Your REALTOR:

Dennis Kuty

September 2019
REAL ESTATE Update™

PREMIER PLUS Realty

"An educated prospect makes our best client"

4 Questions to Ponder If You're Thinking of Buying Your Very First Home

If these thoughts are swirling in your head, ask these questions to see if they can push you across the goal line.

How much money do I need?

You'll need money for a down payment, closing costs and cash reserves. All loans need closing costs to pay for various services from third party vendors. Cash reserves are identified as the number of months' worth of house payments that are left over in the bank after the loan has closed.

How much can I borrow?

That's a combination of current market rates, the term of your loan, your gross monthly income and current monthly credit obligations. This can be estimated by taking about one-third of your gross monthly income. That gives your lender an idea of what you can qualify for as it relates to monthly payment.

Am I ready for household maintenance costs?

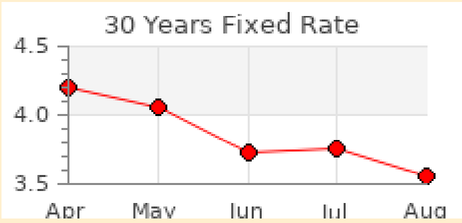
It's recommended to have your property inspected by a licensed home inspector who will get you a report on the overall condition of your property as well as the condition of appliances to help give you an idea of overall maintenance costs.

Where do I want to live?

This is largely based upon how much you can qualify for. When your loan officer provides you with a preapproval telling you how much you can finance, your agent then locates different areas of town that fits into your budget.

Mortgage Rates
U.S. averages as of September 2019:

30 yr. fixed: 3.55%
15 yr. fixed: 3.03%
5/1 yr. adj: 3.32%



4 Easy Solutions for Creating More Storage at Home

If you're frustrated with the lack of storage in your home, you're not alone.

Take a new look at your house
Don't have enough linen space? Maybe there's a corner or niche that could be turned into a closet. It might just take an open mind and a fresh outlook to reimagine a space.

Grab some Space Saver Bags
Space bags are great for off-season clothes, jackets, and bedding because you can compress them to a fraction of the size.

Hang from the ceiling
Garage storage is critical. SafeRacks are hanging garage storage shelves that get your stuff up off the floor so you can reclaim the space for your cars.

Pick the right furniture
Find or design and build furniture that serves more than one purpose. Ottomans are a great option for living spaces because they're small, easily movable, can act as a coffee table or an extra seat, and can easily hide clutter.

Finding Down Payment Money

One of the biggest challenges is coming up with the money for a down payment on a home, but there are sources for down payment funds that might sometimes be overlooked:

A Gift.

Lenders want to make sure the gift funds aren't a loan that must be paid back at some point in the future. There needs to be a signed "gift letter" included with the loan file stating the amount of the gift, the donor's name and where the funds are coming from.

A Retirement Account.

Most retirement funds allow for someone to borrow up to one-half of the employee's vested balance in the account. With an IRA, first time buyers can withdraw up to $10,000 without penalty. The withdrawal will still be subject to any income tax due.

An Appraisable Asset.

Proceeds when selling an asset that can be appraised by an independent third party are an acceptable source. Selling an automobile is acceptable, for instance, because it has an appraised value. It's important to document the transaction from the initial sale to the deposit in the account.

A Down Payment Assistance Program.

These programs are typically overseen and/or issued by a county or state agency and typically require the borrowers' gross monthly income to not exceed certain limits, and are often available to first time buyers.

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Would You Pay Top Dollar for Your Own House?

By Caroline Carter

If the answer is a resounding yes, you're ready to list. If the answer is no, you'll need to understand why it is a no and create a strategic plan of attack to create a yes. Realtors are often called upon to outline exactly what a seller may need to do to get their house ready to sell at top dollar. Do you know what to do to get your own house ready to list?

Most sellers realize they are expected to do a few things to "spruce up" their home before they sell. Do you understand exactly what you need to do and why? This information is vital to understand to positively position your house to sell. This is just one part of the larger "total home transition", but a critical part that will directly affect the list price, DOM (days on market) and ultimate sales price of your house. The biggest mistake sellers make is not looking at their house through the eyes of the BUYER and not making the necessary visual and cosmetic updates in order to meet BUYER expectations. Ask yourself, would you pay top dollar for your own house? If not, you need to understand why not and what to do about it.

We strongly encourage sellers to do a thorough (buyer-based) interior and exterior assessment of the house and property, in order to determine what "negative" issues need to be addressed to entice today's buyers. Be objective and non-emotional when you do the assessment to create a task list and remain in control of the process. Gather the estimates to make a decision on which items will create the most positive impression and ensure the highest ROI (rate of return) on your investment. Don't get overwhelmed or be discouraged, it's just a list. You have control of what you will ultimately decide you will do and what you are willing to spend to do it. Understanding the financial impact of the decisions you will make is part of the process.

The next step in the Total Home Transition process is to create your 5-step plan of attack to turn your home into a marketable asset that is ready to list and sell at top dollar:

1. Determine a launch schedule and define the scope of work to be completed.

Download a blank calendar to use as a planning tool and create a transition binder for yourself to stay organized during this part of the sales process. Decide on the date the house will be listed with your REALTOR and work backward on the calendar to schedule the work that needs to be done and add all key dates, notes, vendor estimates, meetings, receipts, etc. This binder is a critical part of the organizational process and you will refer to it frequently throughout the course of your home transition.

2. What can I afford to do? What can't I afford NOT to do?

Once you have compiled the task list of items to be addressed, sellers tend to look at the list from a financial point of view only and have likely pre-determined the cost of what is "fair" to prepare their house to sell.

Fight this basic instinct to save money or hassle in the short-term and prioritize the list by visual and physical impact to the buyer. If funds are limited, consider painting the walls white and installing new neutral carpeting and repair or replace flooring that is old, scratched, peeling, cracked or generally in disrepair.

3. Working with a Pro and dealing with the Trades.

You will need to hire professionals for most if not all the work that needs to be done. If you don't have a list of the required trades at your fingertips, your REALTOR, friends and neighbors can make trusted recommendations. Don't rush. Get several estimates to compare apples to apples, check for online reviews, ask for licenses and inquire about Workman's Compensation insurance. Do your homework. Establish deadlines and financial consequences for not meeting them. Expect to pay a deposit and hold the balance payment until the contracted work is completed.

4. Decide to stage or not to stage.

Will you be using your own furniture, rugs, lamps, artwork and accessories to accentuate the width and depth of each room and highlight the unique assets of the house for the buyer? Or, will you hire a staging company to install a more updated color palette with right-sized furniture? Don't make the mistake of believing that you can and should stage only the main floor of the house to save money. This is NOT a smart move. While you may save money in the short term, the positive visual impression does not last when the buyer goes to the second floor and sees vacant or sparsely furnished rooms. The energy drop is often negative and creates needless questions in the mind of the buyer.

5. The Roller Coaster Ride Continues.

You have identified the timeline, task list, budget and vendors and have scheduled the work that needs to be done. You have made the decision about how you will stage the house. Now it's time to begin strategically sorting and packing the household goods you will not need access to over the next few months. Stay focused on the "big picture" and understand that you are sorting and packing now to put yourself in a position of negotiating strength to accept a cash offer with a fast closing. The next phase will be much easier if you are already 60% packed to move.

Remember: Procrastination is enemy number one! Home Transition is an emotional, physical and financial roller coaster. To succeed over time, you will need to focus, pace yourself, stay organized and set aside time each day to breathe and center yourself. This process can weigh heavily on your mental well-being and physical strength and endurance. It is truly challenging and often the most difficult part of the process. Understand what to expect and commit to accomplish this with determination and as little drama as possible.

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Why an Investment Property Should Be Your First Real Estate Purchase

By Jaymi Naciri

Not ready to buy a home for yourself but want to take advantage of great market conditions? Consider buying an investment property! It's a trend that's taking over real estate as savvy investors look to put their money in an appreciating asset. Here are seven reasons to make this smart move.

1. Rates are crazy low.

Lower rates mean more affordable lending, or more for your money if you choose to reach higher.

2. Because it will appreciate.

According to CoreLogic, "The overall home price index (HPI) has increased on a year-over-year basis every month for seven years." The long-term price appreciation of real estate can provide one of the safest investments out there.

3. Because passive income is good.

Yes, it's nice to know there will likely be appreciation over time, but the real key to success with investment properties is passive income.

"The best part about rental properties is that they provide a stable income," said Mashvisor. "What would be better than having a check sent to you every month? In order to have positive cash flow, you have to make sure you invest in a profitable rental property."

Many real estate investors use the one percent rule when looking for a cash flow-positive property. "Monthly rental income ? one percent of purchase price," said Norada Real Estate Investments. "So according to the rule, a property with a total investment (price + upfront repairs) of $200,000 should rent for $2,000/month or more in order to be a good investment. If the rent is only $1,500/month, the $200,000 price would not meet the rule. Or if you had to pay $250,000 for a property that rents for $2,000, it would not meet the rule either."

4. To turn it into a short-term rental.

The short-term rental market has opened up a new world of opportunity for investors. By buying in the right location—by the beach, bear a ski resort, or in close proximity to a popular annual event like Coachella, you have the potential of making six figures in a short period of time.

If you're considering purchasing a home to turn into a short-term rental, be sure to check the local laws. Lots of cities have been cracking down on Airbnb and other services, stripping away some of the income potential for property owners.

5. Because you can be a homeowner without living in the home.

What you can afford to buy may not match up with your expectations. Perhaps you don't want to live in an attached residence or move to the suburbs, or even out of your current neighborhood. If you've been priced out of what you want to buy for yourself right now, you can still make a smart investment in the type of property other people are looking to rent.

6. Because it can help you buy the home of your dreams down the line.

"Buying an investment property before your first home does not imply that you won't have the funds to purchase your actual home at some point," said Mashvisor. "In fact, investment properties that have been purchased wisely and have grown in value can offer you a sizeable amount of wealth and equity."

7. Because there are tax benefits.

"Rental real estate has more tax benefits than almost any other investment out there," said Real Wealth Network. "Failure to take advantage of rental property tax deductions, can cost landlords thousands of dollars a year. So why are rental property owners paying more in taxes than they have to? Simply, because they have no idea there are multiple tax deductions they could be taking advantage of. Tax deductions include:

Interest Savings—"Interest on rental property is typically the biggest tax deductible expense for owners. This includes, interest on your mortgage loan, or other loans used to improve the property, and if you use a credit card for anything relating to the rental property, interest can be deducted."

Depreciation of Rental Property—Depreciation or wear and tear on the property is not tax deductible in the first year, but, after that, "Rental property owners can deduct depreciation in smaller amounts, over a longer period of time."

Claim All Property Expenses—Certain repair costs, furnishings, and insurance including "fire, flood, theft, and landlord liability insurance" can be deducted.

Pass-Through Tax Deduction—"This is an income tax, not a rental tax deduction, made by the Tax Cuts and Jobs Act. Depending on your income, landlords can deduct (1) up to 20% of net rental income, or (2) 2.5% of initial cost of rental property, plus 25% of cost for any employees or independent contractors used (if applicable). This deduction is scheduled to end in 2025."

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Which Type of Loan Is Best? We're Doing an Apples-To-Apples Comparison.

By Jaymi Naciri

FHA. 30-year conventional. 15-year term. With so many loan options out there, how do you know which is best? There is not one across-the-board winner because everyone's situation is different. But there are pros and cons of each that might make one loan work better for you. We're comparing and contrasting some of the most popular options to help you make the best choice when buying a house.

30-year fixed-rate conventional

This is a 30-year loan with rates that are fixed every month. These loans follow Fannie Mae and Freddie Mac guidelines and are not backed by the government like FHA loans.

Pro: With set payments, there's no need to worry about rising rates. Loans are available for a range of buyers, with options like HomeReady and Conventional 97 that offer as little as 3% down. Also, there is no upfront mortgage insurance fee like you have on FHA loans.

Con: You have to pay PMI if you put less than 20% down. There also may be higher credit score requirements than FHA loans.

15-year fixed-rate

A 15-year fixed-rate option also has fixed rates for the life of the loan. If you're the type who wants to pay your home off more quickly, this could be a good choice.

Pro: You pay far less interest over the life of the loan and pay off your home in half the time.

Con: Monthly payments are higher.

FHA

FHA loans are federally insured, which is why down payment and credit score requirements are more relaxed.

Pro: FHA loans require as little as 3.5% down. Credit score requirements are also lower than conventional loans. You can typically qualify for a loan with a 3.5% down payment at a 580 score, and may be able to get a loan with a score as low as 500 if you have 10% down.

Con: You'll have to pay mortgage interest, which you can't get rid of unless you refinance. FHA loans also come with an upfront mortgage insurance fee.

Adjustable rate

"An adjustable-rate mortgage (ARM) is a type of mortgage in which the interest rate applied on the outstanding balance varies throughout the life of the loan," said Investopedia. "Normally, the initial interest rate is fixed for a period of time, after which it resets periodically, often every year or even monthly. The interest rate resets based on a benchmark or index plus an additional spread, called an ARM margin."

Pro: Rates are often lower during the introductory or fixed period than what a borrower can get with a fixed-rate loan, making homeownership more affordable initially.

Con: Once the ARM gets past the fixed period, monthly payments can skyrocket, leaving owners unprepared and possibly in danger of defaulting.

USDA loans

Looking to buy in a rural area? You may qualify for a USDA loan. USDA-eligible homes may also be located in some suburban areas. You can check eligibility on their website.

Pro: USDA loans offer low or even no down payments and low interest rates. Rates can be as low as 1% with subsidies on direct loans.

Con: Household income is capped and a mortgage insurance premium is required for down payments under 20%.

VA loans

Veterans Administration (VA) loans help military members and veterans purchase homes.

Pro: VA loans tend to have the lowest average interest rates, and loans are available with no down payment. In addition, there is "no monthly mortgage insurance premiums or PMI to pay," according to VAloans.com.

Con: They're not available to the general public, and veterans must meet a list of conditions.

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What's More Important: A Large Floor Plan or the Right Layout?
By Jaymi Naciri

More. More. More. That's what we want in life, and certainly in a home. Right? We're conditioned to reach for the stars, and, in the real estate world, that means going for the biggest home you can. But is bigger always better?

Yes, Price-per-square-foot is an important factor in determining the value of a home. But it's not the only one.

"The reason why the price per square foot method is a poor method to determine market value is because every home is different," said Coldwell Banker Seaside Realty. "While homes are similar in terms of square footage, number of bedrooms, number of bathrooms, and location, there are so many factors that aren't taken into consideration when using the price per square foot valuation method. Condition, upgrades, is there a garage, screen porch, elevator, etc."

These tips will help you see past the square footage to find the home that works best for your needs and your budget.

Don't get hung up on a number

Unless your real estate agent has been specific about a certain size home—perhaps homes under 2,500 square feet take three times longer to sell than larger homes in your market, for instance—getting a number stuck in your head may not make sense. An 1,800-square-foot new construction home may feel larger than a 2,300-square-foot home that was built 50 years ago because the floor plan is open and airy, and it might end up being the better buy.

But make sure there's room to grow

You do want to look carefully at the space the home offers, however. It's easy to get seduced by a well-staged home, and, especially by a model that's been all decked out. If you have young kids or are growing your family, you'll want to make sure you're not already maxing out the space.

It's also important, especially in model homes, to take a good look at the furniture they have used. It may seem like living spaces or bedrooms are larger than they actually are because the furniture is sparse or undersized. Don't be afraid to get out that measuring tape.

Does the floor plan work for your lifestyle?

There may be lots of space to work with, but is it usable? A formal living room and dining room can add significant square footage, but if your family is more likely to gather around the kitchen island or breakfast nook for meals, and in the family room to watch movies, these spaces may just be wasted. A smaller floor plan that is more open may end up working better for you.

Pay close attention, also, to things like master bedroom retreats. Spaces like these do add square footage, obviously. And, they can also appeal to that part of you that dreams of relaxing at the end of the day with a book and a glass of wine. But, in reality, it will probably end up being a big, expensive place to pile up clean laundry.

Carefully examine floor plan configurations when looking at new construction; Some builder options are better than others. One particular floor plan in a new community in Texas has had people talking. The builder of the 2,250-square-foot model offered a split garage, with two garage bays on one side and a one-car garage on the other. Buyers could then option the one-car garage as a bonus space.

Most of the buyers of this particular model chose the bonus space. However, because of the configuration of the home, this space can only be accessed through the master and master bathroom. It might work as a nursery, but when the child is older, it's not all that convenient to have their bedroom in a location that can only be reached if you walk through the master and the master bath. Some owners have turned the space into a home office space or a retreat, and many have, again, a big, expensive space to fold their laundry.

Most important: Despite the fact that the homes with the bonus space have more square footage, sales prices have been comparable to the same model that has the third garage bay. In this case, having a three car garage is often preferable to a weird bonus space with limited usage.

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