Your REALTOR:

Dennis Kuty

March 2024

Real Estate Update™

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How Can You Get a Mortgage If You're a Freelancer?

When you apply for a mortgage as a traditional employee, you'll probably show your proof of income through your job, but it can be a bit trickier if you don't have a traditional employer. You're also going to face more scrutiny from lenders.

Keep Up with Relevant Documents: If you're self-employed, you likely try to write off as many of your business expenses as you can at tax time. This is understandable, but you also want to show as high an income as possible, so if you're thinking about buying a home anytime in the future, keep that in mind with your deductions. Be prepared to show at least two years of tax returns, which will likely be your 1099s instead of your W2s. Beyond your tax returns, you may want to be able to show your bank statements, and any profit and loss statements.

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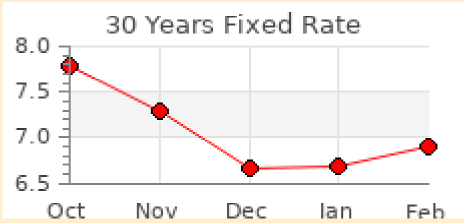
You should be able to calm the fears of your lender by showing them at least several years' worth of documents highlighting your earnings.

Income Calculation: Your income is calculated differently if you're a freelancer. Your lender will calculate an average monthly income by dividing the past two years of your adjusted gross income by 24.

Clean Up Your Finances: Don't open any new accounts or lines of credit before you're going to start applying for home loans, because that's going to impact your credit score negatively. Separate your business and personal bank accounts.

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

30 yr. fixed: 6.9%
15 yr. fixed: 6.29%
5/1 yr. adj: 6.03%



Why Do Lenders Use Your Gross Pay

For most every loan program available today, lenders must determine affordability. This is accomplished by comparing your monthly income with your monthly bills plus the new payments associated with a new mortgage.

Okay, so why do lenders use gross income and not take home pay? Because there are too many variables to consider. With 'take home' pay, one person might have more deductions compared to someone else. Lenders can't go down the list and verify and validate all your deductions before making a determination of affordability. There can also be areas where there are monthly expenses required where in other areas they are not.

To make up for these potential discrepancies, lenders simplify matters by using the gross monthly income and not 'take home' pay. By using gross income, the playing field is essentially leveled so all applicants can be approved using the same basic set of approval guidelines. In this fashion, lenders can evaluate all borrowers equally as it relates to debt ratios.

Buying a Home? Don't Forget to Ask These Questions!

Buying a home comes with a lot of responsibilities and liabilities. When you buy a home, you are stuck with it until after you sell it successfully. Because of this, you must take extra precaution and try to ask as many important questions as possible before you close a deal with the seller or broker. Below are some questions you shouldn't forget to ask when buying a home.

Can You Have a Copy of the Home's Sales History? It is important to know about how many times the home has changed hands over the years as well as for much the home sold for each time. This will let you know about your prospective property's value fluctuations which can help you sell the home and negotiate fairly in the future.

What is the Cost of Monthly and Annual Utility and Maintenance? No one wants a home that racks up utility bills as though the owners are made of money. The water, power, and gas bills should be disclosed as well as annual maintenance cost for you to gauge if you can truly afford the home.

How Much is the Property Tax? Although the home's value is the primary determinant of the property tax, knowing how much the current owners are paying is a good way to determine future expenses on the property.

Does the Area Around the Property Come with Parking Restrictions? Whether or not the home has a garage, it is possible that future visitors may need to park outside of the property. When this happens, the last thing you want is for your guests' vehicles to get towed away.

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Dennis Kuty, , REALTOR
E-mail: dennis@denniskuty.com
Website: http://Sarasota-ManateeHomes.com
Cell: (941) 626-1093

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How to Tell How Much You Can Borrow
By David Reed

How much can you afford to borrow when getting ready to buy a home? That depends upon several factors, some more important than others. Affordability is generally determined by your monthly payment. Your monthly payment is affected by current market rates and the size of your home loan. In addition, the length of your loan will also affect the monthly payment. Shorter term loans for example may have a slightly lower rate but because the loan is squished into a 10 year term compared to the more common 30 year loan, the payment will be higher.

So let's start. Generally speaking, the mortgage payment should be around one-third of your gross monthly income. When lenders evaluate affordability, they look at not just the mortgage payment but also an amount for monthly property taxes and insurance. That's the number they use, not just your principal and interest payment. If the gross monthly income of all borrowers on the note amount to $9,000, then lenders like to see your total payment around $3,000.

But what about all your other bills, are they factored into that one-third amount? No. Other payments that would appear on a credit report are included. This includes both installment and revolving debt. Installment debts are those such as an auto loan that has fixed payments every month. Over time, the car is eventually paid off. The car payment is figured into this amouint, but only if there are more than 10 payments remaining. Revolving debt is like your credit card. The balance can change every month and so will the payments. Everyday bills such as utilities, food, etc won't count. For this payment lenders like to see these bills be around 40-43% of gross monthly income.

However, how much you can borrow can also depend upon your credit scores. Borrowers with high credit scores might be able to borrow more than someone with less than stellar credit. Your loan officer will help you out with these numbers if you need some assistance early on.

Finally, how much you can borrow also depends upon how comfortable you are with the new monthly payments. It might surprise some to find out they can qualify for compared to what they're paying now in rent. If you're told you can borrow up to a certain amount but you're not comfortable with that amount and would like to borrow less, by all mean, pay what you feel comfortable with, not necessarily how much your lender said you can borrow.

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What to Look for When Signing Your First Lease
By Victoria Schmid

Whether you're living solo for the first time or prepping for an apartment or home rental with your new roommates, your first lease is an important milestone. And you're in good company. This year over 36% of the US population rented a home or apartment, the highest percentage since 1965. It's definitely a booming market, so before you sign on that dotted line, make a list and check it twice. Use these tips to make sure you're well informed before you sign your lease and take responsibility for your new rental.

1.Do Your Research?

Treat your commitment to renting a property in the same way you would carefully consider buying an expensive appliance or a new car: do your research. Look for online reviews from previous renters attached to the property profile in Google or on other social media platforms like Facebook. Search under either the landlord's name or the name of the property company or apartment complex to find reviews in Yelp. You can even dig up complaints filed with the Better Business Bureau.

2.Read the Lease

This seems like an obvious piece of advice, but it's worth repeating. Read the lease and then read it again. Ask for advice from someone you trust who has the relevant experience and expertise to help you review any stipulations you don't understand. Be sure the lease is clear about the following points:

• Length of the lease
• When rent is due and how to pay it
• Security deposit rules and refunds
• Lease termination and penalties
• Rules about roommates or subletting
• Whether pets are allowed or prohibited

3. Get It in Writing

If you don't see a topic or rule specified in writing, request to get it added to the lease. Even if it seems minor, it should be clearly outlined in the legal agreement between you and the landlord. Look for language about who handles the utilities and rules for personalizing your space. Fleshing out the details in the lease protects both you and the landlord from future misunderstandings and financial headaches.

4. Be Clear about Maintenance Responsibilities

Understand and document what your responsibilities are in terms of maintenance and who you should call in case of an emergency. When you move in, the landlord should document the condition of the property—if there is preexisting damage, insist that it's recorded accurately before you accept the keys. Check all the appliances, door locks, and plumbing, and if anything needs attention, require that it be addressed now so you don't end up paying for it later.

5. Check Out the Security

Check with the landlord or property manager to determine the security measures in place for your rental. If you are moving into a complex, make sure all areas are well lit and measures like security cameras are in place. If the apartment or home isn't outfitted with security safeguards, ask the landlord if they allow tenants to install their own security systems. Some DIY systems cater to rentals for $15–$25 a month, meaning you still have security options if the property doesn't have them already. You can also research the surrounding area to see if they have a Neighborhood Watch program in place, and you can ask local law enforcement if the area has any crime trends.

6. Don't Forget about Parking

This may be one of the last things on your mind when you're signing the actual lease, but it's crucial that you understand where you can and cannot park. Whether it's off-street or on-street parking, covered or out in the open, the parking arrangement may end up being a pretty large hassle depending on the weather and the safety of the neighborhood. Request clarification about the parking situation if it isn't clearly outlined in the lease.

7. Consider Renters Insurance

nsurance probably isn't a priority when you're still apartment or house hunting, but it should be something you consider getting before moving in. In addition to protecting you from property loss, renters insurance can sometimes help with damage caused by poor maintenance that wouldn't be covered by your landlord's insurance policy. Once you've thoroughly reviewed the lease and checked off all these boxes, you can feel more confident about signing on the dotted line..

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Two Stories
By David Reed

A very young couple who had just got married, figured the next step is to buy their first home. The husband had just graduated from college and is now working as an accountant. He worked hard, made good grades and all that. In fact, it was in college where he met his bride. His job paid well and he was happily married. Not a bad combo. The bride had also just graduated and was going to be an elementary school teacher this next fall.

So the husband made an appointment with a loan officer at his bank. They were both scheduled to meet at the bank in two days. They were excited. They even had a couple of houses picked up and felt comfortable with the proposed monthly payment their banker had calculated for them. The payment was just a bit higher than what they were paying in rent but with both incomes they could qualify, without her income, they couldn't. Anyway, they put on their best business dress clothes and headed to the appointment on the day of their meeting. They sat in a waiting area for a few minutes until their banker came to meet them.

"Sit down" he said. They both took a seat. The banker guided them through a loan application and after reviewing, he said they could qualify based upon their income. But he said that he wouldn't approve the loan. "Why?" they both said together.

"Because, your wife is of child-bearing age and if she became pregnant she would have to quit her job and without that additional income, I'm afraid there's just not enough money available for a new mortgage." Stunned and disappointed, they got up and walked away.

Another couple was on the opposite side of the age category. They were both retired and approaching their 80's. They too made an appointment and started toward the bank. They completed all their paperwork and even though they had some income, it was all from social security. However, their social security income was more than enough to move forward and buy the home they were downsizing to. "I'm sorry," said the banker. "I'm afraid our bank can't move forward with your loan application." "Why?" they both said together.

"Because due to your age, there's no way you'll live long enough to pay off a 30 year mortgage." Stunned and disappointed, they got up and walked away.

These were both true stories, the difference is this was many years ago before age discrimination laws were put in place. The bank could pretty much do anything it wanted to in both instances.

Today however, if this happened in a bank, or with any lending institution, they'd get their proverbial pants sued all the way to kingdom come.

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What is a Certificate of Occupancy?
By Ashley Sutphin

When you're buying a home, of course, you want to know that it's safe. When you buy a property, you need to follow some requirements, one of which may be getting a certificate of occupancy. A certificate of occupancy is also called a CO. The general idea behind the CO is that it verifies a property is suitable to live in. Beyond that, the following are more details to know about a certificate of occupancy.

The Basics

The certificate of occupancy is a document that shows a structure, like a house or office, is safe for inhabitation. A CO includes what the property is legally classified as in terms of zoning. For example, the CO will indicate whether the property is for residential, commercial, retail, industrial or mixed-use. That means that the property is being used as it's meant to be. For example, residential property should be used as a primary residence.

A CO verifies a property is up to code and in compliance.

The third thing a CO does is show that a property is suitable for occupation based on the standards in the municipality where it's located.

A CO will include, along with verification that a property is up to code, the property address, a legal description including square footage, the zoning code, the owner, and any additional notes that might be relevant to the property's safety.

When Do You Need a CO?

Local rules and specific situations determine if you need a certificate of occupancy to sell a house. If you have a converted space, you'll need one. Basically, what this could mean is that if you were selling a multi-family home but converting it into a single-family home before doing so, the certificate needs to show the code change. If you're converting a business into a residential space, again, you'll need a CO showing the change. If you've made a lot of renovations, you'll need a CO to sell it. If you've done any type of remodeling, it's best to verify whether you need a CO or not before you try to sell a home. If you didn't have a CO before, but you need one to sell the home, then you might have to make changes to get it up to code. If you built a new house to sell, you'd need a CO as part of the sale. When your home was built, there was probably a CO issued. As long as you haven't made any major renovations or the building code hasn't changed, then you should be able to use that one.

How Do You Get One?

If you do need a CO, then you can contact your local zoning or building department. There should be a website in the city or town where you live to indicate who to contact. If you have an existing home, you can apply for a CO at your local building department. Sometimes you might need to show architectural plans to apply if there were extensive renovations or the home was just built.

Finally, if you do need a CO, someone has to come from the local government and inspect the home. It's not the same as a home inspection that occurs when you're doing a real estate transaction.

During a CO inspection, the professional will come and compare the building to the current code and make sure there are no violations. They'll look at general building components, plumbing, electrical, fire safety, and more minor elements.

Then, at the end of the inspection, you get a report.

If you passed the inspection you can claim your CO and go forward with the home's sale. If you don't pass, then you'll receive a list of what needs to be fixed within a particular window of time. Once you make the repairs, you'll have another inspection before you can move forward.

If you need a CO and you don't get one, your transaction might not go through because a lender will not want to provide financing for a home that isn't safe. You might also be fined by your municipality or sued.

As a final note, in some municipalities, you need a new certificate of occupancy each time you sell a property or when a new tenant moves in if it's a rental. If you aren't sure about anything, check with your local building or zoning authority.

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