Your REALTOR:

Dennis Kuty

February 2021 REAL ESTATE Update™

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2021's Hottest Home Décor Trends

The following is a roundup of some of the décor and design trends that are popular right now.

Comfort and Functionality
Instead of the unused guest room or formal living room, the focus of home design right now is on creating spaces that work for our lifestyles. Think about the overstuffed furniture styles made popular by retailers like Pottery Barn, for example. There is likely to be a move toward softer and more traditional décor styles for many people.

Lighter Wood
Think about blonde and light oak woods. They can keep a space still feeling airy and modern, even if the furniture is more traditional.

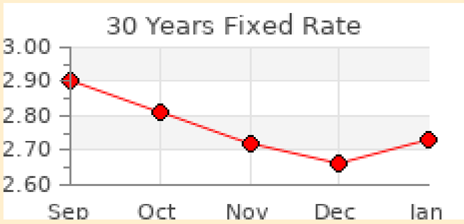
Grandmilllennial
You might see a move toward those traditional styles that were often seen in grandparents' homes, but with trendy updates. For example, floral wallpapers, velvet sofas and oriental rugs are good examples. There are elements of history and nostalgia in these styles.

Don't Count Out the 80s
Barrel chairs, glass, and stone are a few examples of the 80s that are popular right now. Colors that incorporate a hint of the 80s include black, gold, and mauve. Another way the 80s is inching back into home design? Wicker and rattan furniture.]

No More Gray…Buy Maybe Green?
Finally, in kitchens for years gray cabinets were coveted. Now, we may see a move away from that and instead we could see green cabinets becoming popular. Indigo blue is another bold choice that could become increasingly utilized in 2021.

Mortgage Rates
U.S. averages as of February 2021:

30 yr. fixed: 2.73%
15 yr. fixed: 2.20%
5/1 yr. adj: 2.80%



What is a 'Government Backed' Mortgage?

There are three prominent types of government backed mortgages: the VA, FHA and USDA. These loans carry a guarantee issued to the individual lender, not the borrower. The guarantee compensates the lender for part or all of the loss sustained during the instance of a default.

VA loans are guaranteed at 25% of the loss. This guarantee is financed with the VA's Funding Fee. This is in essence an insurance policy with the lender as the payee.

The FHA home loan program has two such fees for the FHA program, an upfront fee, which is 1.75% of the base loan amount, and an annual premium based upon the original down payment amount and the actual term of the loan.

The USDA loan also provides full compensation to the lender in the instance of default and like the FHA program has two separate fees. The upfront fee is based upon 1.00% of the initial loan amount and the annual premium is 0.35% of the outstanding loan balance.

What to Expect from An Appraisal

When you're buying or selling a home, you are likely going to face a home appraisal contingency. During an appraisal, someone who is licensed to conduct appraisals will do an inspection of a home to determine its actual worth. This is not always the same as the listing price. An appraiser will create a report of their findings, and then they'll generate the appraised value of the home.

What Do Appraisers Look for?
Most appraisers use a universal form called the Uniform Residential Appraisal Report. It includes questions about housing trends in the area, demographics, property condition, utilities and how the house is a fit within the neighborhood. Their entire objective is to create a comparison of the home to similar properties nearby.

What Happens After You Get a Valuation?
The report from an appraiser will include a valuation. The report will outline the methodology used by the appraiser and will include the photos they take. Then, one of three things could happen. If the appraiser's valuation matches the price agreed upon by you and the seller, then your lender can proceed with underwriting your loan. A match with the appraisal and the price is the last step of getting a loan. If the appraiser gives you a valuation higher than what you're paying for the house, then you have instant equity. This isn't common, however. Then, there's the third thing that can happen. The appraisal is less than what you've agreed to pay. Your lender won't give you a loan for more than the appraised value. At that point, there are a few different ways you can proceed. Your agent should be able to help you figure out the best path.

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When is the Best Time to Sell a House?
By Ashley Sutphin

When you're planning to sell your house, timing is important. You want the most people to see it and be interested, and you, of course, want it to go for the highest possible price. So when is the right timing? When is the worst time to sell a house, alternatively?

The Local Housing Market

We often think about seasonal trends when determining the best time to sell a house, and those are relevant but you have to think about the local housing market as well. Is it a buyer's or seller's market where you live?

While there are national trends, real estate is often much more localized. For example, following the coronavirus pandemic, many big urban markets are dealing with stagnant or declining real estate sales. New York and San Francisco are examples. However, suburban markets are thriving.

You do need to think about the local condition where your home is, and also even more specific factors, such as what the appreciation for homes in your neighborhood looks like and how this compares to where you'll buy.

Seasonal Trends

June tends to be the best time to sell a house. The summer months in general are often more favorable for sellers, from May to August. These months make up 40% of annual home sales volume according to the National Association of Realtors. With that being said, then that makes summer the worst time to buy. In the summer, there's a seller's premium, so you have to think about how that will balance out if you're planning to both buy and sell.

Summer is a popular time in real estate because of the good weather and daylight savings time and the longer days. It's somewhat simple when you think about it—there are more daylight hours, meaning more potential exposure for your home. A lot of families with children look in the summer months so they can get their kids enrolled in school by the fall.

December tends to be the worst month to sell a home. There's not a lot of inventory, and buying activity is limited. Again, this is logical. People are thinking about the holidays and they're traveling. Plus, the days are shorter and the weather isn't great.

Some general pros of selling a home in spring include:

- Many people get their tax refunds in the early spring so they can make renovations or repairs as-needed during this time.
- There's more curb appeal when your lawn is in full bloom.
- If you plan ahead during the spring, you're more likely to be well-timed for the summer rush.

The big con is that there will be more competition in spring and heading into summer, and buyers will have more choices.

Pros of selling in summer include:

- There's more flexibility for both you and potential buyers if school is out.
- Buyers tend to feel an urgency to get their kids settled before school.
- If buyers feel urgency, they may make a more competitive offer.

The cons are similar to selling in spring. Namely, there's more competition.

If you have to sell your home in the fall, there's typically less competition and inventory. Also, buyers may be more serious if they're looking in fall because they may be up against a certain deadline, such as needing to relocate for work.

If you need to make repairs, professionals are less likely to be busier and may be cheaper than they would be during the busy spring and summer.

Regional Seasonality

In the West and the South, temperatures stay milder in the winter, so there may be less of a dip in home buying and selling activity in the winter. In the Midwest and the northeast, where there are extreme winters, there's a more pronounced seasonal difference in the real estate market. There's no perfect time to sell a home, but there are considerations to keep in mind.

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What You Can Expect Your First Year In A New Home
By Jaymi Naciri

In the first year in a new home, you'll likely experience the full spectrum of human emotions, sometimes in the span of a few minutes. And while you can't know everything that's going to happen, you can prepare yourself for some of the inevitabilities, of both the good and not-so-good variety.

Something's going to break

It could just be a sprinkler head or it could be your air conditioning unit in the heat of summer, but knowing that something will eventually break in the house is the best reason of all to be proactive. Being able to quickly deal with a leaking water heater or a roof that's been damaged in a hail storm is key to minimizing the damage to your finances, and your sanity.

There are four main keys to being prepared:

1. Saving your money

"Owning a house doesn't change the rule of thumb that it's wise to have approximately six months' worth of income in a rainy day fund, and more experts are now recommending that you build up nine months to a year," said Zacks Investment Research. "What changes is the amount of your monthly expenses that will be consumed if you need to tap into the fund. If your mortgage, tax, insurance, utilities and other payments rise with a new mortgage, you could use your savings up more quickly. With this in mind, if you were saving less than the guideline, intending to tighten your belt, the increased bills that come with homeownership makes skimping on your rainy day fund a dangerous business."

2. Knowing where everything is located

You don't want to get caught in an emergency situation and be scrambling around trying to figure out how to shut off your gas.

3. Finding a trustworthy handyman

Unless someone in the house is handy, and actually does the stuff they say they are going to do in a timely manner, you'll want to find a handyman. Having someone you can call in a pinch to repair the doggy door or the garage door opener or add a ceiling fan to a room that stays five degrees warmer than the rest of the house is clutch. Next Door is a great place to find a handyman, as well as a babysitter, dog walker, and lost cat.

4. Getting a warranty

In many cases, you can buy a home warranty after you've purchased your home. If you have an older home, are someone who could be sunk by a broken air conditioning unit that costs several thousands of dollars to repair or replace, or just want to make sure you're covered for all those things that could bust, a warranty might be a good thing to consider. "A home warranty is a contract between a homeowner and a home warranty company that provides for discounted repair and replacement service on a home's major components, such as the furnace, air conditioning, plumbing and electrical system," said Investopedia. "A home warranty may also cover major appliances such as washers and dryers, refrigerators and swimming pools. Most plans have a basic component that provides all homeowners who purchase a policy with certain coverages. Homeowners can also purchase one or more optional components that provide additional coverage at additional cost."

Junk mail city

Expect to see a full mailbox for months after you move. A lot of it will be junk, but there will also be some valuable stuff in there, like coupons from local stores that can save you money on furniture and housewares. Don't forget to also take advantage of the coupons that are part of the U.S. Postal Services change of address package. You'll probably also get some refinancing offers. If your home happens to gain equity during the first year and rates dip, you might be able to refi and lower your payment.

You're going to have big dreams and big realities checks

Unless you've bought a brand-new home, there are a few things you're going to want to change, beyond furniture and furnishings. It may just be carpet in the bedrooms and a splash of new paint, or it might be ripping out your entire kitchen.

Budget concerns will probably keep the renovations in check for many people. But you'll also want to assess the return on investment for the renovations you have in mind. Even if you're not planning to turn around and sell your home in a year or two, knowing that the updates you make are valuable and will be a good investment is always important. Remodeling Magazine's Cost vs. Value Report is a great guide to see which items pay you back.

You'll get woken up in the middle of the night by a fire alarm

Because batteries only die at 3am. Every. Single. Time. You can avoid this nuisance and keep your family safe by changing your batteries when you first move in. While you're at it, change your filters, which will help your HVAC to work more efficiently.

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What Type of Mortgage Is Best?
By David Reed

When first thinking about buying a home, the type of mortgage you should consider is a bit lower on the priority bar. The first decision is whether or not to buy the home in the first place. Once that decision is made, it's time to get your preapproval letter from your mortgage company. Most agents today won't even let you into their car without having first spoken with a lender. Further, when making offers, the sellers and the seller's agent want to see that not only have you spoken with a lender but have been preapproved, meaning your income, credit and assets have been reviewed and verified. Next, you'll need to find out which mortgage is best for your situation.

You might be surprised at the various options available when financing a home. You'll need to decide if you want a fixed rate loan or a variable one. You will also need to select a loan term. The most popular loan term is 30 years but there are certainly others. Your loan officer will help you with this. Your loan officer will also review your situation and provide different options from which to choose. In general, though, there are some factors to consider when selecting the type of mortgage which is right for you.

The most popular mortgage is the standard conforming conventional loan. When you see 30 year mortgage rates advertised, it's very likely the lender is referring to this type of loan. Most every single lender offers this product creating a more competitive arena. Lenders will compete on rates and terms but also service. The service portion is extremely important but often not considered. A mortgage company might offer the lowest rates on the planet but after you submit an application you can't get a return phone call. You want competitive terms but also stellar customer service.

Regarding the loan term, just remember the longer the term of the loan the lower the monthly payment but you'll pay more in interest over time. A shorter loan term will result in higher monthly payments, but less interest is paid over the life of the loan. Speak to your loan officer and see what your principal balance would be five years into the loan with a 30 year term compared to a 15 year. You might be surprised.

Are you VA eligible? VA loans are the ideal choice for those who are eligible. VA loans do not require any sort of down payment, the buyers are limited from paying certain types of closing costs and rates are extremely competitive. In addition, there is no monthly mortgage payment required compared to other low-down payment mortgages. If you've served in the Armed Forces, active duty or served in the National Guard or Armed Forces Reserves this is probably the ideal choice for those wanting to come to the settlement table with as little cash as possible while still getting a very competitive program. VA loans also come with a government-backed guarantee should the loan ever go into default.

FHA loans are another option. FHA loans are very popular with first time buyers because the minimum down payment is just 3.5% of the sales price. FHA loans also have a government-backed guarantee. These guarantees make it a bit easier to qualify as lenders are compensated for any loss should the loan default.

If you're buying in a rural area and also want to come to the settlement table with as little cash as possible, the USDA program is likely your choice. USDA loans also offer a zero-down option. Many loan programs don't like financing a home in a rural area as there are very few recent sales of similar homes in the area.

As you can tell, there are probably more choices than first imagined. But don't let that confuse you. Your loan officer will help decide which program best fits your financing requirements.

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What Are the Best Ways to Use Your Home's Equity?
By Ashley Sutphin

Your home equity can be a valuable resource to you, depending on your financial situation. Your equity is the interest you have in your home, as the owner. Your equity increases over time in two ways. Equity increases if your property value goes up or if you work toward paying down the balance of your mortgage loan.

Equity is the part of your home that you truly own if you borrowed money to buy it. If you did get a mortgage, the lender has an interest in your property until you pay it off, despite you being considered the homeowner.

The equity you have in your home is considered one of the most valuable assets you have. Since it is an asset, you can use it. There are three main ways people use the asset of their equity. One is to sell your home. If you decide to move, you receive your equity from the proceeds of the sale. You can also borrow against the equity, and you can use a reverse mortgage to fund your retirement.

Buying a New Home

If you sell your home, you can put the equity aside, or you can use it to buy a new home. If you have, let's say $70,000 in equity in your home, then you'll have a profit after closing. That profit can then be used for your down payment on your next home. The bigger the down payment, the more expensive the home you may be able to afford. Your mortgage payments may be lower with a bigger down payment as well.

Borrowing Against Your Equity

Another way to use equity is to borrow against it. There are three primary ways to do this—a home equity loan, a home equity line of credit, or a cash-out refinance. When you use your home's equity as a way to borrow money, you'll get a lower interest rate than you likely would with something like a credit card or personal loan.

There's a downside too. If you don't make your payments, a lender could foreclose on your home. This wouldn't be the case if you were to use credit cards, for example.

A home equity loan is somewhat like a second mortgage. You can use the proceeds of a home equity loan however you want, and you pay it back in monthly installments with interest added. It works very much like a traditional mortgage.

A home equity line of credit is structured more like a credit card in that a lender gives you a credit limit based on your equity. You borrow as you need with a HELOC and also pay it back as you borrow.

A cash-out refinance lets you refinance for more than what's owed on your mortgage, and you get the extra money as cash that you can use.

How to Build Equity

Since equity is a valuable asset that gives you financial flexibility and options, building it is an important goal. One of the fastest ways someone builds equity is by coming up with as large a down payment as possible. The bigger your down payment, the more equity you'll have right away.

If you already have a mortgage, make every effort to pay it off. When you first start paying a mortgage, smaller amounts go toward your principal, and more goes toward your interest. However, the longer you've had your mortgage, the more goes toward your principal, helping you build equity.

If you ever have opportunities to pay more than the minimum on your mortgage payment, do it. Some people make an extra payment each year, or they make biweekly payments. Even paying just a little more each month can help you reduce your principal balance and increase your equity faster.

If you stay in your home longer, you build more equity, particularly if it increases in value. Finally, certain renovations that add value can also help you build equity. For example, adding a bathroom or doing a kitchen remodel can improve your home's value, increasing your equity.

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