THINGS TO CONSIDER WHEN

BUYING A HOME

SUMMER 2020
EDITION

INTERO

TABLE OF CONTENTS

WHAT'S HAPPENING IN THE HOUSING MARKET?

3 Why This Housing Market Is Not Like 2008

6 Two Things in Your Corner: Mortgage Rates & Home Prices

8 How Technology Is Enabling the Real Estate Process

WHAT YOU NEED TO KNOW BEFORE YOU BUY

10 Buying a Home: Do You Know the Lingo?

11 The Power of Having a Real Estate Professional on Your Side

13 What You Can Do Now If You Want to Buy a Home

WHAT TO EXPECT WHEN BUYING A HOME

15 Ready to Make an Offer? Four Tips for Success

17 Things to Avoid After Applying for a Mortgage

19 5 Reasons to Hire a Real Estate Professional

Why This Housing Market Is Not Like 2008

There are so many questions swirling around today about where the housing market is headed amid this economic slowdown. In order to best understand the current state of the market and how expert projections may play out, it's best to look at our economic history, and how today is vastly different than the housing crisis of 2008, known as the Great Recession.

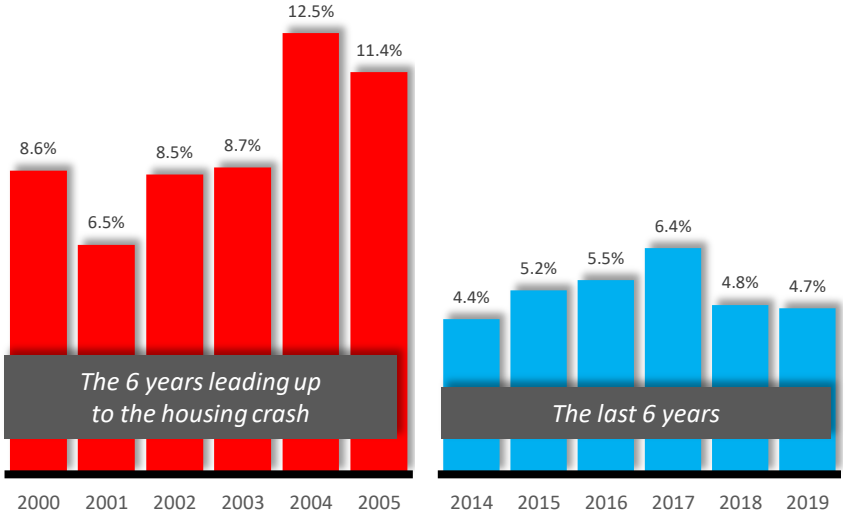
Many of us experienced financial hardships, lost homes, and were out of work during the Great Recession – the recession that ***started*** with a housing and mortgage crisis. Today, we face a very different challenge: an external health crisis that caused a pause in the economy and a major shutdown in many parts of the country.

We're simply not in the same boat as we were in 2008. Here are five big reasons why that can give you greater confidence if you're thinking of buying a home this year.

1. Home Price Appreciation

When we look at appreciation in the visual here, there's a big difference between the 6 years prior to the housing crash and the most recent 6-year period. Leading up to the crash, we had much higher appreciation in this country than we had coming into this year. In fact, the **highest level** of appreciation most recently is below the **lowest level** we saw leading up to the crash. Prices were rising going into this economic slowdown, but not at the rate they were climbing back when we had runaway appreciation.

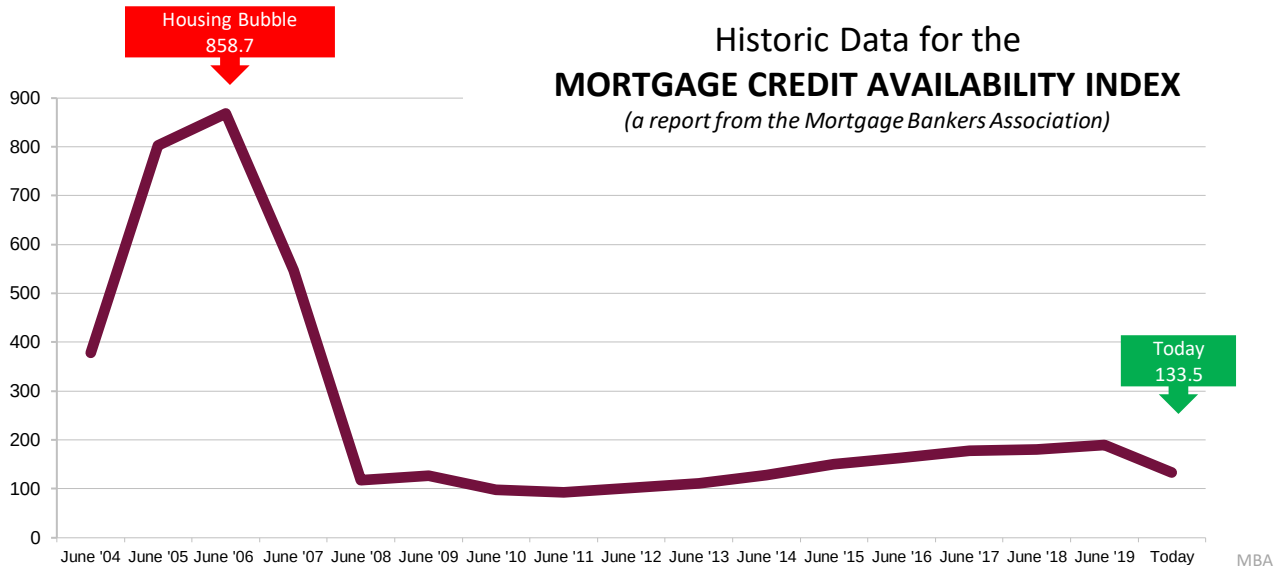
Annual Home Price Appreciation



Black Knight

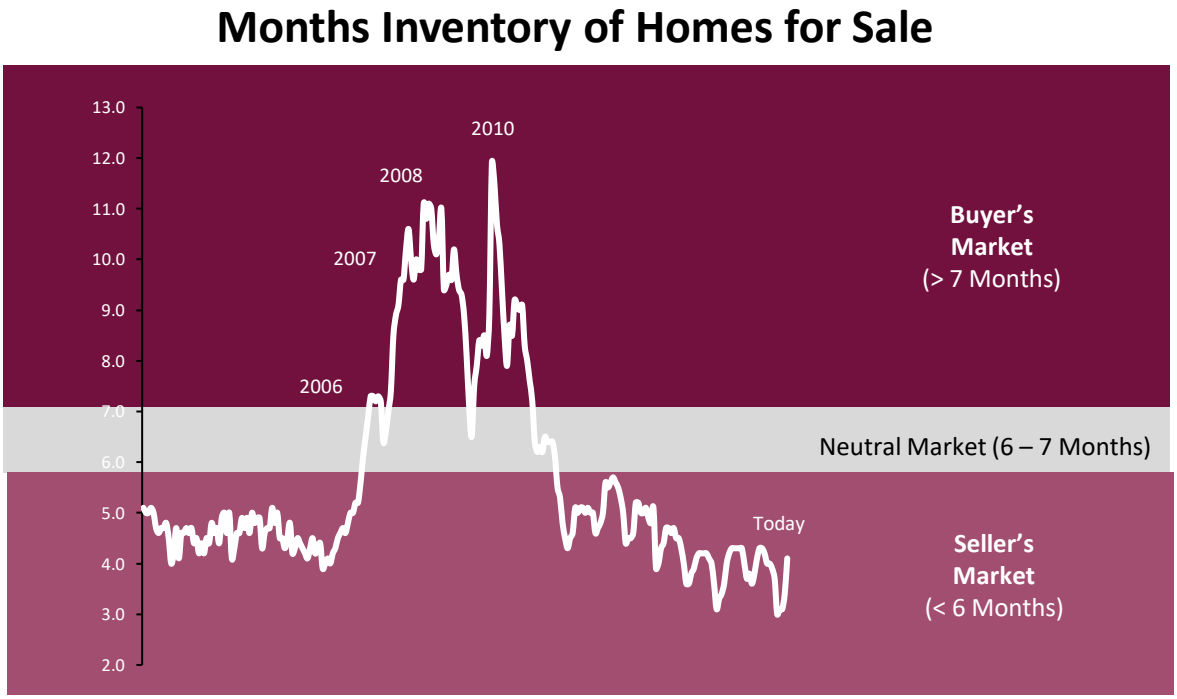
2. Mortgage Credit Availability

The *Mortgage Credit Availability Index* is a monthly measure by the *Mortgage Bankers Association* that gauges the level of difficulty to secure a loan. The higher the index, the easier it is to get a loan; the lower the index, the harder. Today we're nowhere near the levels seen before the housing crash when it was very easy to get approved for a mortgage. After the crash, however, lending standards tightened and have remained that way ever since.



3. Number of Homes for Sale

One of the causes of the housing crash in 2008 was an oversupply of homes for sale. Today, as shown in the next image, we see a much different picture. We don't have enough homes on the market for the number of people who want to buy them. Across the country, we have less than 6 months of inventory – an **undersupply** of homes available for buyers.



4. Use of Home Equity

The next chart shows the difference in how people are accessing the equity in their homes today as compared to the period leading up to the housing crash. Back then, consumers were harvesting equity from their homes (through cash-out refinances) and using it to finance high-end lifestyles. Today, consumers are treating the equity in their homes much more responsibly.

Total Home Equity Cashed Out

by Refinance in Billions

Then…

Year	Dollars
2005	$263B
2006	$321B
2007	$240B
Total	**$824B**

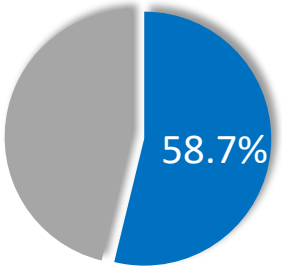
Now…

Year	Dollars
2017	$71B
2018	$87B
2019	$89B
Total	**$247B**

Freddie Mac

5. Home Equity Earned

Today, 58.7% of homes across the country have at least 60% equity. In 2008, homeowners walked away when they owed more than what their homes were worth. With the equity homeowners have now, they're much less likely to foreclose on their homes.



of all homes in America have at least **60% equity**

Americans are sitting on tremendous equity

42%
of all homes are owned 'free and clear'
John Burns Consulting

$177,000
the average equity of mortgaged homes
CoreLogic

Bottom Line

If you're considering buying a home this year, there's no need to fear the market. We're not in a housing crisis, and this is nothing like 2008.

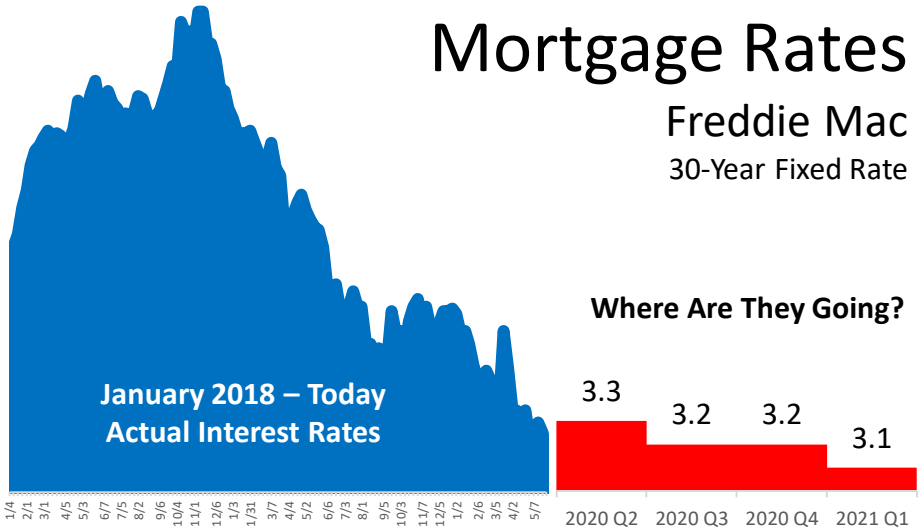
Two Things in Your Corner: Mortgage Rates & Home Prices

Two things working to a buyer's advantage today are low mortgage rates and home prices. Here's a look at what the experts are saying, and why sooner rather than later may be an ideal time to buy a home.

1. Low Mortgage Rates

Today's low mortgage rates are not just low – they're hovering near *historic all-time lows.*

The even better news? According to *Freddie Mac*, rates are forecasted to remain low through the first quarter of next year *(see graph).*



Lawrence Yun, *Chief Economist* at NAR, says:

> *"After a pause, home sellers are gearing up to list their properties with the reopening of the economy…Plenty of buyers also appear ready to take advantage of record-low mortgage rates and the stability that comes with these locked-in monthly payments into future years."*

Whether it's your first home, your dream home, or a long-anticipated downsizing move, if you're thinking of buying, now may be an ideal time to lock in a low rate.

2. Home Price Appreciation

In addition to low mortgage rates, home prices are a bright spot for buyers as well. According to forecasts from leading expert institutions, prices are projected to continue rising this year, though not as quickly as they were coming into 2020.

Dr. Frank Nothaft, *Chief Economist* at *CoreLogic* notes:

> *"The very low inventory of homes for sale, coupled with homebuyers' spur of record-low mortgage rates, will likely continue to support home price growth."*

Projected appreciation, even when small, is great news, as it indicates the value of a home you buy now will continue to grow. That's positive equity going straight into your pocket as a homeowner.

According to the *Realtors Confidence Index*, buyer demand is also outpacing seller traffic. This means there are many more buyers on the market looking for homes today than sellers listing their houses. This law of supply and demand is a big factor that's keeping home prices in check.

Mark Fleming, *Chief Economist* at *First American* says:

> *"Housing supply remains at historically low levels, so house price growth is likely to slow, but it's not likely to go negative."*

With demand still stronger than supply, meaning more buyers on the market than listings available, home values should not depreciate. With that information in mind, you can feel confident about buying in the current market, if the time is right for you.

Bottom Line

Mortgage rates are hovering near historic lows and prices are not forecasted to depreciate. If you're thinking about buying a home, now may be a great time to lock in a low mortgage rate and make your next move.

How Technology Is Enabling the Real Estate Process

Today's everyday reality is pretty different than it looked at the beginning of the year. We're getting used to doing a lot of things virtually, from how we work remotely to how we engage with our friends and neighbors. One of the big changes we're adapting to is how the common real estate transaction is being revised. Technology is making it possible for many to continue the quest for homeownership, an essential need for all, especially through the evolving health crisis.

While all regulations **vary by state and locality**, here's a look at some of the new elements of the process (at least in the near-term), due to the country's revised guidelines and protocols, and what you may need to know about each one if you're thinking of buying or selling a home. Every market is different, so staying in touch about how these protocols continue to change is more important today than ever before.

1. Virtual Consultations: Instead of heading into an office, you can meet with real estate and lending professionals through video chat. We can still work together to get the process started remotely.

2. Home Searches & Virtual Showings: According to the *National Association of Realtors* (NAR), the Internet is one of the three most popular information sources buyers use when searching for homes. Real estate professionals have access to listing information and can help you request a virtual showing when you're ready to start looking. This means you can walk through digital tours of homes on your wish list while keeping you and your family safe.

3. Document Signing: Although this is another area that varies by state, today more portions of the transaction are being done digitally. In many areas, agents and loan officers can set up accounts where you can upload the required documentation and sign electronically right from your home computer.

4. Sending Money: Whether you need to pay for an appraisal or submit closing costs, there are options available. Depending on the transaction and local regulations, you may be able to pay some fees by credit card, and most banks will also allow you to wire funds from your account. Sometimes you can send a check by mail, and in some states, a mobile escrow agent can pick up a check from your home.

5. Closing Process: Again, depending on your area, a mobile notary may be able to bring the required documents to your home before the closing. If your state requires an attorney to be present, check with your legal counsel to see what options are available. Also, depending on the title company, *REALTOR Magazine* indicates some are allowing drive-thru closings, which is like doing a transaction at a bank window.

Although these virtual processes are starting to become more widely accepted, it does not mean that this is the way things are going to get done permanently. Under the current circumstances, however, technology is making it possible to continue much of the real estate transaction today.

Bottom Line

If you're ready to make a move, technology can help make it happen; there are options available. Let's connect to go over the specific regulations in our area, so you don't have to put your real estate plans on hold.

Buying a Home: Do You Know the Lingo?

Here's a list of some of the most common terms used in the homebuying process that you'll want to know.

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 – 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 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.

Real Estate Professional – An individual who provides services in buying and selling homes. *Real estate professionals are there to help you through the confusing documentation, find your dream home, negotiate any of the details that come up, and let 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

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 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 search process 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 – and **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 your digital search is key:

1. The Full Transaction Is Complex. 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 in a real estate transaction. Determining your price, submitting an offer, and negotiating successfully are just a few of the key parts of the sequence. You'll want someone who has been there before to guide you through it. Most importantly, you'll need someone who knows how to navigate today's virtual steps in the process to help keep you and your family safe and healthy along the way.

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 confusing. You need someone who is willing to be your advocate and can keep the deal together until it closes.

3. You Need an Educator. There's so much information out there in the news and on the Internet about home sales, prices, mortgage rates, and more. How do you know what's fact and what's fiction? How do you know what's specifically going on in our 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, known as 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 a finger on the pulse of the market and is eager to help you learn along the way will make your buying experience an informed and educated one. You need someone who's 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, experienced, and informed professional. You need someone at your side who can answer your questions and guide you through the process. It can be complex and confusing if you go at it with the Internet alone.

What You Can Do Now If You Want to Buy a Home

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

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, before you start the process to purchase a home, you'll also 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, like we've seen recently and will continue to see, means homebuyers need every advantage they can get.

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 your closing costs is another critical step.

What Is 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 in the market 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* says:

> *"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 this year, take a look at what you can prioritize to help you get there. Let's connect to determine the steps you should take to start the process today.

Ready to Make an Offer? Four Tips for Success

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

Below are four helpful tips provided by *Freddie Mac* so you can feel more confident about making a solid offer on your next home.

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, the condition of the property, and what you can afford), your agent will help you determine an offer to present.

If you've been pre-approved for a mortgage in advance, you'll be that much more prepared for this step. Pre-approval will show home sellers you're serious about buying and will allow you to make your offer with confidence as it relates to your budget, savings, expenses, and more.

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 ways to make your offer stand out in this competitive market.

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, your agent can discuss any potential repairs with the seller's agent.

4. Act Fast

The inventory of homes listed for sale today remains well below the 6-month supply that constitutes a *'normal'* market. Buyer demand has continued to outpace the supply of homes for sale, causing buyers to be in competition for their dream homes. Presenting an offer as quickly as possible might make a big difference when you're ready to move forward.

Bottom Line

Whether buying your first home or your fifth, let's talk about your needs and what you're looking for 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 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 will be able to tell you how your financial decisions will 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. 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 swear 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 clients 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 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.

5 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.

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INTERO

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