

Your REALTOR:



Dennis Kutny

November 2019

REAL ESTATE Update



"An educated prospect makes our best client"

Scary Issues That Can Kill Your New Home Joy



Buying a home is full of challenges, and the one that might be the most frustrating of all is

finding out there's something wrong after you've already closed escrow. Here are four things to look for before signing on the dotted line.

It smells moist

If you tour a home on a rainy day, don't automatically think that the moist smell inside is because of the weather. Make a return trip when the rain has passed to make sure there's no moisture issue in the house.

There's a telltale pet odor

That could mean damage to carpet or floors. It might be something you can work out while negotiating, but you definitely want to be aware of what you're dealing with so that there are no surprises later on, like pet urine that has seeped down through the wood floors into your sub floor, costing you thousands.

It's dirty

There are times when it's clear the seller didn't make the effort to get it in shape prior to listing. While you may not know the circumstances behind the home, and while it may seem like a great deal for a good price, be cautious. A home that is in bad shape on the surface may have a bunch of issues you can't see.

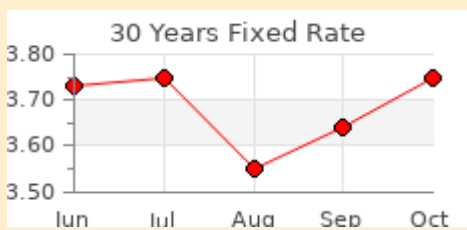
It's too perfect

Envision the home beyond the gorgeous staging. Does the floorplan work for you? Are the pieces scaled for the room or for real families? Getting past the stager's tricks to see the house for what it is will help you to decide if it's really for you.

Mortgage Rates

U.S. averages as of November 2019:

30 yr. fixed: 3.75%
15 yr. fixed: 3.18%
5/1 yr. adj: 3.4%



New Federal Appraisal Rule



A new home appraisal rule just went into effect—the first time in 25 years that “federal regulators have increased the property value limit of the homes that require an appraisal as part of the selling process,” said REALTOR® Magazine. The rule exempts some home sales priced at \$400,000 and below from requiring an appraisal. That figure was previously capped at \$250,000. “The new rules likely apply to about 40% of home sales, regulators estimate.”

So how will this affect home buyers and sellers? First, it should be noted that those homes that do receive the exemption still have to be evaluated “to provide an estimate of the market value of real estate collateral,” said Housingwire. “The agencies state that the evaluation must be ‘consistent with safe and sound banking practices.’ To that point, the rule establishes that an evaluation “should contain sufficient information and analysis to support the regulated institution’s decision to engage in the transaction.”

Also, the new exemption is not applicable for homes using FHA, HUD, VA, Fannie Mae, or Freddie Mac financing, which eliminates a huge percentage of homes right off the top.

Now That It's Fall, Did You Miss the Home Selling Boat?



It's true that spring and summer are the hottest selling seasons of the year, but that doesn't mean you can't offload your home now, or that you won't get a good price if you do. Here are some tips to help:

Make sure your home is market ready

Buyers at this time of year tend to be serious and they likely want to find something, get it under contract, and move in fairly quickly. When there are limited buyers out there and you've got competition from other area homes, your place has to show well. Following the basic rules of home staging is also critical: scour and tidy up, declutter, and depersonalize.

Put in a little extra effort for great photos

“Top-notch photos can make your house sell 32% faster than a house with low quality or average pictures,” said Homelight. “That's not just for million-dollar mansions, either. The study, conducted by VHT Studios, took houses of all values into account.”

Let there be light

Emphasizing the natural light in photos is one thing. You also want your home to look as light and bright as possible for showings and tours. “Retract blinds, and widen curtains, so there's minimal window coverage,” said HGTV.

Be mindful of your curb appeal

Making sure you take a walk around your house every day to address any areas that need clean-up can help you from having to make a big effort when an agent calls with an interested client. You know what they say: You only get one chance to make a first impression.



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Paint Colors that Help You Sell Your House (Backed By Science) *By Ben Mizes*

Paint your house. Almost every homeowner hears that piece of advice when they're preparing to sell. After all, adding a fresh coat of paint is a fast — and inexpensive — way to spruce up a home for prospective buyers.

But before you buy gallons of paint at the hardware store, it's important to choose your colors wisely. According to a Zillow study, certain colors can help you sell your home — and for a bigger price tag — while others could leave you seeing red.

How can painting help you sell your house?

When done effectively, a well-staged — and painted — home invites prospective buyers to imagine themselves living there. A fresh coat of paint covers the scrapes and marks that inevitably come from daily use, making a home appear fresh and new. Paint can also create a more open and inviting home. Using the same paint color in adjoining rooms gives the illusion of space. Likewise, darker colors can close off rooms, making them appear smaller.

Neutral colors offer buyers a blank canvas — a place where they can move in and make themselves at home with their own furniture and style. Neutral doesn't necessarily mean white. It ranges in hue from light to medium and warm to cool tone. In Zillow's analysis of more than 135,000 photos from residential listings sold between January 2010 and May 2018, they found specific colors associated with homes that sold for more or less than their Zestimate as compared to similar homes painted white.

Here's a breakdown of what colors could put more money in your pocket when you list your home.

Paint Colors that Scientifically Sell for More

The color potential begins before a buyer ever steps inside a home. "Greige" exteriors — a mixture of gray and beige — sold for \$1,526 more than homes painted white. At the same time, houses with a charcoal or black front door sold for \$6,271 more.

While it may be tempting to bulk buy paint for your home's interior, the Zillow study found that buyers may prefer variety from room to room.

Kitchen: While the on-trend kitchen wall color varies from year to year — with pale yellows selling best in 2017 and light blues in 2018 — one constant has been in cabinet colors. Tuxedo cabinets gave sellers the most bang for their buck. By pairing light upper cabinets with dark lower cabinets and kitchen islands, homeowners saw an average of \$1,547 more in their home sale. Try painting the top tier of cabinets white with a dark navy or black paint below the counter. Put a light color on your wall for more contrast and to give your room a welcome pop of color.

Bathroom: Buyers are looking for a relaxing oasis in their bathrooms. On average, Zillow found that homes with a gray-blue tint, frequently called periwinkle blue, sold for an average of \$2,786 more than a white bathroom. Think of an early morning ocean view at a luxurious day spa for your bathroom walls.

Bedroom: When it comes to setting a tone for bedrooms, prospective buyers are looking for peace and serenity. Blue is a calming color, and homes with blue-tinted bedrooms sold for \$1,856 more on average. Look for a matte soft cerulean blue accented by white baseboards or light natural wood to create the ultimate Zen setting that will send the homeowners off to a restful dreamworld.

Dining Room: We aren't done with blues just yet. Zillow's study found that blue dining rooms earned an average of more than \$1,926 during a sale. This time, go for a more gray- or slate-blue color to make a clean and formal room for hosting dinner parties. A word of caution. If a blue dining room isn't your style, avoid substituting a color with brown in it. Dining rooms with brown tints sold for \$1,684 less than white rooms.

Living Room: Branch out in your living room with a light taupe color on your walls. Taupe living rooms netted an average of \$2,793 more than white walls. Go for a warm tan with pink or peach undertones. If you want an accent, pick a darker, complementary shade.



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Mortgage Loans: What You Can Do On Your Own and What to Leave to Your Lender *By David Reed*

You'd be surprised about how much it takes to get a loan from application status to final approval. There are multiple steps involved and many of these steps can't be taken unless a previous step has been completed. To help, borrowers can take on some of the load to help streamline the entire process. There are some initial requirements that borrowers must complete without the assistance of anyone else. Applicants are required to complete a loan application. That can be done with the assistance of the loan officer, but most often it's the sole duty of the borrowers.

Borrowers are also asked to provide certain documentation upfront before the loan gets too much further into the process, like providing paycheck stubs and tax returns, for example. But when it comes to third party services, there are some limitations on what the borrowers can and cannot choose. For certain credit documents, borrowers are not allowed to provide their own credit report. It's the lender's job to run credit. That certainly makes sense as to why a borrower can't provide a separate credit report. The lender orders the credit report as part of the initial package. A credit report and credit scores are one of the first things ordered to see if the loan can be approved as requested.

Lenders provide a Settlement Service Provider List, or SSPL, which lists third party service providers the borrowers can select. Title insurance, for example, is one such service. Lenders can open up title but so too can consumers. Title insurance is indeed insurance and protects interested parties from fraud and previous claims of ownership on the property. States regulate insurance companies so it's likely that title insurance from one title company to the next will be the same. For areas where the title company also works with a settlement service provider, the title company can also suggest the closing agent. Services that the borrower can order independently of a lender are listed on the initial Loan Estimate.

But the twist with this is the borrower really has no experience selecting one title company over another. Title insurance is a mortgage lender requirement. Lenders order title reports day in and day out. Borrowers rarely, if ever, do. Borrowers can't order an appraisal. Lenders do that but order an appraisal via an appraisal management company, who then proceeds to order the appraisal from a list of approved appraisers. Borrowers should also choose their own insurance company. Most often it's the insurance company currently covering other assets such as an automobile policy.

The fact is that while borrowers can choose some third party providers on their own, it's often best to leave that up to the individual lender. Mortgage loan approvals can have different requirements for different situations and sometimes a full appraisal isn't even needed. Instead, an automated valuation model is accessed which arrives at an appraised value based upon digital research regarding sales of homes recently sold in the area. It's the automated approval that dictates whether an automated valuation model, or AVM can be used, or a full appraisal is required.

Lenders establish working relationships with various third party providers. These providers can even hire sales representatives to solicit a lender's business. While you can order some services on your own, it's probably best to leave all that to your lender.



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The Basics of Down Payment Assistance Programs *By David Reed*

Perhaps the single biggest obstacle to home ownership is coming up with enough money for a down payment, closing costs and cash reserves. While some loan programs don't require a down payment, such as the VA and USDA programs, others do. For example, FHA loans ask for a minimum down payment of just 3.5 percent of the sales price.

While that may not sound like very much, and it's certainly a lot less than 20 percent down, 3.5 percent of \$300,000 is still \$10,500. This is on top of closing costs and cash reserves. First time buyers save money each month to go toward a down payment. But there are Down Payment Assistance Programs available in most areas. Where do you apply for down payment assistance and how do these programs work?

Down payment assistance can come in the form of a grant. A grant is actually free money. It does not have to be paid back. Most such grant programs do ask the borrowers to own the home for at least three years after at which point the grant is forgiven. A grant is typically reserved for first time home buyers and lenders will independently verify first time status.

Although the lender will ask if someone is a first time buyer, the existence of a mortgage showing up on a credit report will also be dated. However, if the mortgage is more than three years paid off, some grant programs consider the applicants to be first timers. Grants have no monthly payments during this period.

Down payment assistance can also be in the form of a second mortgage. A second mortgage is a loan that is recorded and subordinated to an existing mortgage. The existing mortgage is the one that finances the home. A down payment assistance second lien can carry a very low rate or even no rate at all. At the end of a specified period, typically three years, interest can accrue, and payments are due. Like a grant, such programs also require the borrowers be first time buyers.

Down payment help can come as a tax credit. A tax credit, commonly referred to as a mortgage credit certificate, or MCC, reduces the amount of income tax someone pays which in effect increases monthly income. Tax credits are typically issued through state and local governmental agencies. It's the mortgage company that can provide a list of providers. This is something you want your lender to help you with.

How much money will you need? Your loan officer will provide you with an estimate regarding how much you'll need to come to the closing table with. This is also depending upon the type of loan program you select, other financial resources and any assistance from the mortgage company. While the mortgage company won't typically offer the program and service the loan, the mortgage company can help out with closing costs which would then funnel more money toward a down payment.



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Is It a Good Time to Buy a House?

By Jaymi Naciri

Is it a good time to buy a house? The summer rush is over, mortgage rates are super low, and the job market is strong, leading the Federal Reserve to proclaim that the housing market is the economy's "bright spot."

So, in a word, Yes!

"Housing activity indicators displayed further gradual improvement in August," the report said. "Single-family housing starts and permits have rebounded over the past three months. New and existing home sales rose in August. A still-strong labor market and low mortgage rates could continue to provide support to housing."

The report noted today's low mortgage rates, which create greater affordability and buying power for those looking to purchase a home. It pointed to "August's 7.1% gain in new-home sales to 713,000 at a seasonally adjusted and annualized pace, which was 18% above the year-earlier month," said HousingWire. "And, the Fed cited the 1.2% gain in existing home sales in August that put the sales pace 2.9% above a year earlier."

Homebuilding was also a focus of the report, thanks to housing starts that are up 12.3%, reaching their highest point in more than a dozen years.

"Over the last three months, single-family housing starts and permits have rebounded," said Realtor Magazine. "New home sales gained 7.1% in August month over month and are 18% higher than a year earlier. Homebuilding has also seen some increases, surging 12.3% in August to reach the highest level since June 2007, according to the U.S. Commerce Department. A good portion of that has been in the multifamily sector, which includes apartments."

According to the report, the combination of a strong labor market and favorable mortgage rates should continue to keep the housing market in positive territory. However, "The report did note the shortage of homes for sale as one major hurdle facing the housing market that could limit its continued growth," said Realtor.

The report was partially based on the Federal Reserve Bank of New York's U.S. Economy in a Snapshot, a monthly look at national economic factors.



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