

Your REALTOR:



Dennis Kutny

January 2021

REAL ESTATE Update



"An educated prospect makes our best client"

Smart Strategies For First-Time Homebuyers



Get a leg up by following a few smart strategies:

Work with the right REALTOR®

This is not the right time to give your brother-in-law's cousin's neighbor who just got his license a shot. Having a competitive edge is more important than ever, and you need a savvy, experienced, and well-connected real estate agent to help you buy a home.

Work on your down payment

You may be competing against buyers who are coming in with an all-cash offer, but, there are ways you can make your offer look better. Remember that if it comes down to a multiple-offer situation for your home, sellers won't just compare the offer prices. They'll look at your down payment and the terms, and you need to have better terms than the next guy.

Be flexible on the closing

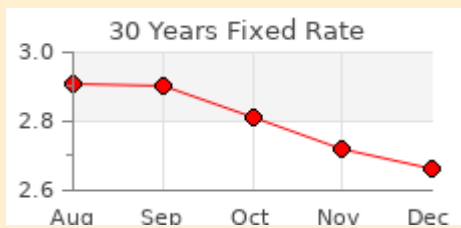
If another potential buyer is insistent on a 30-day close, but you could close earlier, later, and even rent back to the seller if need be, you just might end up with the house you want. Flexibility is key to submitting a winning offer, so make sure you have a Plan B - a place to stay for a few days or longer if you're going to be between houses, and a mover/storage option squared away.

Consider the worst house on the block

"When your budget as a first-time buyer doesn't stretch to a house in perfect condition in a neighborhood you adore, you might consider buying a home that needs work. Or maybe you've watched fixer-upper TV shows and think you could handle sweat equity. Either way, real estate experts say buying a house that needs renovating can make sense as long as you are realistic about the process," said the Washington Post.

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

30 yr. fixed: 2.66%
15 yr. fixed: 2.19%
5/1 yr. adj: 2.79%



Doing the Refinance Math



Wondering whether or not to refinance really all boils down to how much you'll save each month compared to what you're paying now. But there are other considerations.

First, pay less attention to the change in rate. Old school myths say that it's a good idea to refinance if current market rates are 1% or 2% lower than what you currently have. But the rate is only a part of it. The other component is the amount being financed. Instead, calculate the monthly savings and then divide that amount into the closing costs associated with the mortgage. The result is how many months it will take to 'recover' the closing costs in the form of monthly savings.

Another important thing to keep in mind is the term of the new loan. If someone has a 30 year fixed rate loan and has been paying on it for say five years, refinancing into another 30 year loan essentially wipes out the first five years of payments and you are starting all over again.

Finally, if it makes sense to refinance don't wait to do so. The downside of waiting just a bit longer could mean those lower rates are in the rear view mirror and you missed your opportunity.

Alternative Mortgage Lenders are Changing the Marketplace



Alternative mortgage lenders are shifting the real estate marketplace and making it much simpler and easier for consumers to get a mortgage. There are three main categories that alternative mortgage lenders tend to fall into:

Alternative Online Lenders

Mortgage originators that serve as alternative lenders work online. Quicken Loans is one of the largest and most well-known, and they've also become the most popular mortgage lender in the country as far as the number of clients. Some of the ways alternative online lenders can offer approvals so quickly include automated algorithms fueling lending decisions and electronic document collection.

Marketplaces

A lot of tech startups break into mortgages by being a middleman. There are marketplaces that are ideal for shopping around and finding the most competitive terms. Zillow and LendingTree are two examples. These marketplaces use your information to generate originators in line with your needs. Some of these marketplace platforms also have advisors to walk you through the process.

Non-Bank Alternative Lenders

Non-bank lenders tend to offer options for people with credit that isn't perfect, and they may face less stringent federal regulations. You can also include credit unions in this category. When you go with a non-bank alternative lender, you'll see the benefits of less regulation. These organizations have more flexibility to lend to consumers who might have been otherwise turned down.



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Tips for Selling a Fixer-Upper By Ashley Sutphin

Selling a house that needs work as-is is a challenge, but certainly not impossible. What helps when you're selling a house that's perhaps less-than-perfect is to research and understand your target market.

Be Realistic About the Situation

If you're debating whether or not to sell your home as-is, you need to be realistic about your specific situation. A fixer-upper can be a house that's generally in great shape but needs cosmetic updates to modernize it. On the opposite end of that spectrum, a home may have serious issues. For example, it might have plumbing, electrical, or foundation issues.

You can start by pricing out the repairs to improve your home. You might do some but not all of them before putting your house on the market. By knowing how much needed repairs might cost, you're putting yourself in a better position to know the best way to move forward.

Is it worth your time to make some of the repairs? A real estate agent can help you here. They're going to be able to assess the needed repairs and give you a better idea of what changes might bring the most value.

Understand Your Potential Pool of Buyers

If you're selling a house that needs work, you can give yourself an advantage by managing your expectations. Part of that is understanding your pool of potential buyers.

Investors or flippers are one option. A flipper or investor buys a home at a low price, and renovates the property and sells higher. An investor can see through problems and they're going to focus on potential.

Another pool of possible buyers are people who are looking for a deal. This can be an especially important pool if you're in a very desirable neighborhood. Someone who's a deal-hunter might be otherwise priced out of the neighborhood without buying the house that needs work.

Then, there's a group of buyers who wants a project. They want to buy an existing home and put money into it to make it perfect for them.

Choose the Right Agent

Whether you make some or none of the needed repairs, the best thing you can do for yourself is to work with a great agent.

You want a real estate agent who understands your neighborhood and understands how to market a house that needs work. Not every real estate agent will excel at selling a fixer-upper, but some will specialize in it.

Make Small, Impactful Changes

Maybe you don't want to spend the money to do a full remodel, but you can make a fixer-upper more marketable with small, less expensive changes.

For example, focus on curb appeal. Maybe you clean up your yard and get rid of clutter. Trim the bushes and limbs, and do some small projects that will give a better first impression. A home with good landscaping can be worth anywhere from 1% to 10% more than a poorly landscaped home.

Cleaning and decluttering inside is also important. Maybe your home isn't modern, but if it's clean and feels fresh, that goes a long way.

Other inexpensive repairs or upgrades you could make include recalking, fixing pipes that leak, and patching holes.

Focus on Renovation Loans

Either you or your real estate agent should plant the seeds of renovation loans. Renovation loans mean that the projected costs of a renovation are included in the total loan amount. The advantage for the buyer is that they don't have to pay for upgrades separately. They can instead get approved for a higher upfront loan amount. Then, they receive that money in phases to cover the costs of renovations.

If you already have your home listed, ask your Realtor if they've included any renovation loan language in the listing. It starts buyers thinking in this direction.



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What to Expect from a Home Inspection By Ashley Sutphin

A home inspection is part of a real estate transaction. The idea is that a professional home inspector looks at a property and identifies problems a potential buyer might need to consider. If you're a prospective buyer, you can go to a home inspection. Either way, the inspector will create a report of their findings.

If you're buying a home, an inspection can help you avoid the potential disaster of buying a home and then realizing it has structural issues that aren't fixable or would be extremely expensive to repair. You should have a home inspection before closing on a loan. If there are issues and you're the buyer you can contact the seller if any major problems are discovered.

An inspection is different from an appraisal, although the two are sometimes confused with one another. An appraisal gives you an estimate of your property's value. An appraisal doesn't identify specific problems, and a mortgage company will usually require an appraisal. An inspection isn't required but is important.

There are also buyer and seller's inspections. A buyer's inspection occurs after you've made an offer on a home but before closing. If there are certain issues, you might renegotiate. A seller's inspection is something that happens before a home is listed. A seller might opt to do this to fix issues before they put their home on the market.

What Do Inspectors Look For?

A home inspection isn't going to look for everything, and there are specialized parts of a home that may require a separate inspection.

A home inspection is a visual assessment of a home's mechanical systems and structure. This includes windows, doors, ceilings, the roof, and walls. An inspector will look at major appliances, examine the heating and air system, and evaluate the electrical and plumbing systems. Inspectors aren't there to evaluate if you're getting a good deal.

Inspectors don't care about cosmetic issues unless they're also safety issues.

The Report

When an inspector completes a report, you may see that it's in the form of a checklist, or they might detail problems in paragraph form. It would be unlikely for any inspection not to have some issues unless the home is completely new.

How Does an Inspection Affect the Sale of a Home?

If an inspection brings up issues, then a buyer and seller might renegotiate, or they could end the potential deal altogether.

If you're the seller and the prospective buyer walks away because of the inspection, you'll have to put the house back on the market. If a home that was pending or under contract goes back on the MLS, it can be a red flag to some buyers.

If there's renegotiation, a potential buyer might request that the seller make necessary repairs. They can also request a credit from the seller so they can make the repairs themselves.

A seller might hire their own experts to confirm the inspector's findings before they agree to anything. Inspectors can be wrong.

Hiring an Inspector

If you're in the process of buying a home, it's important to hire a good inspector. Look for an inspector with a certification from an organization like the American Society of Home Inspectors or the International Association of Certified Home Inspectors. Members of these groups must pass exams, complete continuing education, and follow a code of ethics.

You might consider interviewing an inspector as well, and they can share more about their experience. Some inspectors have specific experience in certain areas. For example, you might need an inspector with experience in historic homes.

You can also ask for references from past clients.

Finally, expect to pay anywhere from \$300 to upwards of \$500 for an inspection. You typically pay this when the service is rendered, and it's not part of your closing costs.



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Top Reasons a House Isn't Selling By Ashley Sutphin

We're currently in what's described as a seller's market across much of the country. While demand has waned a bit in the fall of 2020, inventory is still limited, and the real estate market is strong. While that may be what you see in the headlines, perhaps it's not what you see in reality if you're trying to sell a home. There are some common reasons, many of which are avoidable, that may be why your home isn't selling.

It's Priced Too High

This sounds simple, but still, homes continue to be priced too high. One of the biggest challenges sellers face, according to real estate agents, is resisting the urge to overprice their home. Pricing a home is an art and a science, which is where agents are so valuable.

However, you have to listen to your agent. When you have an emotional connection to a home, you're even more likely to price it too high. If you priced your home yourself, it's a good idea to consult an experienced agent sooner rather than later.

You can also gauge what people think about your price by looking at other local listings or listening to people's feedback at open houses and showings.

Your Home Is Unique

A unique home can be a great thing, but that can also make it more challenging to find a buyer. If your home is unique, that doesn't necessarily mean you need to change anything to sell it. You might just need to be patient and wait for the right person to come along.

You might need to shift your marketing strategy a bit as well. Reframe the unique elements of your home to be benefits. Your marketing needs to be carefully tailored to that audience of people most likely to be interested in a unique home.

The Order of Your Photos is Wrong

When people browse apps and websites for homes, they'll usually only see the first photo initially. Then, they have to decide to click through to the rest actively. What is the first photo of your listings conveying and could it be better?

Don't use the front of your home as the first picture. Buyers have a short attention span, so choose the best interior photo. Then, the next four photos need to be equally impressive because once people get to the fifth photo, they're likely to start losing interest.

Also, your photos may be bad altogether. A home needs to be staged, cleaned, and ready for great photos. You also need a professional real estate photographer. Overcome the urge to want to rush to get your home on the market. It'll pay off to wait until everything is ready, including the best possible photos.

Lack of Accessibility for Viewing

As a seller, some things aren't in your control, but many things are. When buyers want to see your home, they need to be able to as soon as possible. You want your home to be available for anyone interested to see it in person. This means you keep your home clean and showing-ready at all times and that you're flexible with your schedule. It's a pain at the time, but it can make a difference between selling your home and having it sit on the market.

Flat-Out Rejecting Low Offers

When you're selling a home, and you're emotionally attached to it, getting a lowball offer can feel like a personal insult. Don't shut down low offers right away. You may end up with a successful negotiation that started with an offer that was initially way too low. Keep all of your options open as a seller. You never know what might happen.

Timing

Finally, not selling a home can sometimes be an issue of timing. For example, spring and summer tend to be better times to sell a home. Fall and winter are the worst times.

There are also larger economic issues that can impact whether or not you sell a home, and if you have an option, you may need to wait. If you can't wait, even if you sell your house, it could end up being for much less than you hoped, if timing is a factor.



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What to Know Before You Buy Land By Ashley Sutphin

Whether you're planning to build your dream home or you want to buy land as an investment, it's different from buying property with a structure already on it. For example, even though someone might be willing to sell you a piece of land, there's no guarantee you can use it how you want. There are issues related to zoning, water rights and septic systems to think about. You have to do a lot of research to figure out what you can and can't do with land once you buy it. The following are things to know before buying land.

Consider it a Long-Term Investment

If you're thinking of land as an investment, you need to look at it as something long-term. It's not a quick flip investment. You should plan only to buy land if you're going to hold on it for at least 10 or 20 years. It can protect you against inflation, but its value isn't going to go up quickly. Realize that if you find cheap land, there may be a good reason that's the case.

Pay Cash If Possible

If you aren't going to build a home right away on a piece of land, you're going to have to pay all cash, or somewhere from 30 to 50% cash upfront. If you're going to build right away, it's known as a construction to permanent deal, which is different.

For raw land, if you don't have immediate building plans, lenders will see you as risky, making financing a challenge. Even if you plan to build with a construction to permanent loan, you don't have collateral in the form of a pre-existing home, so you need to have nearly perfect credit.

With a construction loan, it's short-term financing, and there aren't fixed rates. Your bank releases funds as construction stages are completed. Then, the loan becomes a mortgage. To deal with the financial hurdles, paying all cash is the best option.

Percolation

If your land isn't on a municipal sewer system, then any structure you build on it will probably need a septic tank. That means you'll need a percolation or perc test. A perc test looks at how absorbable the soil is to the liquid that comes out of the septic tank. If you can't support a septic tank with your land, you can't build, nor can you get a mortgage.

Deed Restrictions

Before getting your heart set on land, you have to look at deed restrictions to determine what you can and can't do with the property. You'll also have to figure out how binding these restrictions are. A realtor should be able to help you here.

You may find restrictions like limits on the building styles or the minimum or maximum dwelling square footage. The more rural the property, the fewer the deed restrictions are likely to be, but that's not always the case.

Zoning

Land may be zoned for commercial use, residential or both. You have to figure out if the land is zoned for additional structures like detached garages if you plan to have one. Zoning restrictions can determine the minimum structure size you can build.

Easements

If there's an easement on a property's title, you need to know what that stipulates before buying. An easement lets another person or entity have the legal right to someone else's property for specific reasons, no matter who owns it. That might, for example, mean there's an easement that lets other people go over your property to get somewhere else, reducing your privacy.

Water

If you're looking at land not on a city sewer system, you may have to dig a well for water. That can be \$10,000 or more to drill the well, plus the costs of water filtration. Some people even have to add lakes and hydrants, so firefighters have access to a rural water supply.

Buying land can seem like a great opportunity, but a lot of research goes into it to make sure it's something feasible. It's not an easy process. You should do your due diligence and consult with experts and specialists when necessary to make sure you're following all applicable real estate laws and local zoning guidelines.



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