Your REALTOR:

Dennis Kuty

March 2021

REAL ESTATE Update™

Premier Plus Realty

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Everything You Should Know about a HELOC

A home equity line of credit or HELOC is an option that offers more flexibility than a traditional loan but simultaneously lets you borrow against your home's equity.

How Does a HELOC Work?
A HELOC is like a credit card in many ways. You apply for financing and then you get a credit limit set by the lender. You can borrow up to that amount, and then you pay back what you borrow with interest. The length of HELOCs ranges, and they can go up to 30 years. They're typically built on a long-term relationship with the lender.

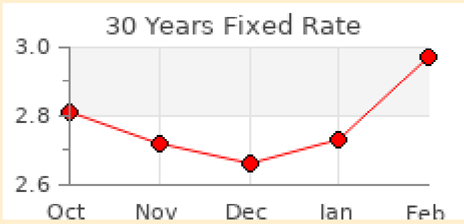
How Much Can You Borrow?
The credit limit offered with a HELOC depends on your credit and your outstanding debts and the market value of your home, and what's owed on your mortgage. The amount you can borrow with a HELOC is usually limited to no more than 85% of your home's appraised value minus what's owed on your mortgage.

What Are the Downsides?
One of the biggest risks is that if you can't make your payments, you could lose your home. Your lender may also be able to freeze your credit line, which is usually done because of missed payments or changes in your home's equity, but it's a downside you do have to think about. Finally, the interest rate on a HELOC may be variable, so the market can impact how much you pay.

A HELOC can be a good option if you don't have the cash set aside for a renovation or repair, but there are other choices as well. The right fit will depend on individual factors including the scope of the project and how much equity you have in your home.

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

30 yr. fixed: 2.97%
15 yr. fixed: 2.34%
5/1 yr. adj: 2.99%



Changing Lenders? Here's What to Expect

If you want to change lenders, here are some things to expect:

The first is that you're under absolutely no obligation to continue to work with the mortgage company, even though you completed the loan application and submitted all your documentation.

One situation to understand is that your loan application and documentation can't simply be transferred to the newly chosen mortgage company. The lender won't send your loan package with all your paycheck stubs, tax returns, bank statements and the like. If you switch, you'll need to apply for a loan directly with the new mortgage company.

Making a change also means the old appraisal that you paid for cannot be moved over, either. A new mortgage lender will want its own appraisal and place a new appraisal order through one of their appraisal management companies.

If you decide to switch lenders, remember you'll have to walk the very same path as you did the first time around. Just be patient, work with your new loan officer, and move on.

How Much Should A Down Payment Be?

If you're planning to buy a new house, a big part of that is saving for a down payment. A down payment represents what you initially own when you buy a home. The standard is often referred to as 20%, but is that the reality?

The Benefits of 20% Down
First, you don't have to buy private mortgage insurance or PMI. PMI is a form of protection for your lender if you default on your mortgage.

Right now, despite the economic downturn caused by COVID-19, the real estate market remains competitive, and a larger down payment can also make you more compelling in the eyes of sellers. If you're buying in a hot market, that's important.

The Downsides of Putting 20% Down
One is that you're taking more financial risk. You're giving yourself less of an emergency fund if something unexpected happens, which can be a scary thought for some buyers. You're leaving yourself with less money for any repairs or updates you might need to buy, and it could take years to save a 20% down payment.

Can You Buy a Home Without a Down Payment?
It is possible to buy a home with no down payment, but only with a government-backed loan. Two of the most popular government-backed loans that don't require a down payment are a VA loan and a USDA loan. VA loans are available to service members and veterans as well as some surviving spouses. USDA loans are for buyers in certain suburban and rural areas that qualify.

Equal Housing Opportunity

Dennis Kuty, , REALTOR
E-mail: dennis@denniskuty.net
Website: http://Sarasota-ManateeHomes.com
Cell: (941) 626-1093

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227 Central Ave.
Sarasota, FL 34236

How to Find Properties to Flip
By Ashley Sutphin

If you want to invest in real estate, flipping can be one of the most viable ways to do it. There is risk inherent in flipping houses. For example, if you don't sell the house quickly, you have to maintain it. There are also almost always bumps along the way when you remodel a house to flip it, and the timelines tend to drag on longer than most new investors might think.

One big challenge of flipping occurs before you ever start work on a property, however. You have to find a house to flip. Finding houses that will work to flip is a challenge because you're competing with so many other investors who want to do the exact same thing. You have to be able to quickly identify good deals and make a move on them to be successful in flipping. The following are some of the strategies you can start to use to find the best properties.

Work with Wholesalers

Wholesalers are professionals who find properties that need to be rehabbed, and then they put them under contract. At that point, they work to find buyers who will do the flip. The buyer, in these situations, takes over as the wholesaler and they then pay the wholesaler who acted as their middleman.

It's expensive to go with this option, but it's going to save you time. When you look at things over the long-term, it may even end up saving you money. Wholesalers often have connections in very specific neighborhoods, and they're really a niche that can be an efficient way to identify properties.

Go to Auctions

Foreclosure and estate auctions are a popular way for flippers to find properties, but they're very competitive. You have to be able to pay cash in many instances. Your county will publish auction lists for foreclosures a few weeks before the sale itself. If you're interested in private or estate auctions, those are also usually published and advertised a few weeks out from the sale.

These are nerve-wracking because you typically can't go in the house before you bid. You can just see it from the street. There are also very often bidding wars, so you may spend a lot more than you expected. When you buy a property at auction, you'll usually have to put down 10% of the winning price at the time of the auction and settle within 30 days. Otherwise, you lose your deposit.

Work with a Real Estate Agent

One of the best ways to identify properties that will fit your investment needs is to work with a real estate agent. The agent can do most of the legwork for you, and the more you build your relationship, the better they're going to be able to hone in on those properties that are a perfect fit for you. A real estate agent can scour the MLS, but they also have network contacts so they can identify opportunities before they hit the MLS.

Go Straight to the Seller

If things are very competitive, you do have the option of going straight to potential sellers, but there are no guarantees this is going to work out. If you see a property you're interested in, you can go to the seller and make an offer, even if it's not listed.

Real Estate Investment Groups

Finally, something that has become increasingly popular in the past few years is joining a real estate investment group. Real estate investment groups offer networking opportunities as well as education. Listings tend to show up on the websites and newsletters these groups have access to.

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How to Interview Your Potential Loan Officer
By David Reed

You have lots of choices to make when you first begin your trek to buy and finance your home. First and foremost, the most important choice is which home to buy. Depending upon market conditions in your area, you might be surprised at how many homes fit your personal criteria. You may need a three bedroom home and you'd like it to be in a certain area of town, perhaps near good schools or a short commute to work.

Once you do find a few houses to look at, the sellers will want to see some sort of documentation that you've not only spoken to a loan officer but have a preapproval letter in your hand. Before you get to that point however, you need to make sure you've got a sterling loan officer. You can't choose a loan officer based upon marketing or clever ads, you need to interview your loan officer first before you get too much further.

You want to know how long the loan officer has been in business. That's not all that fair to new loan officers who may be just as capable at getting a loan to an approval but remember that loan officers close loans…that's what they do. You may only interact with a mortgage loan officer two or three times in your entire home ownership career. You need to make the right choice.

A loan officer who has been in business for several years has been established as experienced, trustworthy and a good communicator. Loan officers who can't bring in the business won't be loan officers for very long, they'll be on to something else. Good loan officers have seen all sorts of approval situations as well as understand which loan programs are ideal for your personal situation. An experienced loan officer has seen everything.

You want to know what your closing costs are going to be. A good loan officer will be able to give you a solid, verbal estimate over the phone without hesitation. A good loan officer will be able to itemize lender charges at the drop of a hat. A loan officer that doesn't answer right away and replies a written cost estimate will be forwarded a day or two later probably isn't your best choice. In my years as a mortgage loan officer, I knew these potential fees from an appraisal charge to title insurance. An experienced loan officer will easily be able to recite potential charges.

Finally, ask for referrals from previous clients. Your real estate agent will likely provide you with a few names of good loan officers so you should begin there. Real estate agents don't get paid any referral fees for doing so but instead refer loan officer names because the loan officers don't drop the ball during the approval process. Nothing is worse in an agent's eyes to find out just a few days before closing that the lender won't be able to provide closing documents on the settlement date. Remember, real estate agents don't get paid until the deal closes.

These are just a few things to ask your loan officer and you'll certainly ask more once you submit your loan application, but before you submit your application, you'll first need to choose your loan officer.

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How to Save on Kitchen Cabinets
By Ashley Sutphin

If you're remodeling your kitchen, it can be a costly project. One of the biggest expenses you're probably going to run into is the cabinets. Kitchen cabinets are an integral part of a renovation, and they usually make up around 40% of your total budget. Two big factors that play a role in the cost of cabinets are the quality and their construction. Cabinets are a long-term investment, but even with their importance, how can you save money on the cost of new ones?

Do Your Research

The first step to saving on the cost of your kitchen cabinets is to do your research. You need to figure out the features and construction elements you can't live without versus the ones you can skip. You'll start by learning more about the materials used to construct cabinets. For example, particleboard is one of the cheapest options, but it breaks easily and doesn't do well with humidity and moisture.

Medium-density fiberboard tends to be the option a lot of people prefer because it's somewhere in the middle in terms of cost and actually, when compared to solid wood, has a better performance. It's very water-resistant and can deal easily with changes in humidity and temperature.

Solid wood cabinets are beautiful, but they're expensive and not always a realistic option. For example, if the temperature and moisture aren't carefully controlled in a kitchen, it can destroy solid wood cabinets.

Get Custom Doors and Pre-Made Boxes

If you want the look of high-end cabinets without the price tag, there's a creative option to explore. Get custom doors, but use premade boxes from IKEA or a retailer like Home Depot. You get the outward look of custom cabinets at a fraction of the cost.

Of course, you don't even have to do custom doors unless you want them or need them because of a spacing issue. You can get pre-made cabinet doors as well and make them feel more high-end or custom with the hardware you choose. Most factory-made cabinets and less expensive pre-made options have integrated rails, and they're made with either particleboard that has a veneer or a medium-density fiberboard panel.

When you're deciding on cabinets, avoid having too many built-in extras like spice racks and pullouts. The more of these you add, the more expensive your cabinets will be if you're going with custom options or even when you're buying cabinets in-stock.

Get Unfinished Cabinets

If you get unfished cabinets, you're going to save money, but you'll still have to paint or stain them. Stain is something you might be able to do on your own, but with the painting, you could need a professional. You'll have to do the math on how much that will cost to figure out if it's worth it.

Use Open Shelving

Finally, if you know you want new cabinets but you're still on a budget, utilize the open shelving trend. The trend looks great, and it's significantly less expensive than having upper cabinets. If you do only open shelving instead of uppers in your kitchen, you could ultimately save thousands of dollars or more.

Along with being cheaper, open shelving can keep your kitchen feeling brighter and airier. This can work especially well in a smaller or more closed-in kitchen, where having too many upper cabinets could create a crowded feeling.

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How Much Does It Cost to Build a House?
By Ashley Sutphin

Maybe you've been looking for a home for quite some time, and nothing on the market is meeting your needs. You might also be at a point where you don't want to settle, and you want your dream forever home. In these situations, you might decide to build rather than buy an existing home, but how much does it really cost?

The cost of building a custom house depends a lot on individual factors. For example, it varies depending on where you live, the materials you use, and your square footage. A custom-built home is also different from a production build. In a production build, you're choosing certain customization options within a subdivision. While your home is in some ways custom, you're limited to selecting from what the builder or developer offers.

The average cost to build a home was $428,000 in 2017. That estimate is based on a single-family home of around 2800 square feet. Based on that, the average cost to build a house is $153 per square foot.

Cost by Region

According to the U.S. Census Bureau's Survey of the Median Price per Square Foot for new homes in 2017, in the Northeast, the average cost was $161. In the West, the average cost per square foot was $139 and in the South it was $100. For the Midwest, the average cost was $106. That means if you want a deal, you're hopefully building in the South or perhaps the Midwest. The Northeast is the most expensive region to build a home. Even within a certain region, the costs can vary depending on the county or city where you're building.

How the Individual Costs Break Down

So, as you're building a home, you're quite literally starting from the ground up. After you buy land, you'll begin with what's called site work. Site work includes inspections, plans, and preparing land for construction. This usually costs around $16,000, depending on the extent of the work. This can also include money you'll have to pay to the local government like the impact fee, which pays for roads and parks in your community.

The cost of a foundation is usually around $25,000. The foundation will include excavation to ensure your land is completely level before construction is started. A home's foundation costs will also include concrete and lumber. If your home is going to have a basement, count on foundation costs being more.

From there, you pay for framing, which is tens of thousands of dollars, and then you'll pay a similar cost for exterior finishes. Exterior finishes include the walls and support structures, as well as things like windows and doors. Count on spending around $35,000 for your systems like your HVAC and plumbing.

Then, you can start counting the costs for your home's interior. This will probably be where most of your budget goes, and there's a lot of variance depending on the type of finishes you want. Interior finishes include everything from your countertops and cabinets to your trim.

Is it Cheaper to Buy or Build?

Whether or not it's cheaper to buy or build isn't something that can necessarily be answered. It all depends. For example, the average sale price of a home in 2017 was around $291,000, which is quite a bit lower than the average building price of $428,000. That doesn't mean you can't build a cheaper house than that $428,000 figure. It's all up to where you live and the type of materials you use.

If you do decide to build a house, unless you're paying cash as you go, you'll need a construction loan. A construction loan is usually converted or refinanced into a mortgage loan once the house is completed.

You go through a similar application process for a construction loan as you do a mortgage, but rather than getting the money in a lump sum, your builder gets a series of draws. Your builder requests a draw when they're moving onto the next phase of work. An inspector comes out, checks the progress for the lender, and then disburses the draw.

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