

THINGS TO CONSIDER WHEN **BUYING A HOME**



FALL 2019
EDITION

TABLE OF CONTENTS

WHAT'S HAPPENING IN THE HOUSING MARKET?

- 3** | 4 Reasons to Buy a Home This Fall
- 5** | Americans Rank Real Estate as a Best Investment for 6 Years Running
- 6** | Where Are Home Prices Heading?
- 7** | What's the Latest on Interest Rates?

WHAT YOU NEED TO KNOW BEFORE YOU BUY

- 8** | Having a Professional on Your Side Makes a Difference
- 10** | Buying a Home: Do You Know the Lingo?
- 11** | Powerful Reasons to Own Instead of Rent
- 13** | Tips for Searching for Your Dream Home
- 14** | Looking to Upgrade Your Current Home? Now's the Time to Move Up!

WHAT TO EXPECT WHEN BUYING A HOME

- 15** | 10 Steps to Buying a Home
- 16** | What You Should Know About Down Payments
- 18** | Things to Avoid After Applying for a Mortgage
- 20** | What to Expect From Your Home Inspection
- 22** | Have You Put Aside Enough for Closing Costs?
- 23** | 5 Reasons to Hire a Real Estate Professional



4 Reasons to Buy a Home This Fall

Below 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 3.4% over the last 12 months. The same report predicts that prices will continue to increase at a rate of 5.2% over the next year.

Home values will continue to appreciate. Waiting may not make sense any longer.

2. Mortgage Interest Rates Are Projected to Increase

Freddie Mac's Primary Mortgage Market Survey shows interest rates for a 30-year fixed rate mortgage are around 3.6%. 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 this time next year.

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

3. Either Way, You Are Paying a Mortgage

Some renters 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 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 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 will be on the rise.

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

Examine 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, greater safety for your family, or you just want to have control over renovations, now could be 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.





Americans Rank Real Estate as a Best Investment for 6 Years Running



35%

Real Estate



27%

Stock Market



15%

Savings Account

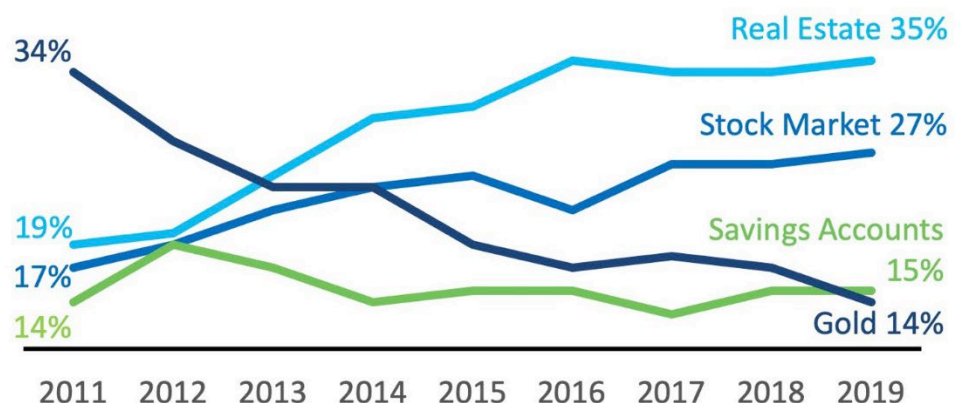


14%

Gold

Real Estate has come a long way since 2011, when 34% of Americans favored Gold as the best investment.

Of the 4 listed, Real Estate is the only investment you can also live in!



Source: Gallup

Bottom Line

If you're serious about growing your assets and making the most powerful investment of your family's future, feel confident that Americans rank homeownership as the best option on your side today.



Where Are Home Prices Heading?

Questions continue to rise surrounding where home prices will head throughout the rest of this year, as well as where they may be going in the near future. Here is a look at the forecast from top experts:

Projected Home Price % Appreciation Going Forward

Source	2019	2020	2021	2022
Home Price Expectation Survey	+4.1	+2.9	+2.7	+3.2
Mortgage Bankers Association	+4.7	+3.5	+2.6	N/A
Zelman & Assoc.	+3.5	+3.2	N/A	N/A
Freddie Mac	+3.4	+2.6	N/A	N/A
National Association of Realtors	+4.0	+3.3	N/A	N/A
Fannie Mae	+5.4	+3.7	N/A	N/A

08/2019

Bottom Line

Experts predict home price appreciation to continue over the next few years. The increase is projected to be steepest throughout the rest of 2019, and prices should continue rising as we move through 2020 and beyond. With appreciation growing, now is the best time to buy.

What's the Latest on Interest Rates?

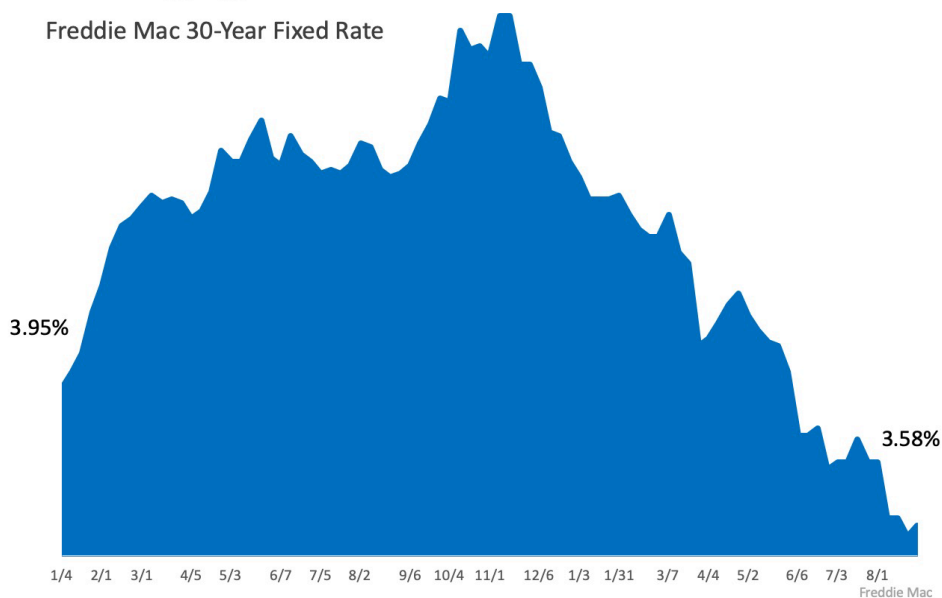
Mortgage rates have fallen by over a full percentage point since Q4 of 2018, settling at near-historic lows. This is big news for buyers looking to get more for their money in the current housing market.

According to *Freddie Mac's Primary Mortgage Market Survey*, "the 30-year fixed-rate mortgage (FRM) rate averaged 3.60 percent, the lowest it has been since November 2016."

Sam Khater, *Chief Economist at Freddie Mac*, notes that this is great news for homebuyers. He states, "consumer sentiment remains buoyed by a strong labor market and low rates that will continue to drive home sales into the fall."

Mortgage Rates

Freddie Mac 30-Year Fixed Rate



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 interest rates can impact your monthly housing cost. If buying a home is on your short list of goals to achieve, let's get together to determine your best move.



Having a Professional on Your Side Makes a Difference

In today's fast-paced world, where answers are a *Google* search away there are some who may second-guess the benefits of hiring a real estate professional. The truth is, the addition of more information brings more confusion. Shows like *Property Brothers*, *Fixer Upper*, and dozens more on *HGTV* have given many a false sense of what it's like to buy or sell a home.

Now more than ever, you need an expert on your side who is going to guide you toward your dreams and not let anything get in your way of achieving them. Buying or selling a home is definitely not something you want to DIY (Do It Yourself)!

[Here are just some of the reasons you need a real estate professional in your corner:](#)

There's More to Real Estate than Finding a House You Like Online

There are over 230 possible steps that must take place during every successful real estate transaction. Determining your price, submitting an offer, and successful negotiation are just a few key parts in the process. Don't you want someone who has been there before? Someone who knows what the actions are to ensure you achieve your dream?

You Need a Skilled Negotiator

In today's market, hiring a talented negotiator could save you thousands, even tens of thousands of dollars. Each step of the way - from the original offer, to the possible renegotiation of that offer after a home inspection, to the potential cancellation of the deal based on a troubled appraisal - you need someone who can keep the deal together until it closes.

What Is the Home You're Selling Worth in Today's Market?

There is 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? Who do you turn to in order to competitively and correctly price your home at the beginning of the selling process? 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 an agent who has his or her finger on the pulse of the market will make your buying or selling experience an educated one. You need someone who is going to tell you the truth, not just what they think you want to hear.

Bottom Line

Today's real estate market is highly competitive. Having a professional who's been there before to guide you through the process will give you a huge advantage.



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 home-buying 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 costs 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 that 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 home-buying 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', putting your family's needs first.*

Freddie Mac – My Home Section



Powerful Reasons to Own Instead of Rent

Owning a home has great financial benefits. In a recent research paper titled "Homeownership and the American Dream," Laurie S. Goodman and Christopher Mayer of the Urban Land Institute explained:

"Homeownership appears to help borrowers accumulate housing and nonhousing wealth in a variety of ways, with tax advantages, greater financial flexibility due to secured borrowing, built-in 'default' savings with mortgage amortization and nominally fixed payments, and the potential to lower home maintenance costs through sweat equity."

Let's break down five major financial benefits of homeownership:

1. Housing Is Typically the One Leveraged Investment Available

Homeownership allows households to amplify any appreciation on the value of their homes by a leverage factor. A 20% down payment results in a leverage factor of five, meaning every percentage point rise in the value of your home is a 5% return on your equity. If you put down 10%, your leverage factor is 10.

Example: Let's assume you purchased a \$300,000 home and put down \$60,000 (20%). If the house appreciates by \$30,000, that is not only a 10% increase in value but a 50% increase in equity.

2. You're Paying for Housing Whether You Own or Rent

Some argue that renting eliminates the cost of property taxes and home repair. Every potential renter must realize that all the expenses the landlord incurs (property taxes, repairs, insurance, etc.) are baked into the rent payment already - along with a profit margin.

3. Owning Is Usually a Form of "Forced Savings"

Studies have shown that homeowners have a net worth 44X greater than that of a renter. As a matter of fact, it was recently estimated that a family buying an average-priced home this past January could build \$42,000 in family wealth over the next five years.

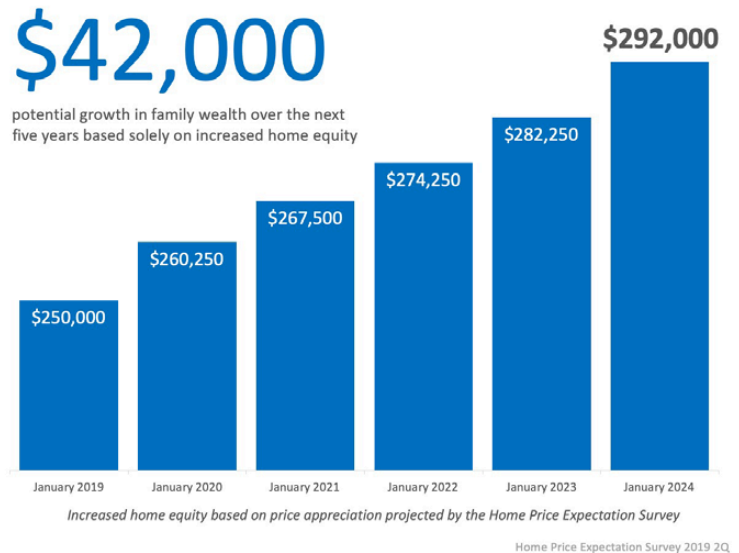
4. Owning Is a Hedge Against Inflation

House values and rents tend to go up at or higher than the rate of inflation. When you own, your home's value will protect you from that inflation.

5. There Are Still Substantial Tax Benefits to Owning

We know that the new tax reform bill puts limits on some deductions on certain homes. However, in the research paper referenced here, the authors explain:

"...the mortgage interest deduction is not the main source of these gains; even if it were removed, homeowners would continue to benefit from a lack of taxation of imputed rent and capital gains."



Bottom Line

From a financial standpoint, owning a home has always been and will always be better than renting.





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 *realtor.com's* article, *"How to Find Your Dream Home- Without Losing Your Mind."*

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

One way to show you're serious about buying your dream home is to get pre-qualified or pre-approved for a mortgage. Even if you're in a market that is not as competitive, understanding your budget will give you the confidence of knowing whether or not your dream home is within your reach. This will help you avoid the disappointment of falling in love with a home 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? Would a two-car garage be a convenience or a necessity? Before you start your search, list all the features of a home you would like. Qualify them as *'must-haves'*, *'should-haves'*, or *'absolute-wish list'* items. This will 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 individual home will start to blur together. The article suggests keeping your camera handy and making notes on the listing sheet to document what you love and don't love about each property you visit.



Looking to Upgrade Your Current Home? Now's the Time to Move Up!

In every area of the country, homes that are listed in the top 25% of the price range for that area are considered 'premium homes.' In today's real estate market, there are deals to be had at the higher end. This is great news for homeowners who want to upgrade from their current house and move up to a luxury or premium home.

But what if luxury or premium homes are out of your price range, yet you're ready to make a move? The current decrease in demand for luxury homes coupled with the increase in demand for traditional homes is positioning a place for move-up buyers to dive into a niche market between these two price points. The *Luxury Report* by ILHM points out,

"Choosing to live in this niche helps avoid the heavy taxes of the very high-end price point. But more importantly, it affords a lifestyle that offers luxury amenities, easy access to travel, and time to relax or partake in a favorite adventure or activity. As well as the opportunity of owning multiple homes – in other parts of the country or abroad."

This means there is a great opportunity today for those who would like to move up to a home with similar amenities to the luxury market, but aren't ready to take on the price tag and responsibilities of owning a home in the upper-end of the market. A move up to this niche will increase your home equity as value appreciates and put you one step closer to your dream of trading up to a luxury or premium home in the future.

Bottom Line

If you're debating upgrading your current house, let's get together to see what will be best for you and your family.



10 Steps to Buying a Home

1

Save Your Down Payment

Many people believe you need a 20% down payment to buy a home. There are loans available that allow buyers to put down as little as 3% or 0% with a VA or USDA Loan.

2

Know Your Credit Score

Your credit score is a numeric representation of your history & ability to pay back debts in the past. Different home loans have different credit requirements.

3

Find A Real Estate Agent

Once you have a handle on your credit score & down payment savings, contact a local agent who can guide you through the process of buying your first home.

4

Get Pre-Approved

Your agent will have a list of lenders that you can work with to get pre-approved for your mortgage. This will help keep you on budget during the next step!

5

Go Home Shopping!

Make a list of what you want vs. what you need in your new home. Your agent will use this list to find homes for you to tour.

10 Steps To Buying A Home

6

Make an Offer

Your agent will help you determine the best price to offer for the home. In a competitive market you may not be the only one bidding & will want to stand out!

7

Get a Home Inspection

Once your offer is accepted, you will want to do a home inspection to ensure there are not any hidden issues with the home.

8

Get a Home Appraisal

Your lender will arrange for a home appraisal to ensure that the property is worth the price that you have agreed to pay for it. The bank will only issue a loan for the appraised value.

9

Close the Sale

Once your loan is approved, your lender will schedule a closing date. This is the day you sign all your paperwork to complete the purchase & get the keys to your new home!

10

Move In!

Congratulations!



You're a homeowner!



What You Should Know About Down Payments

Regardless of your experience with homeownership, you probably have plenty of questions surrounding your down payment. What is truly required for a down payment? How can you best source down payment assistance? Let's answer those questions here.

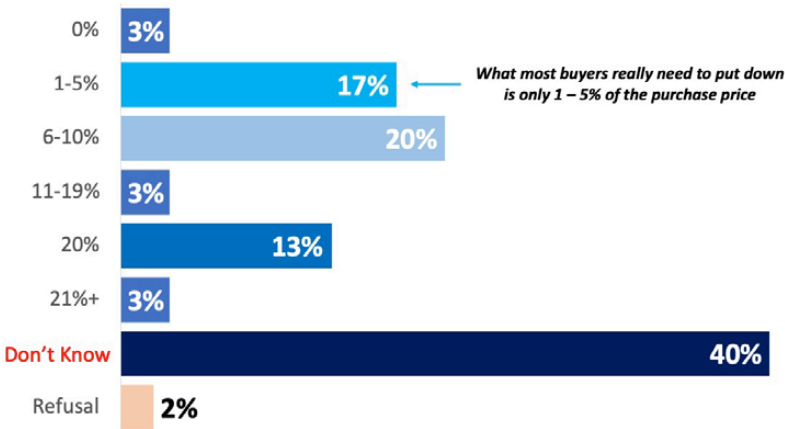
1. How Much Do You Really Need for a Down Payment?

There is a long-standing misconception about down payment requirements. A recent survey from *Fannie Mae* shows only 17% of consumers know the minimum options are actually between 1-5% of the purchase price. 40% don't know how much they need at all.

There are many mortgage loans available that require as little as 3% down for first-time buyers. Some only ask for 3.5% down from repeat buyers. There are even loans available for veterans that provide 0% down payment options too.

The reality is, you don't always need a 20% down payment to buy. That puts homeownership in a much closer reach for many potential buyers, maybe even you!

What Consumers Believe is Required for a Down Payment



Fannie Mae



2. How Can I Get Help with My Down Payment?

Regardless of the loans available, many buyers still need assistance with a down payment. The great news is there are a lot of ways to tap into down payment assistance options. Here are just a couple of them:

Assistance from Family Members

The *National Association of Realtors (NAR)* said, *"a third of recent first-time buyers received down payment assistance from family members."* They also mentioned, *"the average net worth of those aged 75 and over stands at \$264,800...They just might offer the boost the next generation needs to become homeowners."*

That means one of the ways to find help with a down payment is to accept a gift from a family member. If this is an option for you, make sure you talk to your loan officer before you accept the money to ensure you document the process the way your loan requires. This way, it will be received properly and you will still have the ability to qualify.

Down Payment Assistance Programs

The reality is, not everyone has a loved one or a family member who can provide help with a down payment. There are, however, more than 2,500 down payment assistance programs available (by local areas like city, county, or neighborhood), and some of them are even specifically for first-time buyers.

The gap, as mentioned in the survey, is *"only 23% of consumers are familiar with low down payment programs."*

That's why it is so important to get familiar with these options by doing your homework before you plan to buy a home. Determine what is available in the area you ultimately want to live so you have all the necessary details to take advantage of the best option for your family.

Bottom Line

If buying a home is one of your long-term goals, you may be able to get there sooner than you think by tapping into one of the many down payment assistance programs available.



Things to Avoid After Applying for a Mortgage

Congratulations! You've found a home to buy and have applied for a mortgage! You are undoubtedly excited about the opportunity to decorate your new home! But before you make any big purchases, move any 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**. Some may seem obvious, but some may not.

- 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 are obligated. As we mentioned, with that obligation comes higher ratios as well. Even if you swear you will not 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 assets. That task is significantly easier when there is consistency among your accounts. Before you even transfer any money, talk to 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 affected. Lower credit scores can determine your interest rate and maybe even your eligibility for approval.

7. Don't Close Any Credit Accounts. Many clients have erroneously believed 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 advice is to fully disclose and discuss your plans with your loan officer before you do anything financial in nature. They are there to guide you through the process.





What to Expect from Your Home Inspection

You made an offer and it was accepted. Your next task is to have the home inspected prior to closing. Agents oftentimes recommend you make your offer contingent on a clean home inspection.

This contingency allows you to renegotiate the price you paid for the home, ask the sellers to cover repairs, or in some cases, walk away if challenges arise. 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 that they have worked with in the past that they can recommend to you. *HGTV* recommends that you consider the following five areas when choosing the right home inspector for you:

- 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 will 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 to ask about their experiences.

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 training and education are required.

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 that they might have missed something they should have seen.

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

Don't be surprised to see your inspector climbing on the roof or crawling around in the attic and on the floors. The job of the inspector is to protect your investment and find any issues with the home, including but not limited to: the roof, plumbing, electrical components, appliances, heating and air conditioning systems, ventilation, windows, the fireplace and chimney, the 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 so you can make the most educated decision about your purchase.



Have You Put Aside Enough for Closing Costs?

There are many potential homebuyers, and even sellers, who believe they 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).

Once you have saved enough for your down payment and are ready to start your home search, make sure that you have 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 wished 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 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 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 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 wants to experience.



5 Reasons to Hire a Real Estate Professional



Contracts

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



Experience

They are well-educated in and experienced with the entire sales process.



Negotiations

They act as a “buffer” in negotiations for all parties throughout the entire transaction.



Pricing

They 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

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

CONTACT US TO TALK MORE

We're sure you have questions and concerns...

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



Anne & Tony Jablonski

Broker/Realtor

CRS, ABR, ePro

Anne Jablonski Realty Group

Missoula MT

anne@movemontana.com

www.movemontana.com

406-546-5816 + 406-546-4079



Equal Housing Opportunity


Anne Jablonski
REALTY GROUP