THINGS TO CONSIDER WHEN

BUYING A HOME

FALL 2020
EDITION

INTERO

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Buying a Home This Fall

The recovery of the 2020 housing market has been nothing short of remarkable, and many experts agree. The turnaround from the nation's economic pause earlier this spring is playing out extremely well for housing. It's framing up to be an ideal time to buy a home for those who are ready to make a purchase this fall. Here's a dive into some of the biggest wins for homebuyers this season.

1. Low Mortgage Rates

Earlier this year, mortgage rates hit an all-time low, falling **below 3% for the first time ever**. Continued low rates have set buyers up for significant long-term savings, and they're making homes more affordable than they have been in years. *Realtor.com* agrees, noting, *"Given this means homes could cost potentially tens of thousands less over the lifetime of the loan."*

Essentially, it's less expensive to borrow money today, so even as home prices rise, low rates are offsetting the long-term costs associated with a mortgage. This is a huge savings for buyers to capitalize on right now.

2. Buying Is More Affordable Than Renting

According to the *National Association of Realtors* (NAR), low mortgage rates have also made the typical mortgage payment less expensive on a monthly basis than the average rent:

> *"The major factor is, arguably,* ***low mortgage rates****…With rates so low that are locked in under a 30-year mortgage,* ***the typical mortgage payment, estimated at $1,036, has fallen below the median rent, at $1,045.*** *For potential home buyers who were thinking of purchasing a home anyway before the pandemic outbreak and who are likely to remain employed, the low mortgage rate may be the clincher."*

When paying a mortgage, as opposed to paying rent, that money is reinvested back in your favor as a homeowner. So, instead of contributing to your landlord's savings, you're contributing to your family's own net worth. This is a term called equity, and it is one of the biggest financial benefits of owning a home.

3. Equity Is Growing

According to *John Burns Consulting*, **58.7% of homes in the U.S. have at least 60% equity**, and **42.1% of all homes in this country are mortgage-free**, meaning they're owned free and clear. In addition, *CoreLogic* notes the average equity mortgaged homes have today is **$177,000**. That's a tremendous amount of forced savings for homeowners in the current market.

With this much equity in place for the average homeowner, the chance of the market seeing a rush of foreclosures is not likely. Homeowners today have many options to avoid foreclosure, such as selling their homes and leveraging that equity to stay afloat.

As a buyer, you can rest assured that your homeownership investment is a sound one, and foreclosures are not expected to dominate the market as they did when the housing bubble burst over 10 years ago.

4. Home Price Appreciation

According to leading experts, home prices are forecasted to continue appreciating. Knowing that home values are rising should help you feel confident that buying a home this year is a strong long-term investment for you and your family.

If you're concerned about making such a large purchase, keep in mind that today's low mortgage rates help offset rising prices for buyers. As Ali Wolf, *Chief Economist* at *Meyers Research* notes:

> *"Even as prices go up, the price gains are offset by the continued drop in mortgage rates."*

5. Changing Homebuyer Needs

Chances are, you've recently spent a lot of time at home. With stay-at-home orders in full effect earlier this year, you likely had more time than ever to get familiar with your current space. Whether you're renting now or looking for a move-up home, you've probably identified a laundry list of things you'd like to change about your current home.

If so, you're not alone. There are endless reasons why people are moving this year. Across the country, features like home offices, gyms, and more indoor and outdoor space are much more desirable features. Maybe you also have children at home who need a space to focus on virtual schooling. **What's on your wish list?**

Bottom Line

If you're considering buying a home, this may be your year, especially while mortgage rates are historically low. Let's connect to assess your changing needs and set you up for success in the homebuying process.

Expert Forecast on the Rest of This Year

Some of the biggest questions on everyone's minds these days are: *When will the economy recover, and what's the outlook for the housing market?*

Based on recent data on the economy, unemployment, real estate, and more, many economists are indicating that an economic recovery is slowly taking place, but the extent of the recovery is largely dependent on the course of the virus over time. Here's a look at what some experts have to say about key areas that will power the housing market and the economy forward this year.

Bill Banfield, *Executive Vice President of Capital Markets, Quicken Loans:*

> *"No matter what you're looking for, this is a great time to buy since the current low interest rates can stretch your spending power…With interest rates in the two's available, a buyer can afford much more home than they could have just a few years ago."*

***National Association of Realtors* (NAR):**

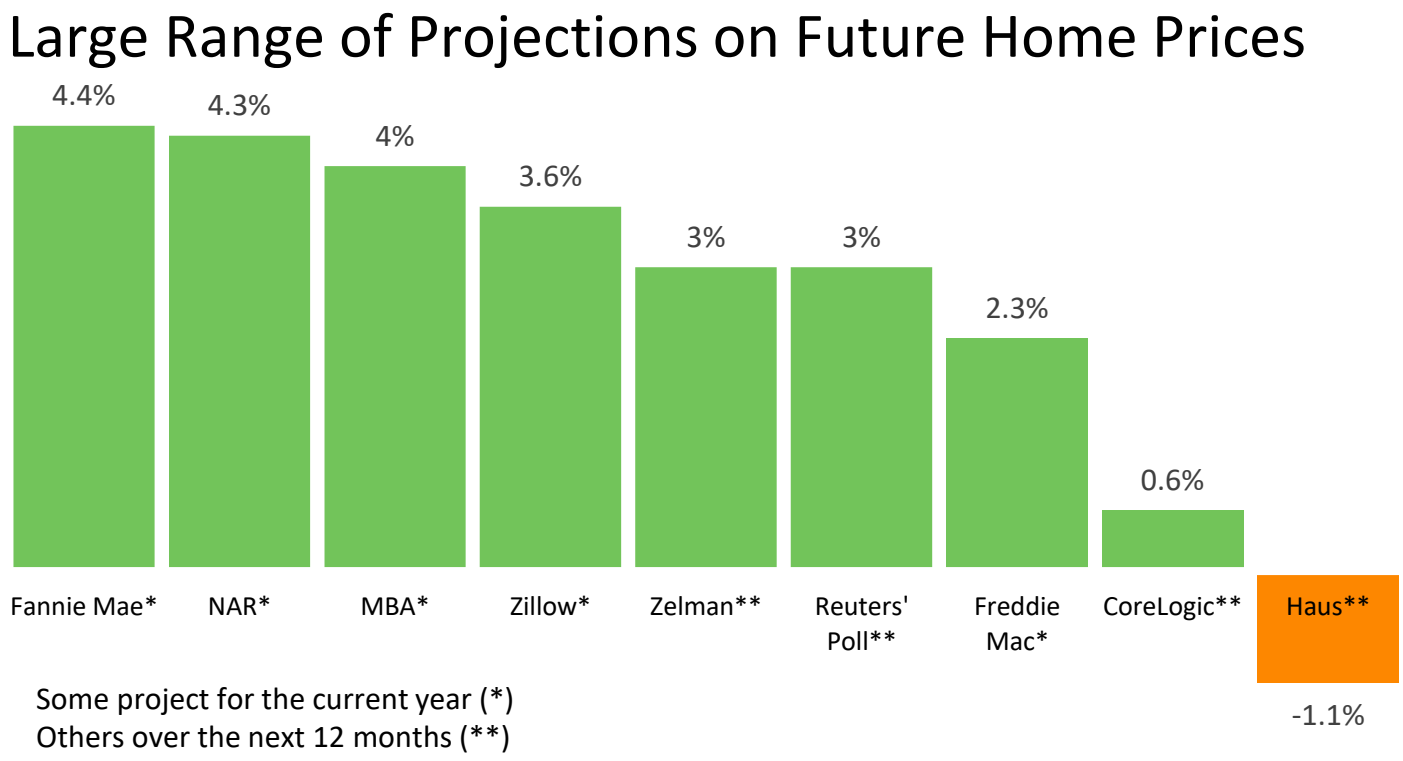
> *"Homebuying demand is strong, which means that the rebound in sales as a result from the end of shelter in place measures is likely to be sustained in the coming months."*

Danielle Hale, *Chief Economist, realtor.com:*

> *"The good news for potential buyers is: Competitive conditions should help bring more sellers to the housing market, so they have options to choose from."*

George Ratiu, *Senior Economist, realtor.com:*

"With the supply of homes expected to lag demand, prices will likely remain on an upward trajectory for the remainder of 2020."

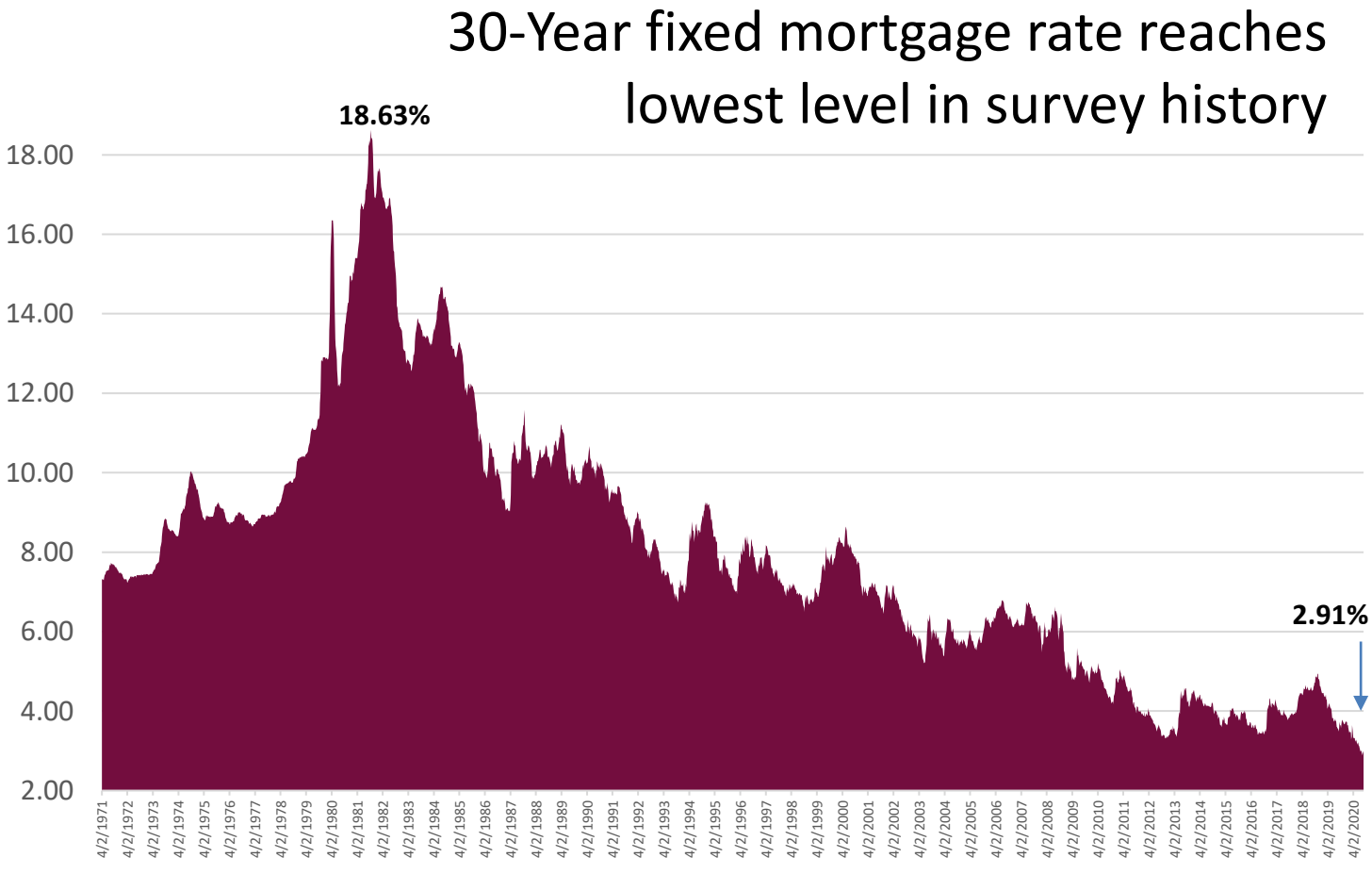


Bottom Line

The experts are optimistic about the rest of the year. If you pressed pause on your 2020 real estate plans, let's connect today to determine how you can re-engage in the process.

Why Mortgage Rates Are Driving Affordability

Freddie Mac has recently reported the average 30-year fixed mortgage rate dropping to record lows, reaching the lowest point in the history of the survey, which dates back to 1971 *(See graph below)*:



Freddie Mac

What does this mean for buyers?

This is huge for homebuyers. Those currently taking advantage of the increasing affordability that comes with historically low interest rates are winning big.

According to *Mortgage News Daily*:

> *"Those shopping for a home can afford 10 percent more home than they could have one year ago while keeping their monthly payment unchanged. This translates into nearly* ***$32,000 more buying power.****"*

As shown in the chart below, the average monthly mortgage payment decreases significantly when rates are as low as they are today.

Mortgage Payment for a $300,000 Loan by Decade

Decade	Average Rate	Mortgage Payment**
1970s	8.86%	$2,384
1980s	12.7%	$3,248
1990s	8.12%	$2,226
2000s	6.29%	$1,855
2010s	4.09%	$1,448
TODAY*	3.27%	$1,309

**Average rate for 2020*
***Principal and Interest Payments rounded to the nearest dollar amount*

Freddie Mac

A lower monthly payment means savings that can add up significantly over the life of your home loan. It also means you may be able to purchase more home for your money. Maybe that's a bigger home than what you'd be able to afford at a higher rate, an increasingly desirable option considering the amount of time families are spending at home today.

Bottom Line

If you're able to buy a home this year, 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 reality is quite 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. We're learning how to function in new ways, especially as each local area moves in and out of various phases of business operation and the pandemic carries on.

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 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 becoming more widely accepted, it doesn't mean that this is the way business is going to be handled permanently. Under the current circumstances, however, technology is making it possible to continue much of the real estate transaction as we move in and out of the different phases of the country's safety protocols.

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 options and 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.

You Need an Expert Kind of Guide

In a normal housing market, whether you're buying or selling a home, you need an experienced guide to help you navigate through the process. You need someone you can turn to who will tell you how to price your home correctly right from the start. You need someone who can help you determine what to offer on your dream home without paying too much or offending the seller with a low-ball offer.

We are, however, in anything but a normal market right now. We are amid one of the greatest health crises our nation has ever seen, and the pandemic has had a dramatic impact on the journey consumers take to purchase or sell a home. To successfully navigate the landscape today, you need more than an experienced guide. You need a *'Real Estate Sherpa.'*

According to *Lexico*, a Sherpa is a *"member of a Himalayan people living on the borders of Nepal and Tibet, renowned for their skill in mountaineering."* Sherpas are skilled in leading their parties through the extreme altitudes of the peaks and passes in the region – some of the most treacherous trails in the world. They take pride in their hardiness, expertise, and experience at very high altitudes.

They are much more than just guides. This is much more than a normal real estate market.

Today, the average guide just won't do. You need a Sherpa. You need an expert who understands how COVID-19 is impacting the thoughts and actions of the consumer (virtual showings, proper safety protocols, e-signing documents, etc.). You need someone who can simply and effectively explain the changes in today's process to you and your family. You need an expert who will guarantee you make the right decision, especially in these challenging times.

Bottom Line

Let's connect so you have a *'Real Estate Sherpa'* to make sure your journey is a safe and successful one.

Steps to Take 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 process moving forward. From pre-approval for a mortgage to saving for your down payment, you can work confidently toward homeownership today.

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. Keep in mind, if you were pre-approved last year or even in early 2020, you may need to go through the process again, as lending standards have evolved throughout recent months.

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 competitive 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.

Don't be surprised if you find yourself in a bidding war in today's low inventory environment. Your real estate agent will help guide you through every step of the process, so you don't have to navigate it alone.

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.

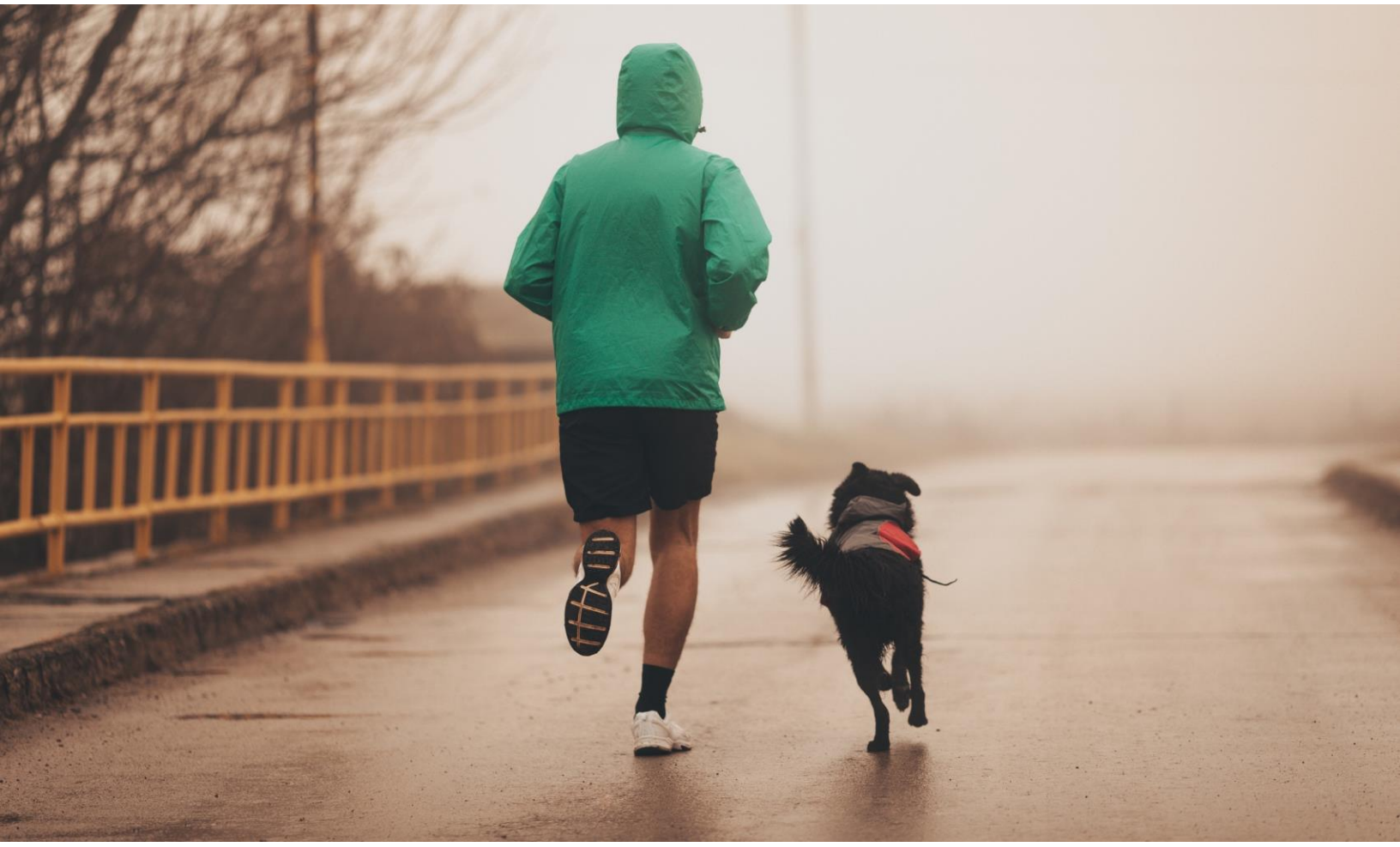
4. Don’t Change Bank Accounts. Remember, lenders need to source and track your assets. That task is significantly easier when there’s consistency among your accounts. Before you transfer any money, speak with your loan officer.

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.



Americans Rank Real Estate **Best Investment** for 7 Years Running!

35% Real Estate

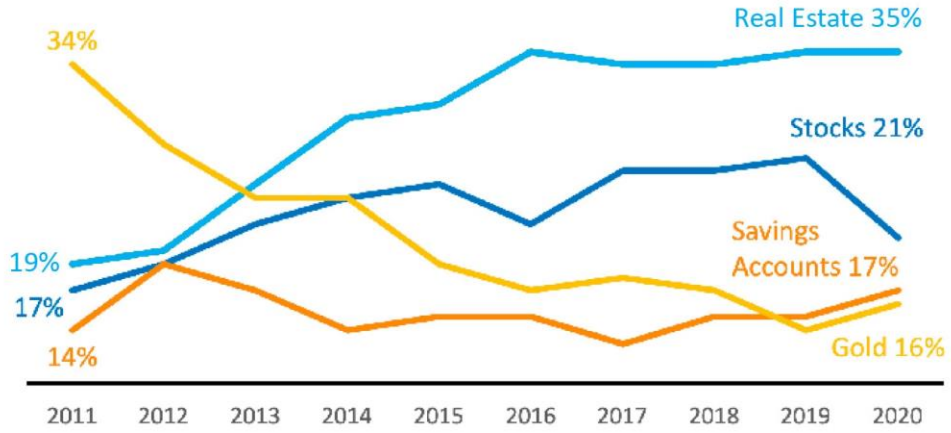
21% Stock Market

17% Savings Account

16% Gold

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

Of the four listed, real estate is the only investment you can also live in!



Source: Gallup

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.

Aurora Ebido
Realtor
(510)719-7695
AEbido@intero.com
www.AuroraEbido.com
DRE #01412929

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