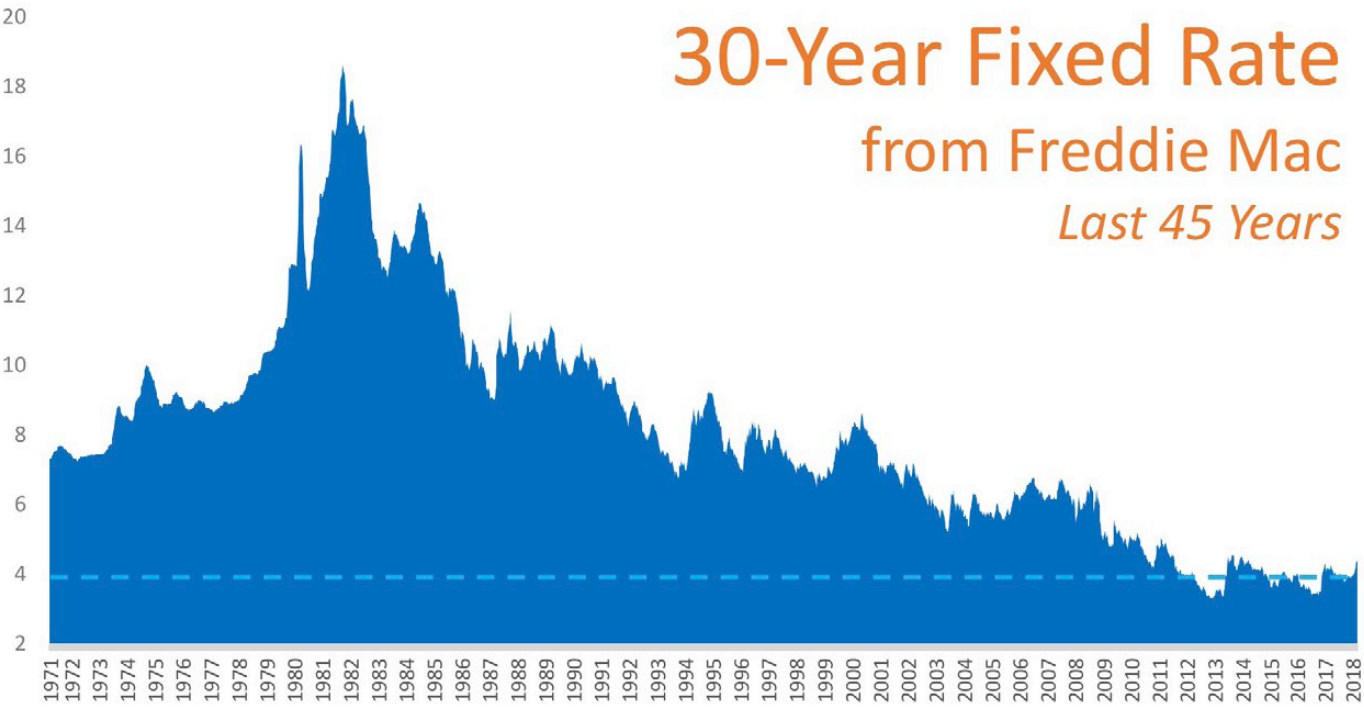


Be Thankful You Don't Have To Pay Mom & Dad's Interest Rate

Interest rates hovered around 4% for the majority of 2017, which gave many buyers relief from rising home prices and helped with affordability. Experts predict that rates will increase by the end of 2018 and will be a full percentage point higher, at 4.9%, by the end of 2019.

The rate you secure greatly impacts your monthly mortgage payment and the amount you will ultimately pay for your home. Don't let the prediction that rates will rise to 4.9% stop you from buying your dream home this year!

Let's take a look at a historical view of interest rates over the last 45 years.



Bottom Line

Be thankful that you can still get a better interest rate than your older brother or sister did ten years ago, a lower rate than your parents did twenty years ago, and a better rate than your grandparents did forty years ago.



5 Reasons Homeownership Makes 'Cents'

The American Dream of homeownership is alive and well. Recent reports show that the U.S. homeownership rate has rebounded from recent lows and is headed in the right direction. The personal reasons to own differ for each buyer, but there are many basic similarities.

Today we want to talk about the **top 5 financial reasons** you should own your own home.

1. Homeownership is a Form of Forced Savings

Paying your mortgage each month allows you to build equity in your home that you can tap into later in life for renovations, to pay off high-interest credit card debt, or even send a child to college. As a renter, you guarantee that your landlord is the person with that equity.

2. Homeownership Provides Tax Savings

One way to save on taxes is to own your own home. You may be able to deduct your mortgage interest, property taxes, and profits from selling your home, but make sure to always check with your accountant first to find out which tax advantages apply to you in your area.

3. Homeownership Allows You to Lock in Your Monthly Housing Cost

When you purchase your home with a fixed-rate mortgage, you lock in your monthly housing cost for the next 5, 15, or 30 years. Interest rates remained around 4% all last year,

marking some of the lowest rates in history. The value of your home will continue to rise with inflation, but your monthly costs will not.

4. Buying a Home Is Cheaper Than Renting

According to the latest report from *Trulia*, it is now 37.4% less expensive to buy a home of your own than to rent in the U.S. That number varies throughout the country but ranges from 6.5% cheaper in San Jose, CA to 50.1% cheaper in Detroit, MI.

5. No Other Investment Lets You Live Inside of It

You can choose to invest your money in gold or the stock market, but you will still need somewhere to live. In a home that you own, you can wake up every morning knowing that your investment is gaining value while providing you a safe place to live.

Bottom Line

Before you sign another lease, let's get together to help you better understand all your options.





Starting To Look For A Home? Know What You Want vs. What You Need

In this day and age of being able to shop for anything anywhere, it is really important to know what you're looking for when you start your home search.

If you've been thinking about buying a home of your own for some time now, you've probably come up with a list of things that you'd LOVE to have in your new home. Many new homebuyers fantasize about the amenities that they see on television or *Pinterest*, and start looking at the countless homes listed for sale with rose-colored glasses.

Do you really need that farmhouse sink in the kitchen in order to be happy with your home choice? Would a two-car garage be a convenience or a necessity? Could the man cave of your dreams be a future renovation project instead of a make or break now?

The first step in your home buying process should be to get pre-approved for your mortgage. This allows you to know your budget before you fall in love with a home that is way outside of it.

The next step is to list all the features of a home that you would like, and to qualify them as follows:

- **'Must-Haves'** – if this property does not have these items, then it shouldn't even be considered. (ex: distance from work or family, number of bedrooms/bathrooms)
- **'Should-Haves'** – if the property hits all of the 'must-haves' and some of the 'should-haves,' it stays in contention, but does not need to have *all* of these features.
- **'Absolute-Wish List'** – if we find a property in our budget that has all of the 'must-haves,' most of the 'should-haves,' and ANY of these, it's the winner!

Bottom Line

Having this list fleshed out before starting your search will save you time and frustration, while also letting your agent know what features are most important to you before he or she begins to show you houses in your desired area.

2 Myths That May Be Holding You Back From Buying

Urban Institute recently released a report entitled, “Barriers to Accessing Homeownership,” which revealed that “eighty percent of consumers either are unaware of how much lenders require for a down payment or believe all lenders require a down payment above 5 percent.”

Myth #1: “I Need a 20% Down Payment”

Buyers often overestimate the down payment funds needed to qualify for a home loan. According to the same *Urban Institute* report:

“Consumers are often unaware of the option to take out low-down-payment mortgages. Only 19% of consumers believe lenders would make loans with a down payment of 5% or less...While 15% believe lenders require a 20% down payment, and 30% believe lenders expect a 20% down payment.”

These numbers do not differ much between non-owners and homeowners; 39% of non-owners believe they need more than 20% for a down payment and 30% of homeowners believe they need more than 20% for a down payment.

While many believe that they need at least 20% down to buy their dream home, they do not realize that programs are available that allow them to put down as little as 3%. Many renters may actually be able to enter the housing market sooner than they ever imagined with programs that have emerged allowing less cash out of pocket.

Myth #2: “I need a 780 FICO® Score or Higher to Buy”

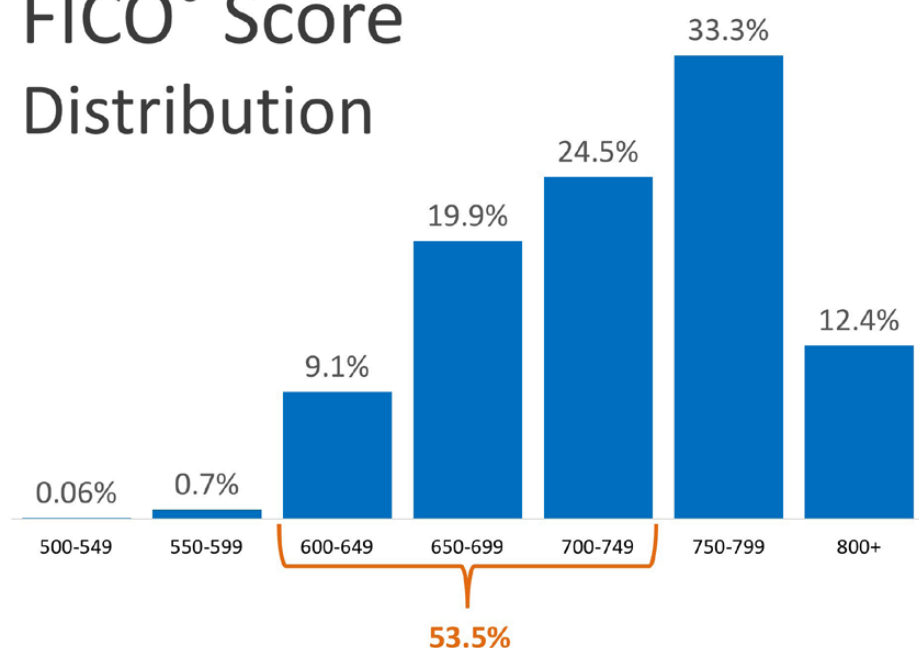
Similar to the down payment, many either don’t know or are misinformed about what FICO® score is necessary to qualify.

Many Americans believe a ‘good’ credit score is 780 or higher.

To help debunk this myth, let’s take a look at *Ellie Mae’s* latest *Origination Insight Report*, which focuses on recently closed (approved) loans.

As you can see on the right, 53.5% of approved mortgages had a credit score of 600-749.

FICO® Score Distribution



Bottom Line

Whether buying your first home or moving up to your dream home, knowing your options will make the mortgage process easier. Your dream home may already be within your reach.



61% Of First-Time Buyers Put Down Less Than 6%

According to the *Realtors Confidence Index* from the *National Association of Realtors*, 61% of first-time homebuyers purchased their homes with down payments below 6%.

Many potential homebuyers believe that a 20% down payment is necessary to buy a home and have disqualified themselves without even trying. The median down payment for all buyers in 2017 was just 10% and that percentage drops to 6% for first-time buyers.

Zillow's Senior Economist Aaron Terrazas recently shed light on why buyer demand has remained strong,

"Looking into 2018, rent is expected to continue gaining. More widespread rent growth could mean home buying demands stay high, as renters who can afford it move away from the unpredictability of rising rents toward the relative stability of a monthly mortgage payment instead."

It's no surprise that with rents rising, more and more first-time buyers are taking advantage of low-down-payment mortgage options to secure their monthly housing costs and finally attain their dream homes.

Bottom Line

If you are one of the many first-time buyers who is not sure if you would qualify for a low-down payment mortgage, let's get together and set you on your path to homeownership!

How Low Interest Rates Increase Your Purchasing Power

According to *Freddie Mac's Primary Mortgage Market Survey*, interest rates for a 30-year fixed rate mortgage hovered around 4% in 2017 and are still near record lows.

The interest rate you secure when buying a home not only greatly impacts your monthly housing costs, but also impacts your purchasing power.

Purchasing power, simply put, is the amount of home you can afford to buy for the budget you have available to spend. As rates increase, the price of the house you can afford will decrease if you plan to stay within a certain monthly housing budget.

The chart to the right shows the impact rising interest rates would have if you planned to purchase a home within the national median price range, and planned to keep your principal and interest payments between \$1,850-\$1,900 a month.

With each quarter of a percent increase in interest rate, the value of the home you can afford decreases by 2.5% (in this example, \$10,000). Experts predict that mortgage rates will be closer to 5% by this time next year.

Buyer's Purchasing Power

RATE	5.25	\$ 2,208	\$ 2,154	\$ 2,098	\$ 2,044	\$ 1,988
	5.00	\$ 2,148	\$ 2,094	\$ 2,040	\$ 1,986	\$ 1,932
	4.75	\$ 2,086	\$ 2,034	\$ 1,982	\$ 1,930	\$ 1,878
	4.50	\$ 2,026	\$ 1,976	\$ 1,926	\$ 1,874	\$ 1,824
	4.25	\$ 1,968	\$ 1,919	\$ 1,869	\$ 1,820	\$ 1,771
	4.00	\$ 1,910	\$ 1,862	\$ 1,814	\$ 1,766	\$ 1,719
	3.75	\$ 1,852	\$ 1,806	\$ 1,760	\$ 1,714	\$ 1,667
		\$ 400,000	\$ 390,000	\$ 380,000	\$ 370,000	\$ 360,000
			-2.5%	-5%	-7.5%	-10%



Principal and Interest Payments rounded to the nearest dollar amount.

Act now to get the most house for your hard-earned money.



Why Pre-Approval Should Be Your First Step

In many markets across the country, the number of buyers searching for their dream homes greatly exceeds the number of homes for sale. This has led to a competitive marketplace where buyers often need to stand out. One way to show you are serious about buying your dream home is to get pre-qualified or pre-approved for a mortgage before starting your search.

But even if you are in a market that is not as competitive, knowing your budget will give you the confidence to know if your dream home is within your reach.

Freddie Mac lays out the advantages of pre-approval in the 'My Home' section of their website.

"It's highly recommended that you work with your lender to get pre-approved before you begin house hunting. Pre-approval will tell you how much home you can afford and can help you move faster, and with greater confidence, in competitive markets."

One of the many advantages of working with a local real estate professional is that many have relationships with lenders who will be able to help you with this process. Once you have selected a lender, you will need to fill out their loan application and provide them with important information regarding *"your credit, debt, work history, down payment and residential history."*

Freddie Mac describes the '4 Cs' that help determine the amount you will be qualified to borrow:

- **Capacity:** Your current and future ability to make your payments
- **Capital or Cash Reserves:** The money, savings, and investments you have that can be sold quickly for cash
- **Collateral:** The home, or type of home, that you would like to purchase
- **Credit:** Your history of paying bills and other debts on time

Getting pre-approved is one of many steps that will show home sellers that you are serious about buying and it often helps speed up the process once your offer has been accepted.

Bottom Line

Many potential home buyers overestimate the down payment and credit scores needed to qualify for a mortgage today. If you are ready and willing to buy, you may be surprised at your ability to do so as well.



Have You Put Aside Enough For Closing Costs?

There are many potential homebuyers, and even sellers, who believe that you need at least a 20% down payment in order to buy a home or move on to their next home. Time after time, we have dispelled this myth by showing that there are many loan programs that allow you to put down as little as 3% (or 0% with a VA loan).

If you have saved up your down payment and are ready to start your home search, one other piece of the puzzle is to make sure that you have saved enough for your closing costs.

Freddie Mac defines closing costs as follows:

"Closing costs, also called settlement fees, will need to be paid when you obtain a mortgage. These are fees charged by people representing your purchase, including your lender, real estate agent, and other third parties involved in the transaction."

Closing costs are typically between 2 & 5% of your purchase price."

We've recently heard from many first-time homebuyers that they wished that someone had let them know that closing costs could be so high. If you think about it, with a low down payment program, your closing costs could equal the amount that you saved for your down payment.

Here is a list of just some of the fees/costs that may be included in your closing costs, depending on where the home you wish to purchase is located:

- Government recording costs
- Appraisal fees
- Credit report fees
- Lender origination fees
- Title services (insurance, search fees)
- Tax service fees
- Survey fees
- Attorney fees
- Underwriting fees

Is there any way to avoid paying closing costs?

Work with your lender and real estate agent to see if there are any ways to decrease or defer your closing costs. There are no-closing mortgages available, but they end up costing you more in the end with a higher interest rate, or by wrapping the closing costs into the total cost of the mortgage (*meaning you'll end up paying interest on your closing costs*).

Home buyers can also negotiate with the seller over who pays these fees. Sometimes the seller will agree to assume the buyer's closing fees in order to get the deal finalized.

Bottom Line

Speak with your lender and agent early and often to determine how much you'll be responsible for at closing. Finding out you'll need to come up with thousands of dollars right before closing is not a surprise anyone is ever looking forward to.



Getting A Mortgage: Why So Much Paperwork?

Why is there so much paperwork mandated by lenders for a mortgage loan application when buying a home today? It seems that they need to know everything about you and require three separate sources to validate each and every entry on the application form.

Many buyers are being told by friends and family that the process was a hundred times easier when they bought their home ten to twenty years ago.

There are two very good reasons that the loan process is much more onerous on today's buyer than perhaps any time in history.



1. The government has set new guidelines that now demand that the bank prove beyond any doubt that you are indeed capable of paying the mortgage.

During the run-up to the housing crisis, many people 'qualified' for mortgages that they could never pay back. This led to millions of families losing their homes. The government wants to make sure this can't happen again.

2. The banks don't want to be in the real estate business.

Over the last seven years, banks were forced to take on the responsibility of liquidating millions of foreclosures and also negotiating another million+ short sales. Just like the government, they don't want more foreclosures. For that reason, they need to double (maybe even triple) check everything on the application.

However, there is some good news about this situation.

The housing crash that mandated that banks be extremely strict on paperwork requirements also allowed you to get a mortgage interest rate around 4%.

The friends and family who bought homes ten or twenty years ago experienced a simpler mortgage application process, but also paid a higher interest rate (the average 30-year fixed rate mortgage was 8.12% in the 1990s and 6.29% in the 2000s).

If you went to the bank and offered to pay 7% instead of around 4%, they would probably bend over backward to make the process much easier.

Bottom Line

Instead of concentrating on the additional paperwork required, let's be thankful that we are able to buy a home at historically low rates.



Why Working With A Local Real Estate Professional Makes All The Difference

If you've entered the real estate market, as a buyer or a seller, you've inevitably heard the real estate mantra, "*location, location, location*" in reference to how identical homes can increase or decrease in value due to where they're located. Well, a recent survey shows that when it comes to choosing a real estate agent, the millennial generation's mantra is, "*local, local, local.*"

CentSai, a financial wellness online community, surveyed over 2,000 millennials (ages 18-34) and found that **75% of respondents would use a local real estate agent** over an online agent, and 71% would choose a local lender.

Survey respondents cited many reasons for their choice to go local, "*including personal touch & hand holding, long standing relationships, local knowledge, and amount of hassle.*"

Doria Lavagnino, Cofounder & President of CentSai, had this to say:

"We were surprised to learn that online providers are not yet as big a disrupter in this sector as we first thought, despite purported cost savings. We found that millennials place a high value on the personal touch and knowledge of a local agent. Buying a home for the first time is daunting, and working with a local agent—particularly an agent referred by a parent or friend—could provide peace of mind."

The findings of the CentSai survey are consistent with the *Consumer Housing Trends Study*, which found that millennials prefer a more hands-on approach to their real estate experience:

"While older generations rely on real estate agents for information and expertise, Millennials expect real estate agents to become trusted advisers and strategic partners."

When it comes to choosing an agent, millennials and other generations share their top priority: **the sense that an agent is trustworthy and responsive to their needs.**

That said, technology still plays a huge role in the real estate process. According to the *National Association of Realtors*, 94% of home buyers look for prospective homes and neighborhoods online, and 74% also said they would use an online site or mobile app to research homes they might consider purchasing.

Bottom Line

Many wondered if this tech-savvy generation would prefer to work with an online agent or lender, but more and more studies show that when it comes to real estate, millennials want someone they can trust, someone who knows the neighborhood they want to move into, leading them through the entire experience.



Ready To Make An Offer? 4 Tips For Success

So you've been searching for that perfect house to call 'home' and you've finally found it! The price is right and, in such a competitive market, you want to make sure you make a good offer so that you can guarantee that your dream of making this house yours comes true!

Freddie Mac covered *"4 Tips for Making an Offer"* in their latest *Executive Perspective*. Here are the 4 tips they covered along with some additional information for your consideration:

1. Understand How Much You Can Afford

"While it's not nearly as fun as house hunting, fully understanding your finances is critical in making an offer."

This 'tip' or 'step' really should take place before you start your home search process.

Getting pre-approved is one of many steps that will show home sellers that you are serious about buying, and will allow you to make your offer with the confidence of knowing that you have already been approved for a mortgage for that amount. You will also need to know if you are prepared to make any repairs that may need to be made to the house (ex: new roof, new furnace).

2. Act Fast

"Even though there are fewer investors, the inventory of homes for sale is also low and competition for housing continues to heat up in many parts of the country."

The inventory of homes listed for sale has remained well below the 6-month supply that is needed for a 'normal' market. Buyer demand has continued to outpace the supply of homes for sale, causing buyers to compete with each other for their dream home.

Make sure that as soon as you decide that you want to make an offer, you work with your agent to present it as soon as possible.

3. Make a Solid Offer

Freddie Mac offers this advice to help make your offer the strongest it can be:

"Your strongest offer will be comparable with other sales and listings in the neighborhood. A licensed real estate agent active in the neighborhoods you are considering will be instrumental in helping you put in a solid offer based on their experience and other key considerations such as recent sales of similar homes, the condition of the house and what you can afford."

Talk with your agent to find out if there are any ways that you can make your offer stand out in this competitive market!

4. Be Prepared to Negotiate

"It's likely that you'll get at least one counteroffer from the sellers so be prepared. The two things most likely to be negotiated are the selling price and closing date. Given that, you'll be glad you did your homework first to understand how much you can afford."

Your agent will also be key in the negotiation process, giving you guidance on the counteroffer and making sure that the agreed-to contract terms are met."

If your offer is approved, Freddie Mac urges you to *"always get an independent home inspection, so you know the true condition of the home."* If the inspection uncovers undisclosed problems or issues, you can discuss any repairs that may need to be made with the seller, or cancel the contract.

Bottom Line

Whether buying your first home or your fifth, having a local real estate professional who is an expert in their market on your side is your best bet to make sure the process goes smoothly. Let's talk about how we can make your dreams of homeownership a reality!

