A BUYERS GUIDE

THINGS TO CONSIDER WHEN BUYING A HOME THIS FALL

FALL EDITION 2019

Red Door Realty

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WHY THIS FALL IS THE TIME TO BUY

4 Compelling Reasons You Shouldn't Wait to Buy a Home

#1 Prices

CoreLogic's latest Home Price Index reports that home prices have appreciated by 3.7% over the last 12 months. The same report predicts that prices will continue to increase at a rate of 4.8% over the next year. And home values will continue to appreciate.

#2 Mortgage Interest Rates

Freddie Mac's Primary Mortgage Market Survey shows that interest rates for a 30-year fixed rate mortgage have started to level off around 4.3% . 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.

#3 You're Paying a Mortgage Whether You Buy or Rent

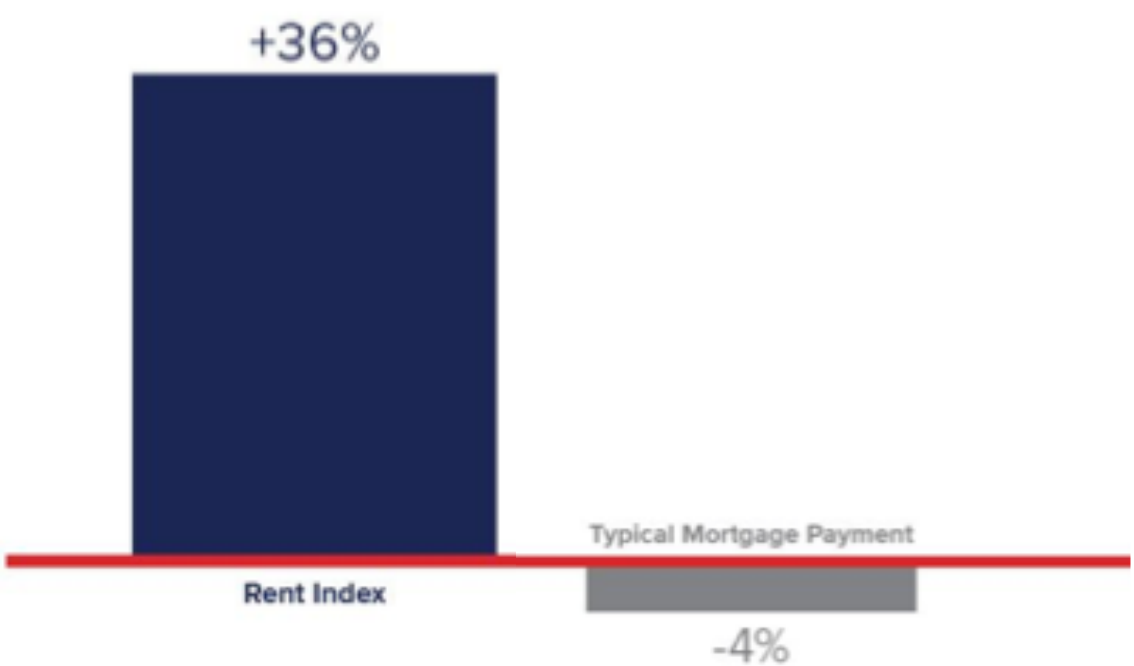
Renters: Is the reason you haven't bought a house yet because you are uncomfortable taking on the obligation of a mortgage? Think about it: You are paying a mortgage either way – either yours or the landlord's. Are you ready to put your housing cost to work for you?

#4 Your "Why"

What's your "why"? In other words, what's the real reason you are buying? 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, the right time to buy is when you are ready to buy.

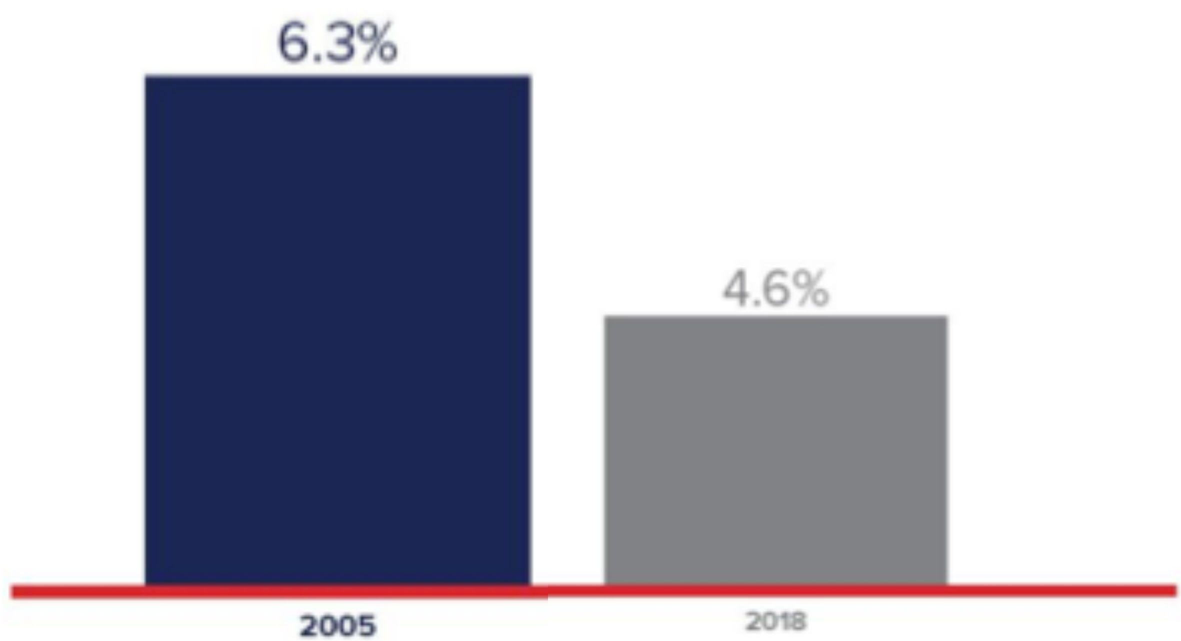
What’s Happening in the Market?

This year, the unemployment rate dropped to 3.6% and wages are up to 3.2%. Due to these factors, the likelihood of a recession being right around the corner as predicted earlier in the year is starting to lessen according to several economists and analysts across the country. Anthony Chan, Chief Economist of JP Morgan Chase, states, "I feel really comfortable that the economy is slowing down this year, but not going into a recession...It doesn't look, to me, like the odds of a recession in 2020 are there." Dean Baker, Senior Economist, states, "However, with wages growing at a respectable pace, and job growth remains healthy, we should see enough consumption demand to keep the economy moving forward. That means slower growth, but no recession." If you're fearful of buying due to a recession, you may want to think again. Rents continue to go up significantly. If you look at the Rent Index percent change from 2005 to 2018, according to CoreLogic, we see a 36% increase in rents and a -4% increase in mortgages. Simply put, rents are going up and mortgages are going down.



What's Happening in the Market? Continued...

You may be wondering why the difference? Mortgage rates back in 2005 were significantly higher as you see on the graph below. This is a perfect example that over time it makes so much more sense to buy than to wait and rent. According to Freddie Mac, interest rates are anticipated to continue to go up which will also play a role on mortgage payments increasing for buyers. Why wait and pay more per month for the same house?



Why it may be Best Not to Wait

CoreLogic recently shared that national home prices have increased by 3.7% year-over-year. Over that same time period, interest rates have remained historically low which has allowed many buyers to enter the market.

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 this time next year. According to CoreLogic's most recent Home Price Index Report, home prices will appreciate by 4.8% over the next 12 months.

Two Elements to Consider in Today's Real Estate Market

#1 Interest Rates

Mortgage interest rates were on the rise for the majority of 2018, before slowing to where they are now, around 4.3% per Freddie Mac's Primary Mortgage Market Survey.

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 to buy will decrease if you plan to stay within a certain monthly housing budget.

Experts predict that mortgage rates will be closer to 4.6% by the end of next year.

#2 Inventory

A 'normal' real estate market requires there to be a 6-month supply of homes for sale in order for prices to increase only with inflation. According to the National Association of Realtors (NAR), listing inventory is currently at a 4.2-month supply (still well below the 6 months needed), which has put upward pressure on home prices. Home prices have increased year- over-year for the last 86 straight months.

The inventory of homes for sale in the real estate market had been on a steady decline and experienced year-over-year drops for 36 straight months (from July 2015 to May 2018), but we are starting to see a shift in inventory over the last 11 months.

The Main Point

If you're planning on buying a home, we will discuss what changes in mortgage interest rates and inventory could mean for you.

The 4 C’s of Pre-Qualification

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.

Freddie Mac describes the '4 Cs' that help determine the amount you will 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.

The Main Point

Many potential homebuyers 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. Call us and we can discuss getting you pre-qualified.

The HomeSearch: What You Want vs. What You Need

It's crucial 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. We will go over together what your "make or break" items are and also the things that would be bonuses, but not crucial.

- Must-Haves- If this property does not have these items, then it shouldn't even be considered.
- 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.
- Wish List Features- If we find a property in our budget that has all of the must-haves and most of the should-haves, and ANY of these, it's the winner!

The Main Point

Doing this list will help us know what features are most important to you before beginning your home search.

Real Estate Terms Everyone Should Know

To start your home buying search with confidence, we thought it would be helpful for you to be familiar with the following real estate terms:

Appraisal- A professional analysis used to estimate the value of the home. A necessary step in validating the home's worth to you & your lender to secure financing.

Closing Costs- The cost to complete the real estate transaction. Paid at closing, they include: points, taxes, title insurance, financing costs, 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. 0% down programs also exist, ask your lender for more information.

Mortgage Rate- The interest rate you pay to borrow money to buy your house. 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 & 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.

True or False: You Need 20% Down to Buy

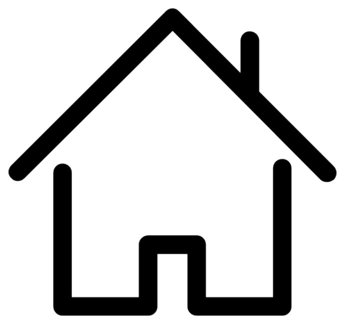
False!

Although 39% of non-homeowners and 30% of those who already own a home believe they need more than a 20% down payment, the median down payment on loans approved in 2018 was only 5%. There are over 45 million millennials (33%) who are mortgage-ready right now, meaning their income, debt, and credit scores would all allow them to qualify for a mortgage today.

The Main Point

If your five-year plan includes buying a home, let's get together to determine what it will take to make that plan a reality. You may be closer to your dream than you realize!

The Financial Benefits of Owning a Home



1. Top 5 Financial Benefits of Homeownership
   - Homeownership is a form of forced savings.
   - Homeownership provides tax savings.
   - Homeownership allows you to lock in your monthly housing cost.
   - Buying a home is cheaper than renting.
   - No other investment lets you live inside of it.
2. Studies have shown that a homeowner's net worth is 44x greater than that of a renter.
3. A family who purchased a median-priced home at the start of 2019 will build more than $42,000 in family wealth over the next five years with projected price appreciation alone.
4. Some argue that renting eliminates cost of taxes and home repairs, but every potential renter must realize the expenses the landlord incurs are already set into the rent payment, along with a profit margin.

Why You Need a Real Estate Professional When Buying a Home

There's more to real estate than finding a house you like online.

Did you know there are over 230 possible steps that need to take place during every successful real estate transaction?

You need a skilled negotiator.

In today's market, hiring a talented negotiator could save you thousands, perhaps 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 possible 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 buying worth in today's market?

There is so much information out there on the news and on the Internet about home sales, prices, and mortgage rates; how do you know what's going on specifically 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?

The Main Point

Our main goal in everything we do is to add value to our clients. We do extensive research daily and know what's going on in the market, specifically in Grand Rapids.

4 Steps When Making an Offer

We've helped you search and find the perfect home and now it's time to make an offer. 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 this perfect home is completely yours.

Below are four steps provided by Freddie Mac to help buyers make offers:

1. Determine Your Price

Based on key considerations (like similar homes recently sold in the same neighborhood or the condition of the house and what you can afford), we will help you to determine the offer that you are going to present.

2. Submit an Offer

We will help you make your offer stand out in this competitive market. Our licensed real estate agents who are 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."

4. Act Fast

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

7 Not to Do's 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 move into 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. They will be able to tell you how your decision will impact your home loan. After applying for a mortgage, don't do any of the following:

 # 1 Don't change jobs or the way you are paid at your job.

 # 2 Don't deposit cash into your bank accounts.

 # 3 Don't make any large purchases like a new car or new furniture.

 # 4 Don't co-sign on any other loans for anyone. When you co-sign, you are obligated.

 # 5 Don't change bank accounts. Remember, lenders need to source and track assets.

 # 6 Don't apply for new credit.

 # 7 Don't close any accounts.

The Main Point

Any change 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.

Home Inspections: When and Why

When: Prior to listing your home on the market or,
prior to closing.

Why: The idea behind getting inspections done prior is so that there are no unexpected surprises that could financially hurt you later. A the buyer, you will be more confident that they are buying a sound home that is in move in ready condition. It gives the seller, buyer, and lender more confidence throughout the entire transaction that the home will actually close and it keeps everyone safe during and after the close of escrow. Inspections also give us another chance to negotiate on your behalf.

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.

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

Contact Us to Talk More

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