Your REALTOR:

Dennis Kuty

November 2024

Real Estate Update™

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Premier Plus Realty

Understanding Financial Gifts

For most first time homebuyers, coming up with the money for a down payment and closing costs is the biggest challenge. But getting a bit of a financial windfall will go a long way. Just know in advance how lenders view and treat financial gifts when qualifying for a home loan. What's important?

One of the things to know is that lenders will want to 'source' the financial gift to make sure it's from a legitimate source. For instance, when you provide your bank statements to the lender, they'll match up what appears on your paycheck stubs with deposit verification from your bank statements. But if you get a financial gift, the money will simply appear in your account. Lenders will want to know where that irregular deposit came from.

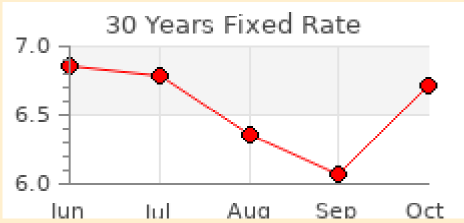
Qualified sources for gift funds include family members, qualified non-profits and life partners. Whichever the source, you'll be asked to provide a letter from the donor stating that the funds are indeed a financial gift and are not expected to pay them back.

Upon receiving the gift, you'll need an explanation as to where those funds came from. Lenders also have the right to make sure the donor has the ability to pay the gift and not expect to be paid back. The gift letter will also point out the source of the donor's gift funds. A simple 'from our bank account' will suffice.

When counting on getting some financial help from qualified sources, know in advance it's not as simple as just saying 'it came from my checking account.' You'll need to show the funds are yours, not expected to be paid back and the funds will be used to help finance the purchase of your new home.

Mortgage Rates
U.S. averages as of November 2024:

30 yr. fixed: 6.72%
15 yr. fixed: 5.99%
5/1 yr. adj: 6.18%



What Does The Home Seller Owe?

In a normal market or a buyer's market, the buyer hopes that the seller will accept an offer that is lower than current market value, but high enough to allow the seller to get out of their mortgage debt without bringing money to the closing table.

Short sales are a little different. Short sales are more common in areas with high foreclosures or job losses. Banks have a lot of inventory on hand and are more willing to negotiate but they put the deal under a microscope. The amount owed on any mortgage is a matter of public record and can be found at the County Recorder.

There are three ways buyers can find out what the seller owes -- public records, real estate professionals and asking the seller directly.

Because getting a lender to agree to a short sale is in the interest of the seller, the seller is motivated to give the buyer all the information possible to allow a sale to go forward. Buyers should know that what the seller owes on the home has nothing to do with market value, or what the seller will accept as an offer.

Is Your House Making You Sick?

The following are some of the most common ways you could be impacted if your own house is making you sick.

Is the Humidity Too High? When your home has humidity above 60%, it becomes mold's breeding ground. If your humidity levels get high enough, it can allow mold to spread behind the walls. We know mold can cause various health issues, including chronic sinus conditions, and even damage your nervous system. When a house is too humid, it can also be a welcoming environment for dust mites, causing sleep disorders, allergic reactions, and stomach problems.

Excessive Dust Cleaning your house isn't just an aesthetic issue. You want to ensure your home is free of dust because it can cause dust mites irritating to eyes and nasal passages. Dust mites can stress your immune system and, over time, weaken it. Dust can also attract particles and dirt from outdoors, which may have pesticides and herbicides, which are toxic to our nervous systems.

Damp Areas Any damp areas in your home, which include basements and bathrooms, could make you sick or worsen existing symptoms. Mold, mildew, and bacteria can contribute to "sick building syndrome." Anytime water or condensation is in your home, you could risk mold-related health issues.

Lack of Ventilation Many people seal their homes up tightly, which saves on their energy bills. However, indoor air is probably dirtier than outdoor air, and your home needs some ventilation. You can open your windows and doors occasionally when the weather allows.

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6 Benefits of Using Vintage Furniture in Your Home
By Ashley Sutphin

Vintage or antique furniture can be a great addition to your home design. When you mix in older pieces, it can help your home feel curated. There's that sense of timelessness that comes with older furniture, and you avoid having a space that feels too sterile or like you just went into a furniture store and chose a package already put together.

We often use the terms vintage and antique interchangeably in home design, which is similar, and the difference is in how old the pieces are. A vintage piece is usually anywhere from 30 to 100 years old, and an antique piece of furniture is technically more than 100 years old. The following are six benefits and advantages of mixing some vintage or antique pieces in your home.

1. It's Not a Fleeting Trend

When you shop at today's furniture manufacturers and companies, the pieces are often trendy and designed for the moment. That's fine too, but when you invest in a vintage or antique piece, it will stand the test of time. They're never going out of style, and many modern companies will try to replicate or modernize vintage and antique styles because of how enduring they are in terms of style.

2. The Quality

Antique and vintage furnishings will be extremely high quality in almost every instance. The furniture has survived for decades or more, proving its quality. When pieces were made 30 years ago or more, the wood and other materials were often of better quality than what's used to manufacture today's pieces. These furnishings were made to last for generations, reflecting the detail and craftsmanship.

3. It's Unique

If you're someone who prefers the idea of having a home that's entirely your own and not like anyone else's, vintage and antique pieces are one of the best ways to achieve this. Today's furniture is mass-produced, and you can see the same items across different websites and in various furniture stores.

Vintage and antique pieces are one-of-a-kind. Every item is going to be unique from each other, and it isn't easy to find the same piece. There can become almost an addiction to collecting unique pieces of furniture that people love. When you mix unique and timeless pieces into your home's design, they become conversation-starters.

4. You'll Have Fun Shopping For It

Shopping for antique and vintage furniture is a hobby for many people, and there are so many places you can source it. For example, you can look online, and people might be selling pieces on social media or sites like Etsy.

Local shops in your area may specialize in older furniture; if you like antiques in particular, auction houses can be an excellent place to find pieces. A lot of the pieces you'll find at auction houses can also be a good investment. These pieces may be valuable now and may continue going up in the future.

5. It's Cost-Effective

While certain antique pieces might be expensive, most older furniture isn't. You can find great deals, and you can even scour yard sales looking for things that you like. Plus, since it is of higher quality than most modern furniture, items will last longer, and you'll have to replace them less often.

If you go with cheaper furniture or newer pieces, you might be able to spend less at first, but if you're replacing the same item every few years, the costs add up quickly.

6. Environmental Friendliness

Finally, if you're choosing older furnishings, you're helping the environment and reducing your impact. First, you are buying items that could end up in a landfill. You also have to think about what goes into modern, mass-produced furniture. It often is made in polluting factories and facilities and includes toxic chemicals and substances in the finishes and glues.

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When Do Mortgage Points Make Sense?
By Ashley Sutphin

Mortgage rates are increasing, which leaves potential homebuyers wondering how they can beat the rates, and one option is buying mortgage points. With mortgage points, you can save money, but they don't always make sense in every situation.

Mortgage points are a fee you, as a borrower, would pay a lender to reduce your interest rate on a home loan. You'll hear it referred to as buying down the rate. Each point you're buying will cost 1% of your mortgage amount. If you're getting a $400,000 mortgage, a point would cost $4,000. Each point will usually lower your rate by 0.25%. One point would reduce your mortgage rate from, let's say, 6% to 5.75% for the life of your loan.

However, there's variation in how much every point will lower the rate. How much mortgage points can reduce your interest rate depends on the loan type and the general environment for interest rates. You can buy more than a point, or you can buy a fraction of a point.

Your points are paid when you close, and you'll see them listed on your loan estimate document. You receive the loan estimate document after applying for a mortgage, and you'll also see them on your closing disclosure, which you get right before you close on your loan.

There are also mortgage origination points and fees you pay to a lender for originating, reviewing, and processing your loan. These usually cost 1% of the total mortgage. These don't directly reduce your interest rate. Lenders might let a borrower get a loan with no origination points, but usually, that's in exchange for other fees or a higher interest rate.

To determine when mortgage points make sense, you have to calculate what's known as your breakeven point. This is when borrowers can recover what they spent on prepaid interest. To calculate this, you start with what you paid for the points and divide that amount by how much money you're saving each month with the reduced rate.

Let's say the figure you get when calculating your breakeven point is 60 months. That means you would need to stay in your home for 60 months to recover what you spent on discount points. If you're buying a home you plan to stay in for a long time, then the additional costs of mortgage points to lower your interest rate can make financial sense.

If you doubt you'll stay in your home for the long term, it's probably not right for you. If you don't stay in the home for long enough, you will ultimately lose money.

At the same time, as you consider whether or not mortgage points are right for you, you should consider your down payment. You could be better off putting money towards a more significant down payment than points. If you make a larger down payment, you might be able to secure a lower interest rate. Plus, if you make a down payment of at least 20%, you can avoid the added cost of PMI.

Bigger down payments mean you're lowering your loan-to-value ratio or the size of your mortgage in comparison to the value of your home.

The takeaway is not to assume that buying mortgage points is always the right option. You need to consider how long you will stay in the home and your breakeven point.

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Could Your Garage Get Your Home Sold?
By Jaymi Naciri

You've made updates to your kitchen. Made sure your bathrooms look fresh and clean. Decluttered EVERYTHING. Even dropped your price. But your house still isn't selling. Could your garage make the difference?

It just might.

"When prospective buyers visit your for-sale home, they're going to inspect every room in the house—even the garage," said Sara Reese of Berkshire Hathaway HomeServices Beach Properties of Florida on RISMedia. "It's not exactly a glamorous space, but if your garage is a mess, it's going to send a bad signal and turn off visitors. Therefore, it's helpful to spend a little time in your garage and make it look its best."

Here are a few tips to get your garage in great shape.

Replacing your garage door

If your garage door works perfectly fine, replacing it may not be a high priority. But consider it curb appeal. Garage doors are large items, and they take up a lot of eye space. Especially if your garage faces the street, a dented, chipped, or dingy door could be stealing focus from the rest of your otherwise-put-together house.

"Remodeling Magazine found in its 2019 Cost vs. Value study that an upscale garage door replacement can actually net you a return of 97.5%," said HomeLight. "A new garage door will run you between $300 to $1,500, depending upon the size and style, while installation typically costs between $500 and $800."

If the garage makes a loud or creaky sound when it opens, spending a few hundred dollars to replace the garage door opener is a no-brainer.

Adding storage

After giving the garage a good cleaning, this is the No. 1 must-do to get the space in good shape. According to Kiplinger, 85% of buyers said they want garage storage.

You can easily spend thousands on dedicated garage storage systems that make the space look pristine, but creating spaces to neatly stash your stuff doesn't have to be costly. A few large metal shelving units placed side by side will only cost you a few hundred dollars. These freestanding units are popular with buyers because the doors hide messes. And, when you put a few of them together, you can turn the top into a work surface.

Adding a garage

If you don't have a garage and you're in an area where most homes do, adding one might be on your mind. Your real estate agent should be able to advise you on whether or not this is a smart move, especially given the expense and expected ROI. "At a national level, home sellers can expect to recover close to 64.8% of their initial garage addition costs," said Clever. "Let's say that you invest $27,000 in adding a garage to your home, you may recover about $17,496 when you sell your home."

Doing a garage conversion

Perhaps you're thinking of converting your garage to living space. It is less expensive than adding on; According to Realtor.com, a garage renovation "comes in at $11,000 on average."

While a conversion isn't necessarily a recommended strategy if you're looking to get your home sold right away because of the expense and the time involved, there are some instances where this might be a good move.

"Nearly 30% of shoppers rate a garage as one of the most important home features, just ahead of an updated kitchen and open floor plan. But "a 'well-done' garage conversion to living space can give you up to an 80% ROI."

The decision of whether to go this route largely hinges on that expense, but also on the specific area in which your home is located. It's best to talk with your real estate agent before dropping the hammer on your garage conversion. It could be that homes without garage in your area just don't sell. Or, perhaps there is a growing trend toward multi-generational living locally that could inform your renovation and make your home especially desirable.

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What Does It Mean to Make a Principal-Only Payment?
By Ashley Sutphin

You'll hear the terms principal and interest when you get a home loan. Your principal is the amount you borrow for your home loan, and your interest is what you pay monthly to use the loan. To calculate the principal of a mortgage, you would subtract your down payment from the final sales price of the home you're buying. The principal you borrow starts accumulating interest right when you take it out.

Your interest payment is the second part of a monthly mortgage payment. You're paying your mortgage lender to give you a loan, which is reflected in your interest. Most lenders will calculate your mortgage rate in terms of an annual percentage rate or APR. APR is what you pay on your loan per year in interest. If you borrow $200,000 and your APR is 5%, you're paying $10,000 a year in interest.

Your principal is high at the start of your loan, so during this time, your monthly payment is primarily going towards paying your interest.

A few percentage points of interest significantly affect how much you ultimately pay for your loan. If, for example, you borrowed $150,000 and your interest rate on a 30-year loan was 4%, your monthly payment would be around $716. If you had the same loan but a 6% interest rate, your monthly payment jumps to more than $899.

A difference of just 2% in interest rates, for example, can make a difference of tens of thousands of dollars in how much you pay in interest over the life of your loan.

When you make a payment on your loan, your lender will apply part of your payment to interest and fees before reducing the principal. The lender will use the same formula to pay the interest if you make additional monthly payments. The lender adds up interest accrued during the month, using a part of your payment to pay accrued interest before it's then applied to your principal.

So, What is a Principal-Only Payment?

A principal-only payment is going entirely toward reducing your principal. Since the amount of interest you pay is based on the principal, your interest charges are smaller when you reduce your principal.

You can pay off debt faster with principal-only payments and save on interest.

Not all lenders will allow a principal-only payment, and some lenders will let you make additional payments during the month, but you need to specify it should go toward only the principal.

Regarding a home loan, you're making an additional principal payment that's supplementary and applied directly to your principal mortgage amount, which goes beyond your scheduled monthly payment.

Your monthly payments stay the same, no matter how many principal-only payments you make. You will save more money in interest throughout your loan life.

You might want to recast your mortgage if you want lower monthly payments.

Mortgage Recasting

Finally, if you want to save on your home loan, mortgage recasting can help you pay less interest costs and maybe cut down on the total number of payments you must make before you pay your mortgage in full.

You make a lump-sum payment towards your loan's principal balance with a mortgage recast. Your lender amortizes your mortgage, reflecting your lower balance. You can lower your monthly payments because your principal went down, but your term and interest rates stay the same. One example of when someone might recast a mortgage is if they bought a new home before selling their old one. Then, once they sell their previous home, they can use that money to recast their new mortgage.

If you get a bonus or windfall of money for some reason, you might also want to do a mortgage recast. Many lenders will charge a servicing fee for this, but not usually more than a few hundred dollars. Not every lender will offer this option, and some types of loans aren't eligible.

You can't have a government-backed loan and it must meet minimum standards for principal reduction. For example, you usually have to make a minimum payment of $5,000. You'll also probably need to meet equity requirements, and you have to meet requirements set by your lender for your payment history.

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