THINGS TO CONSIDER WHEN

BUYING A HOME

WINTER 2020

EDITION

TABLE OF CONTENTS

WHAT'S HAPPENING IN THE HOUSING MARKET?

WHAT YOU NEED TO KNOW BEFORE YOU BUY

WHAT TO EXPECT WHEN BUYING A HOME

4 Reasons to Buy a Home This Winter

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 Insights Report* shows that home prices have appreciated by 3.5% over the last 12 months. The same report forecasts prices will continue to increase at a rate of 5.6% over the next year.

Home values will continue to appreciate, so waiting may end up costing you more in the long run.

2. Mortgage Interest Rates Are Forecasted to Remain Low

The *Primary Mortgage Market Survey* from *Freddie Mac* indicates that rates for a 30-year mortgage have recently hovered around historically low levels. This is great news for buyers in the market right now, because low rates increase your purchasing power, meaning you can get more for your money.

The *Mortgage Bankers Association, Fannie Mae, Freddie Mac*, and the *National Association of Realtors* are in unison, projecting rates will remain steady as we progress throughout 2020, making this winter a great time to consider buying a home.

3. Either Way, You Are Paying a Mortgage

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

As an owner, your mortgage payment is a form of '*forced savings*' that allows you to have equity in your home 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 costs to work for you?

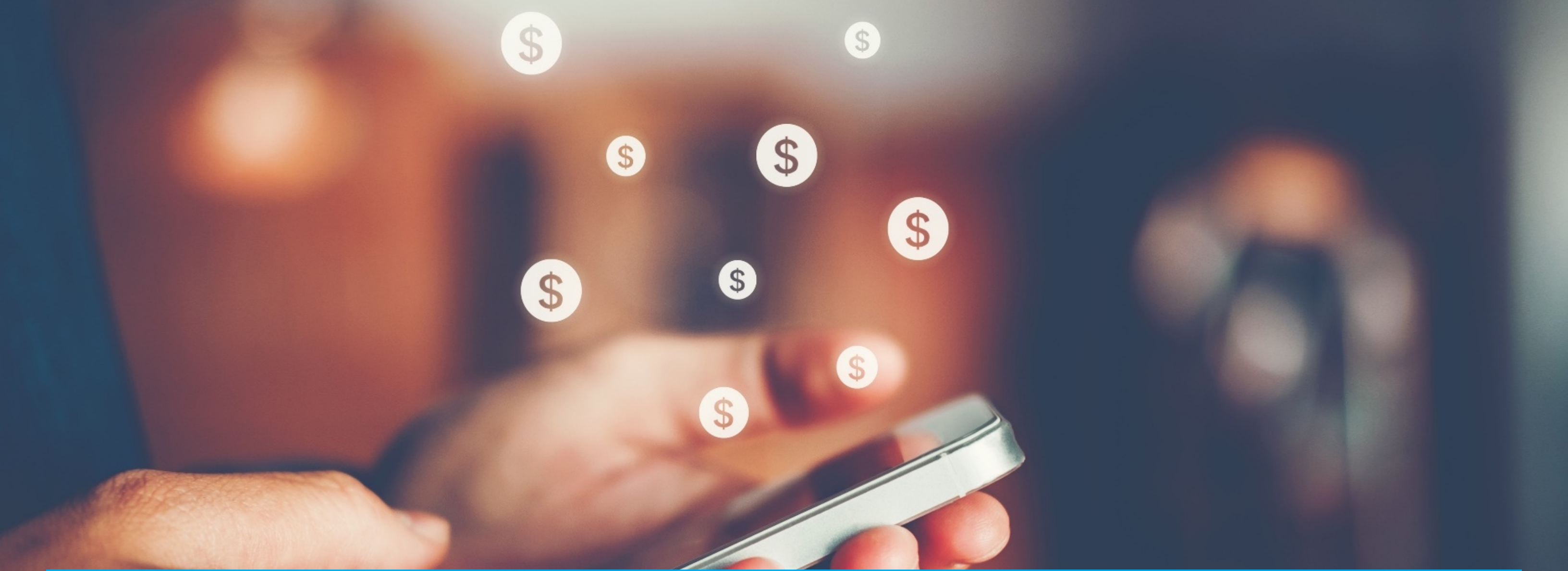
4. Waiting May Increase Your Long-Term Costs

The '*cost*' of a home is determined by two major components: the price of the home and the current mortgage rate. It appears prices are on the rise, making waiting a potentially more expensive option.

Look at the actual reason you're 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 custom renovations, maybe now is the time to buy.

Bottom Line

Buying a home sooner rather than later could lead to substantial savings. Let's get together to determine if homeownership is the right choice for you and your family this winter.

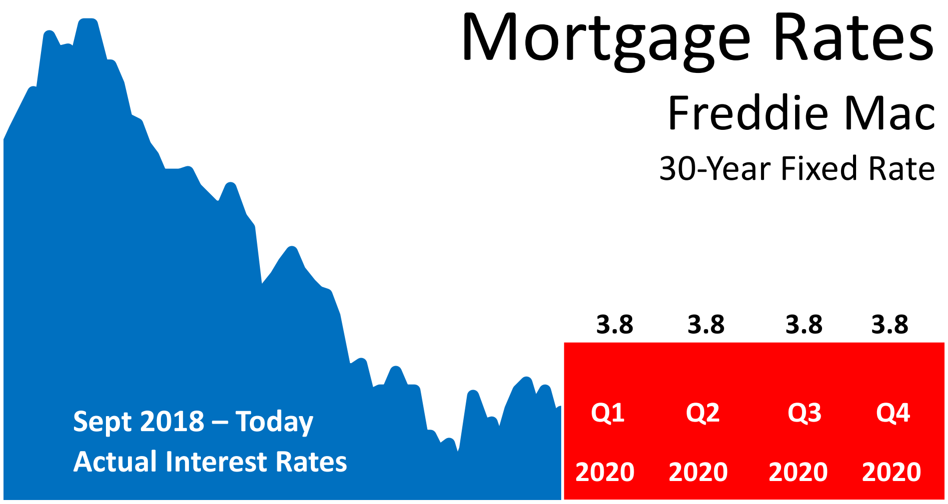


What's the Latest on Mortgage Rates?

Mortgage rates have fallen by over a full percentage point since Q4 of 2018, hovering at near-historic lows. This is big news for buyers looking to get more for their money in the current housing market.

According to *Freddie Mac's Primary Mortgage Market Survey, "We expect rates to remain low, falling to a yearly average of 3.8% in 2020 and 2021."*

Freddie Mac notes that this is great news for homebuyers, stating, *"Modest increases in home sales and house prices will boost purchase mortgage originations for the foreseeable future."*



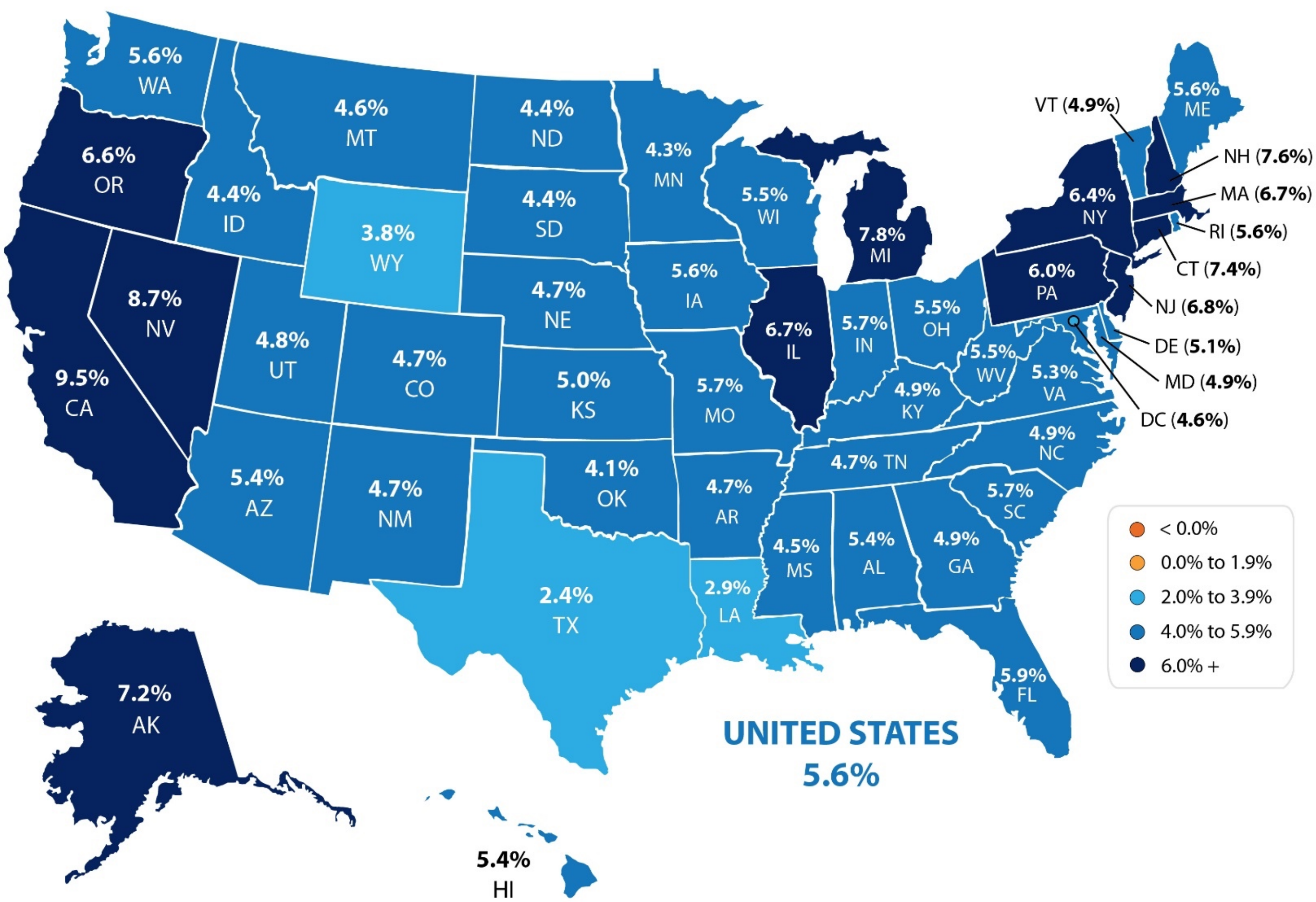
As a potential buyer, the best thing you can do is work with a trusted advisor who can help you keep a close eye on how the market is changing. Relying on current expert advice is more important than ever when it comes to making a confident and informed decision for you and your family.

Bottom Line

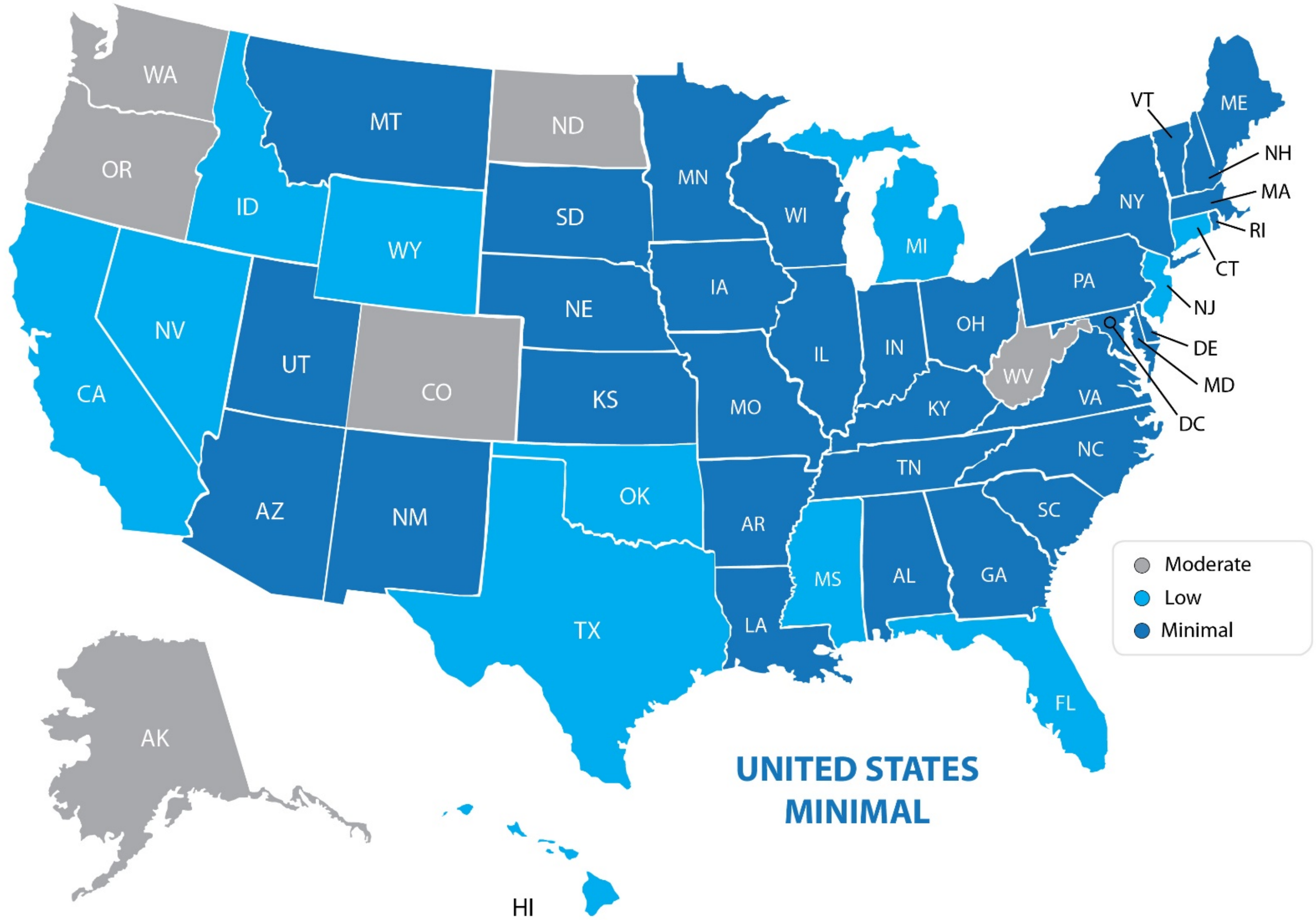
Even a small increase (or decrease) in mortgage rates can impact your monthly housing costs. If buying a home is on your short list of goals to achieve, let's get together to determine your best move.

Where Are Home Prices Heading?

Questions continue to rise around where home prices will head in 2020. Here is a look at the forecast from *CoreLogic*:



Additionally, *ARCH Mortgage Insurance Company* in their current *Housing and Mortgage Market Review* revealed their latest *ARCH Risk Index*, which estimates the probability of home prices being lower in two years. Based on the most recent results, 32 of the 50 states (plus D.C.) had a minimal probability of lowering by 2021.



Bottom Line

Experts forecast home price appreciation to continue at a moderate rate as we move through 2020 and beyond. With appreciation growing, now is a great time to buy.

The True Cost of Not Owning Your Home

There are great advantages to owning a home, yet many people continue to rent. The financial benefits are just some of the reasons why homeownership has been a part of the long-standing American dream.

realtor.com reported that:

> *“**Buying remains the more attractive option in the long term – that remains the American dream**, and it’s true in many markets where renting has become really the shortsighted option…**as people get more savings in their pockets, buying becomes the better option.”***

Why is owning a home financially better than renting?

Here are the top five financial benefits of homeownership:

1. Homeownership is a form of forced savings.
2. Homeownership provides a tax savings.
3. Homeownership allows you to lock in your monthly housing cost.
4. Buying a home is less expensive than renting.
5. No other investment lets you live inside of it.

Studies have shown that a homeowner’s net worth is ***44x greater*** than that of a renter.

A family that purchased a median-priced home at the start of 2019 would build more than $37,750 in family wealth over the next five years with projected price appreciation alone.

Some argue that renting eliminates the cost of taxes and home repairs, but every potential renter must realize that all the expenses the landlord incurs are already baked into the rent payment – *along with a profit margin!*

Bottom Line

Owning a home has many financial benefits that cannot be achieved by renting.

Buying a Home: Do You Know the Lingo?

To confidently point you in the right direction, here is a list of some of the most common terms used in the homebuying process.

Appraisal – A professional analysis used to estimate the value of the home. *A necessary step in validating the home's worth to you and your lender to 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 is based on an analysis of your credit history. *Helps lenders determine the likelihood that 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 to buy your 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.

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 to help 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 family's needs first.

Freddie Mac – My Home Section

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're serious about buying your dream home is to get pre-qualified or pre-approved for a mortgage before you start your search. Even if you're in a market that's not as competitive, understanding your budget will help you 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 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've selected a lender, you'll 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'll be qualified to borrow:

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

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

Bottom Line

If you're ready and willing to buy, getting pre-approved will help you feel more informed, and may even give you the competitive edge you need in today's homebuying process.

The Power of Having a Real Estate Professional on Your Side

If you're searching for a home online, you're not alone; lots of people are doing it. The question is, are you using all of your available resources, and are you using them wisely? Here's why the Internet is a great place to start the homebuying process, and the truth on why it should never be your only go-to source of information and support when it comes to making such an important decision.

According to the *National Association of Realtors* (NAR), the three most popular information sources homebuyers use in the home search are:

- Online Website (93%)
- Real Estate Agent (86%)
- Mobile/Tablet Website or App (73%)

Clearly, you're not alone if you're starting your search online; 93% of homebuyers are right there with you. The even better news: ***86% of buyers are also getting information from a real estate agent*** at the same time.

Here are three reasons why working with a real estate pro in addition to a digital search is key:

1. There's More to Real Estate Than Finding a Home Online. It's a lonely and complicated trek around the web if you don't have a real estate professional to also help you through the 230 possible steps you'll face as you navigate through a real estate transaction. That's a pretty staggering number! Determining your price, submitting an offer, and successful negotiation are just a few of these key steps in the sequence. You'll definitely want someone who has been there before to help you through it.

2. You Need a Skilled Negotiator. In today's market, hiring a talented negotiator could save you thousands, maybe even tens of thousands of dollars. From the original offer to the appraisal and the inspection, many of the intricate steps can get complicated and confusing. You need someone who can keep the deal together until it closes.

3. It's Crucial to Make a Competitive and Compelling Offer. There's so much information out there in the news and on the Internet about home sales, prices, and mortgage rates. How do you know what's specifically going on in your area? How do you know what to offer on your dream home without paying too much or offending the seller with a lowball offer?

Dave Ramsey, the *financial guru*, advises:

> *"When getting help with money, whether it's insurance, real estate or investments, you should always look for someone with the heart of a teacher, not the heart of a salesman."*

Hiring a real estate professional who has his or her finger on the pulse of the market will make your buying experience an informed and educated one. You need someone who is going to tell you the truth, not just what they think you want to hear.

Bottom Line

If you're ready to start your search online, don't skip over the support of an educated and informed real estate professional. You need someone at your side who can answer your questions and guide you through a process that can be complex and confusing if you go at it with the Internet alone.

Regardless of the Price, You're Going to Need Advice

In real estate today, there are essentially three different price points in the market: the starter-home market, the middle-home market, and the premium or luxury market. Each one is unique, and depending on the city, the price point in these categories will vary. For example, a starter or lower-end home in San Francisco, California is much more expensive than almost any other part of the country. Here's what you need to know about each of these tiers:

Starter-Home Market: This market varies by price, and these homes are typically purchased by first-time homebuyers or investors looking to flip them for a profit. Across the country, homes in this space currently have less than 6 months of inventory for sale. That means there aren't enough homes on the lower end of the market for the number of people who want to buy them. A low supply like this generally increases competition, drives bidding wars, and sets up an environment where homes sell above the listing price.

According to data from the *National Association of Realtors* (NAR) on *realtor.com*,

> *"The desire for affordability continues to push down the inventory for homes listed for less than $200,000.00."*

Middle-Home Market: This segment is often thought of as the move-up market. Typically, the buyer in this market is moving up to a larger, more custom home with more features, all coming at a higher price. Across the country, this market is looking more balanced than the lower end of the market, meaning it has closer to a 6-month supply of inventory for sale. This market is more neutral, but leaning towards a seller's market.

Premium & Luxury Home Market: This is the top end of the market with larger homes that have even more custom features and upgrades. Nationwide, this market is growing in the number of homes for sale. In the same *realtor.com* article, we can see that year-over-year inventory of homes in this tier has grown by 4.7%. Today, there are more homes available in the premium and luxury space, leading to more of a buyer's market at this end.

Bottom Line

Regardless of the segment of the market and the price point you're looking at, you're going to need the advice of a true local market expert to guide you through the process.

Tips for Searching for Your Dream Home

In today's market, low inventory dominates the conversation in many areas of the country. It can often be frustrating to be a first-time homebuyer if you aren't prepared. Here are five tips from a *realtor.com* article titled, *"How to Find Your Dream Home—Without Losing Your Mind."*

1. Get Pre-Approved for a Mortgage Before You Start Your Search

This will help you show you're serious about buying a home. Even if you're in a market that's not as competitive, understanding your budget will give you the confidence of knowing whether or not your dream home is within your reach, and help you avoid the disappointment of falling in love with one well outside your price range.

2. Know the Difference Between Your 'Must-Haves' and 'Would-Like-To-Haves'

Do you really need that farmhouse sink in the kitchen to be happy with your home choice? Is a two-car garage a convenience or a necessity? Before you start your search, list all the features in a home you'd like. Qualify them as *'must-haves'*, *'should-haves'*, or *'absolute-wish list'* items to help you stay focused on what's most important.

3. Research and Choose a Neighborhood Where You Want to Live

Every neighborhood has its own charm. Before you commit to a home based solely on the house itself, take a test-drive of the area. Make sure it meets your needs for *"amenities, commute, school district, etc. and then spend a weekend exploring before you commit."*

4. Pick a House Style You Love and Stick to It

Evaluate your family's needs and settle on a style of home that will best serve those needs. Just because you've narrowed your search to a zip code doesn't mean you need to tour every listing in that vicinity. An example from the article says, *"if you have several younger kids and don't want your bedroom on a different level, steer clear of Cape Cod–style homes, which typically feature two or more bedrooms on the upper level and the master on the main."*

5. Document Your Home Visits

Once you start touring homes, the features of each one may begin to blur together. Keep your camera handy and make notes on the listing sheets to document what you love and don't love about each property you visit.

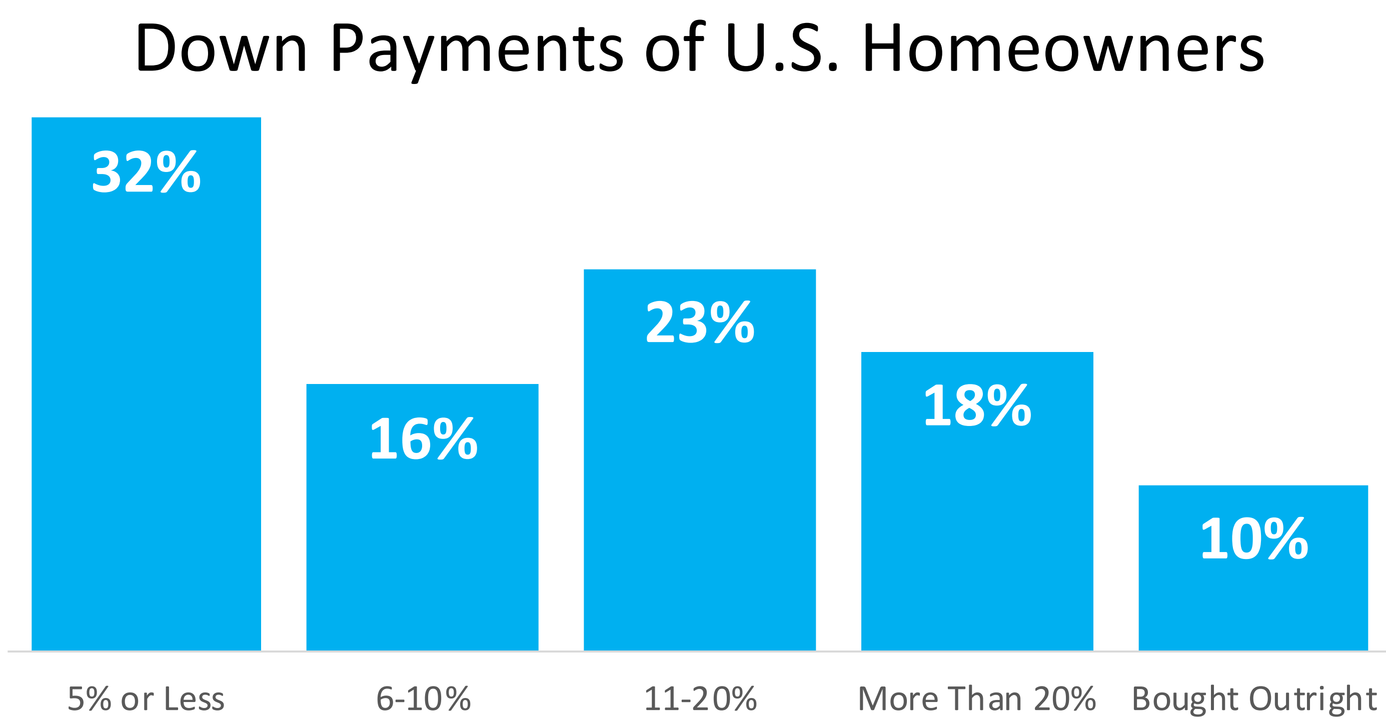
62% of Buyers Are Wrong About Down Payments

According to the '*2019 Home Buyer Report*' conducted by *NerdWallet*, many first-time buyers still believe they need a 20% down payment to buy a home in today's market,

> *"More than 6 in 10 (62%) Americans believe you must put at least 20% down in order to purchase a home."*

When potential homebuyers think they need a 20% down payment to enter the market, they also tend to think they'll have to wait several years (in some markets) to come up with the necessary funds to buy their dream homes. The report continues to say,

> *"The truth: 32% of current U.S. homeowners put 5% or less down on their home, according to census data." (as shown below):*



The lack of knowledge about the homebuying process is unfortunately keeping many motivated buyers on the sidelines.

Bottom Line

Don't let simple misunderstandings keep you and your family out of the housing market. Let's get together to discuss your options today.

Ready to Make An Offer? 4 Tips for Success.

Once you find that perfect house to call home, making an offer can be an intimidating part of the buying process. In such a competitive market, you want to make sure you make all the right moves so you can ultimately land your dream home.

Below are four steps provided by *Freddie Mac* to help you make a solid offer, along with some additional information to consider:

1. Determine Your Price

> *"You've found the perfect home and you're ready to buy. Now what? Your real estate agent will be by your side, helping you determine an offer price that is fair."*

Based on your agent's experience and key considerations (like similar homes recently sold in the same neighborhood or the condition of the house and what you can afford), your agent will help you to determine an offer to present.

Getting pre-approved will not only show home sellers you're serious about buying, but it will also allow you to make your offer with confidence because you'll know you've already been approved for a mortgage in that amount.

2. Submit an Offer

> *"Once you've determined your price, your agent will draw up an offer, or purchase agreement, to submit to the seller's real estate agent. This offer will include the purchase price and terms and conditions of the purchase."*

Talk with your agent to find out if there are any ways in which you can make your offer stand out in this competitive market. A licensed real estate professional who is active in the neighborhoods you are considering will be instrumental in helping you put in a solid offer.

3. Negotiate the Offer

> *"Oftentimes, the seller will counter the offer, typically asking for a higher purchase price or to adjust the closing date. In these cases, the seller's agent will submit a counteroffer to your agent, detailing their desired changes, at this time, you can either accept the offer or decide if you want to counter.*
>
> *Each time changes are made through a counteroffer, you or the seller have the option to accept, reject or counter it again. The contract is considered final when both parties sign the written offer."*

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 inspector uncovers undisclosed problems or issues, you can discuss any repairs that may need to be made with the seller.

4. Act Fast

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

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

Bottom Line

Whether buying your first home or your fifth, working with a local real estate professional who is an expert in the market is your best bet to make sure the process goes smoothly.

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. You're undoubtedly excited about the opportunity to decorate your new home, but before you make any large purchases, move your money around, or make any big-time life changes, consult your loan officer – someone who will be able to tell you how your decisions will impact your home loan.

Below is a list of **Things You Shouldn't Do After Applying for a Mortgage** that are important to know – or simply just good reminders – for the process.

1. Don't Change Jobs or the Way You Are Paid at Your Job. Your loan officer must be able to track the source and amount of your annual income. If possible, you'll want to avoid changing from salary to commission or becoming self-employed during this time as well.

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

3. Don't Make Any Large Purchases Like a New Car or Furniture for Your New Home. New debt comes with it, including 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 sometimes qualified borrowers no longer qualify.

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

5. 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.

6. 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.

7. Don't Close Any Credit Accounts. Many clients erroneously believe that 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 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. The best plan is to fully disclose and discuss your intentions with your loan officer before you do anything financial in nature.

What to Expect From Your Home Inspection

After you make an offer and it's accepted, your next task is to have the home inspected prior to closing. Agents often recommend you make your offer contingent on a clean home inspection.

This contingency allows you to renegotiate the price you offered for the home or ask the seller to cover necessary repairs. Your agent can advise you on the best course of action once the report is filed.

How to Choose an Inspector

Your agent will most likely have a short list of inspectors to recommend. *HGTV* suggests you consider the following five areas when choosing your preferred home inspector:

1. Qualifications – Find out what's included in your inspection and if the age or location of your home may warrant specific certifications or specialties.

2. Sample Reports – Ask for a sample inspection report so you can review how thoroughly they'll be inspecting your dream home. In most cases, the more detailed the report, the better.

3. References – Do your homework. Ask for phone numbers and names of past clients who you can call for references.

4. Memberships – Not all inspectors belong to a national or state association of home inspectors, and membership in one of these groups should not be the only way to evaluate your choice. Membership in one of these organizations does, however, often mean continued education and training are required of the inspector.

5. Errors and Omission Insurance – Find out what the liability of the inspector or inspection company is once the inspection is over. The inspector is only human, after all, and it is possible they might miss something they should see.

Ask your inspector if it's okay for you to tag along during the inspection, so they can point out anything that should be addressed or fixed.

Don't be surprised to see your inspector looking very carefully at all elements of the home. The job of the inspector is to protect your investment and find any issues that may be present, including but not limited to: the roof, plumbing, electrical components, appliances, heating and air conditioning systems, ventilation, windows, fireplace and chimney, foundation, and so much more.

Bottom Line

They say ignorance is bliss, but not when investing your hard-earned money into a home of your own. Work with a professional you can trust to give you the most information possible about your new home, enabling you to make the most educated purchase decision.

**Home inspection regulations, requirements, and processes may vary by state and locality. Work with a trusted advisor to ensure your process runs smoothly based on your specific area.*

Have You Put Aside Enough for Closing Costs?

Once you're ready to finalize your home purchase, it's important to make sure you've also saved enough for 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 heard from many first-time homebuyers that they wish someone had let them know closing costs could be so high. If you think about it, with a low down payment program, your closing costs could equal the amount you saved for your down payment.

Here is a list of just some of the fees 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 ways to decrease or defer your closing costs. There are no-closing cost mortgages available that feature a higher interest rate or wrap closing costs into the total cost of the mortgage (meaning you'll end up paying interest on your closing costs). Your lender can help you find the option that best fits your needs.

Homebuyers can also negotiate with the seller over who pays these fees. Sometimes the seller will agree to assume the buyer's closing costs 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 need to come up with thousands of dollars right before closing is not a surprise anyone wants to experience.

5 Reasons to Hire a Real Estate Professional

Contracts

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

Experience

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

Negotiations

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

Pricing

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

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...

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

Eddie Perez
Broker Associate - Team Leader
CRS, GRI, CDPE
Eddie Perez Group at Sotheby's
Hoboken New Jersey
eddie@EddiePerezGroup.com
www.EddiePerezGroup.com
201.344.2886

eddie perez
REAL ESTATE GROUP

Equal Housing Opportunity