

Your REALTOR:



Dennis Kutny

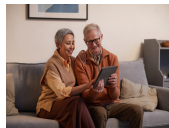
# October 2021

# REAL ESTATE Update



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## 4 Signs It's Time to Downsize



The following are four signs that it might be time to consider downsizing, even if you're a bit hesitant.

### 1. You Have Multiple Unused Rooms

There was probably a time when toys took over every room, and it seemed like you were bursting at the seams. Now, maybe you only use a few rooms in your home, in which case you could make do with a little less space.

### 2. You're Struggling to Maintain Your Home

Homes involve a lot of work and upkeep. There might have been a time when you were proud and happy to spend every weekend working on your home, but maybe you have different goals now. A smaller, more manageable home will free up your time so you can do things you love instead of keeping up your home all the time.

### 3. Your Housing Expenses Are Greater Than 30%

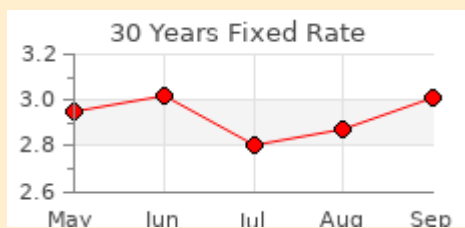
When you're deciding how much of your budget to spend on housing costs each month, financial experts recommend no more than 30%. That's the standard used by the U.S. government as well. If you're putting more than 30% of your monthly budget into housing, it's a perfect time to think about downsizing. You may be learning to live on a fixed income, meaning you need a smaller home with a lower monthly mortgage payment.

### 4. You Want to Put Your Home Equity to Use

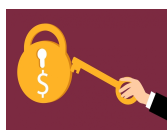
You can use the equity in your home once you retire, and coverage of everyday costs is the number one reason retirees often give for wanting to utilize their equity. It's understandable why—equity may be your most valuable asset.

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

30 yr. fixed: 3.01%  
15 yr. fixed: 2.28%  
5/1 yr. adj: 2.48%



## What You Need to Know About Your Paycheck Stub

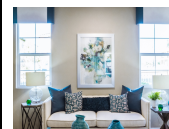


When lenders verify and validate information included in your mortgage loan application, they ask that you provide them with copies of your most recent paycheck stubs covering a 30 day period. But your monthly income is only part of the validation process.

First they'll look at the monthly gross pay for each month. If you get paid on the 1st and 15th, lenders add those amounts together for use in qualifying. Note, this is the gross or 'before withholding' amount. If you get paid every other week, lenders will multiply each paycheck amount by 26 (weeks) then divide by 12 (months). If you get paid once per month, there's obviously little arithmetic needed. Next, lenders will look at your year-to-date earnings. This amount needs to match up with your current gross monthly income divided by the number of months in the year paid so far.

Finally, paycheck stubs are considered 'credit documents' in the file. All credit documents should be no more than 30 days old. When the loan application gets closer to the final settlement date, it's possible and likely the lender will want to see an updated paycheck stub to cover the most recent 30 day period.

## Pulling Off Granny Chic Décor Style



The following are some tips and things to know about this particular style of décor and interior design.

### The Core Features

Think about that unique juxtaposition that can happen between old and new. Some of the things to remember are patterns, light, texture, and memories. That might mean stacks of old books, family photos or vacation photos in mismatched frames, or floral prints on the wall. Chintz fabric, cane and rattan furniture, pink tile, and fringe are all some favorites.

### Use Wallpaper

Wallpaper is making a comeback in a significant way. With peel and stick options, it's easy to apply and change out if you want to. Wallpaper is one of the best ways to create granny chic style. Think bold floral patterns or chinoiserie, for example.

### Vintage Pieces

Have fun spending time at flea markets and yard sales, go through your own garage, or ask relatives if they have things they want to get rid of.

### Combining Patterns

Patterns are perfect here. You can use plaid, again florals, and toile. Don't be afraid to mix and match patterns, but if you're worried about it being too busy, then maybe you coordinate the color palette to avoid that.

### Go All Out With the Accessories

Your surfaces, like tabletops and shelves, should be covered with knick-knacks, accessories, vases, and fresh flowers. You might use candles, silver or brass frames, and plenty of art too.



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## Getting Started with Urban Gardening *By Ashley Sutphin*

When we talk about urban gardening, it can broadly mean one of two things. The first might be a community garden. Many nonprofits and neighborhood organizations will launch community gardens in urban areas where people can work and share in the produce that grows there.

For our purposes, we're talking about something more like container gardening. If you live in an urban area, such as in an apartment, you can still benefit from having a garden, even if it's on a smaller scale. You can grow vegetables, herbs and more, and enjoy getting fresh air. Container gardening is also good for your mental health and can give you a sense of accomplishment. The following are some of the general things to know as you get started.

### Available Space

If you're in an urban area, you'll need some space for a container garden. You have some different options. If you have a townhouse or condo, you might have some outdoor space that's in-ground. You'll need to check with your board or HOA to make sure you can plant a small garden.

Flower pots or hanging baskets are another option, and they're portable, so you can put them on a balcony or patio, and if you need, move them inside, at least temporarily. There's also something trendy right now for urban dwellers, which is hydroponic gardening.

Some creative companies offer self-fertilizing stands so you can grow food, and they're self-watering, so it's the ultimate convenience. If you go with this option, you'll need to add water to the reservoir weekly and add nutrients. You'll also need to make sure the pH stays appropriately adjusted. Since these gardens go upward instead of out, you're saving valuable floor space, which in an apartment or condo can be crucial.

### Decide What You'll Grow

Some things are better suited to container and urban gardening than others. For example, herbs are great, like mint, basil and sage. Different types of lettuce and tomatoes can also be well-suited to containers.

If you buy a hydroponic gardening kit, some companies offer hundreds of pre-sprouted seedlings, so you might find that you can grow cucumbers, eggplants and even strawberries. Peppers grow well in limited spaces, including bell peppers, jalapenos and habaneros. Zucchini and squash are suitable for a balcony garden but don't overplant because they can end up producing pounds of vegetables. Cucumbers spread, and the vines will grow around your balcony, which you might like the look of.

If you're not using a hydroponic kit, be careful about how much you plant in any one container. If you plant too much, then it may stunt the growth of your plants. A pot that's anywhere from 10-12 inches can usually hold three to four plants. A pot that's 14 to 16 inches can hold five to seven, and a 16-to-20-inch pot can hold six to nine plants.

When you're choosing what to grow, you want to make sure each of the plants you choose will be a good neighbor with the others. For example, if you combine plants that have different sunlight needs in the same pot, then some will suffer.

### Make Sure Your Containers Have Drainage

If you're growing plants in pots, make sure you drill holes for drainage if they don't already have that. You'll also have to put something below the container to catch the excess drainage water.

### Light

Finally, when you're planning your urban or container garden, you'll have to think about sunlight. Most plants need anywhere from 7 to 12 hours of sun a day and that's especially true of herbs and fruiting vegetables. If you don't think you're going to be able to get that much light, then you might want to grow something like chard or spinach, both of which tolerate shade well.

Carefully read your seed packets or tags, and save them if you forget and need to refer back. If the label says a plant needs full sun, that means between 6 and 8 hours of sun a day. Partial sun is between 4 and 6 hours of sun a day, and shade usually means less than four hours of direct sunlight a day and filtered sun the rest of the time.

If you're going to move your containers inside during the winter, you can use plant grow lights, which simulate the effects of the sun and are excellent in an urban environment.



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## How to Give Your Décor a Sustainable Makeover *By Ashley Sutphin*

Sustainability and being more eco-friendly are top priorities for many of us right now. Luckily, you don't have to spend a fortune to make your life more sustainable, including your home décor. The following are simple, practical ways you can cultivate a more sustainable interior design concept in your home for a greener and often healthier lifestyle.

### Choose the Right Materials

The materials you choose for flooring, furniture, rugs, and other key items in your home can make for more sustainable design. For example, reclaimed wood is lovely for flooring or making furniture. When you use reclaimed wood, you're breathing new life into old materials and recycling them.

Bamboo is an excellent material to use in home design because it's more sustainable than traditional wood. It's one of the fastest-growing plants we have access to, and it doesn't require the use of a lot of fertilizers or pesticides.

Cork is a sustainable material that can be made to feel and look just like hardwood and is increasingly being used for flooring.

When it comes to fabrics and upholstery, natural options like jute are eco-friendly. Jute is a strong material that grows quickly and is renewable.

### Healthy Paints

If you're going to be painting or varnishing anything in your home, choose products that have low levels of what are called volatile organic compounds or VOCs. VOCs can evaporate when they're at room temperature and create harmful gas for your health and pollute the environment. As you choose paints and finishes, look for products that specifically say they're low VOC or non-toxic. Milk paint and water-based paints can also be sustainable solutions.

### Swap Your Light Bulbs

One of the easiest and quickest updates you can make to your home that'll make it more eco-friendly is to switch out your light bulbs. Get rid of your old bulbs for LED bulbs that use at a minimum 75% less energy than incandescent bulbs. They also last much longer. You can typically still keep your original lighting source and get the benefits of the new bulbs, so it's not a major project.

### Buy Vintage

We all tend to like finding a good deal on cheap, new furniture, but there are some advantages to shopping for vintage or antique options. First, it's fun to find treasures, and you may actually save money over the cost of new items. Old furniture tends to be well-made and stand the test of time, and you're giving these items new life.

### Consider Your Color Scheme

The colors you use in your décor can make a difference in your environmental impact. If you use light colors, your home will reflect more light. That will help you need to use less artificial lighting compared to darker colors. Plus, it may be easier to maintain a comfortable temperature in your home using excess energy if your color palette focuses on lighter options.

### Use Window Treatments

Adding window coverings lets you control both heating and lighting. Most of your heat is going to escape through your windows, and you may not have the money in your budget to upgrade your windows right now, so coverings can do the trick. You can keep the cold air out and the sun in by opening and shutting your coverings as needed.

### Use Home Automation

If you use a home automation system like Nest, you can control your lighting and heating anywhere, improving your home's efficiency.

### Decorate with Plants

Having greenery in your home comes with a plethora of benefits. Plants and greenery can boost your mood and productivity. They can improve your immune system, and they're good for the environment because they provide oxygen while filtering out harmful chemicals.

Your overall goals for sustainable design should be having a healthy environment for your family, reducing your reliance on non-renewable materials, cutting down your energy usage, and minimizing waste. You don't have to achieve all of these at one time. Take small steps as you work toward a greener future, beginning with your home.



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## Will You Finance? How to Answer This Question *By David Reed*

Okay so you recently listed your home and have begun to receive offers. So far, the offers have been lower than what you want so you decide to wait a little longer to see if the current list price is accepted. Pretty soon, not only did someone match your list price with their offer but also bumped it up a little bit. That's hard to ignore, isn't it? But there's a caveat: the proposal asks that you finance the transaction. A classic 'seller financed' purchase. Should you?

The first thing to find out is why the potential buyers are wanting you to carry the note on the property. Many times it's because the buyers have had their credit damaged and can't seem to find a competitive mortgage program. Before you get too much further, you need to ask the potential buyers why they need seller financing in the first place. If they tell you it's due to their low credit scores, the next question is to ask why the scores are too low. If you're still interested in this full-price offer, you'll next need to pull a credit report. Don't accept a credit report supplied by the buyers, instead get one of your own.

Low credit scores typically represent a marginal credit history over time. Some late payments, recent ones, are showing up on the credit report along with various 'late pays' stretching out over the past couple of years. This clearly indicates a relatively low regard for credit. In this situation, it's probably best to pass on this offer and wait for the next one. However, if the low scores are due to a recent catastrophic event that won't likely occur again, you might want to dig a little further. For example, one of the borrowers was laid off six months ago and some payments were missed. However, the individual soon found a new job and the late payments stopped. Again, you might be getting closer to a decision.

First, you'll need a down payment. Not just 3% or 5%, but one closer to 20% or even more. This reduces the risk at the outset and leaves you some equity in the transaction should you ever need to foreclose due to non-payment. Next, decide on what the terms of your personal note will be. A short term note of say two to three years is ideal because it gives the buyers time for their credit scores to repair to the point of being able to refinance into a conventional mortgage later on. And amortize your note over 30 years to lower the payments.

Finally, make sure they can afford your new terms. Use the same debt ratio that mortgage companies use. Including the property taxes and insurance, calculate the total monthly payment. This number should be around 30% of the buyers' gross monthly income. Get copies of their paycheck stubs to make that comparison. If you've been satisfied, you should get with an attorney to put a legal note together.

If you've decided to say 'yes' to this proposal, you've got some upfront cash to the tune of 20% of the sales price or more, you've gotten a full price offer plus a little more and you have some secured monthly income for the next two to three years.



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## Earnest Money vs. Down Payment: How Do They Compare?

*By Ashley Sutphin*

There are two terms you might hear if you're in the market to buy a house—earnest money and down payment. The two are not interchangeable, but sometimes there's confusion between what they are, what they aren't, and how they compare. Understanding both earnest money and a down payment is critical to buying a home. Too often, buyers will think only about the down payment they have to make up front, but they don't consider other costs.

### What is Earnest Money?

Earnest money you might also hear referred to as an escrow deposit. Earnest money or an escrow deposit is an amount of money that you, if you're a buyer, put into an escrow account only after a seller accepts your offer. The objective of earnest money is to show a seller that you're entering into this transaction in good faith. Another way to look at earnest money is as if it's a security deposit.

An earnest money deposit is not a good faith deposit. Under some circumstances, your earnest money might be refundable. What your earnest money does is allow you a specific amount of time to get your mortgage financing in order and also go through any other steps in the buying process, like inspections and appraisals.

Earnest money is usually calculated as either a fixed amount or a percentage. Which one you'd pay depends mainly on the market where you're buying. In some markets, there's a standard, fixed amount of earnest money no matter the purchase price. Once your purchase agreement is accepted, you submit that amount of money. For other markets, it's common to do a percentage of the purchase price—3% for example.

Your earnest money is deposited into an escrow account where it can earn interest. If you're in a competitive market, earnest money deposits are a good way to set your offer apart. You're showing that you genuinely intend to buy, and if you can put forth a bigger earnest money deposit, you're signaling that you might be a safer buyer. If you can put that money up early on, the seller might feel you're more financially stable, so they can worry less about something causing the sale to fall apart at the last minute.

If you make it to loan closing, then your earnest money deposit goes toward your down payment. Along with making your offer stand out, earnest money can also be a way to compensate a seller for taking the house off the market as you finalize transaction details. If you don't make it to closing, you may lose your earnest money. To guarantee you get it back, you should have contingencies in place to protect the deposit, like a home inspection or appraisal contingency.

### What's a Down Payment?

A down payment is something that, as a buyer you can put toward the purchase of a home. The seller receives it, and then the rest of the home's purchase price comes from your mortgage. Lenders require down payment minimums. The minimum required amount is 3% of the purchase price of a home, but 20% is best. The closer you can get to the 20% down payment, the more likely you'll be approved for a mortgage. Also, you'll have smaller monthly payments on your mortgage.

If your down payment is less than 20%, your lender will probably require you to buy private mortgage insurance or PMI. PMI is a way for your lender to protect itself if you default on your loan.

### Key Takeaways

Both earnest money and down payment are essential parts of buying a house. Earnest money can sometimes be returned if the transaction doesn't go through if you have contingencies. In some cases, a seller will get to keep your earnest money if you don't go through with the purchase.

A buyer and seller can usually negotiate on earnest money, and it can be anywhere from 1% to 2% of the purchase price, up to 10% in very hot markets.

Earnest money can accumulate interest.

A lender requires a down payment as part of your mortgage, and you don't negotiate it with your seller. With that being said, you pay it to the seller and not the lender, and then the rest of the purchase price comes from the mortgage.



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