Your REALTOR:

Dennis Kuty

November 2022

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Are Homeowners Selling Right Now?

Across the country, home sellers are seeming to be backing out of the market because of higher mortgage rates and reduced buying demand. Buyers are pulling back, and at the same time, would-be sellers aren't actually selling. The result? A housing market that's very much cooling. Some buyers are still looking for homes in areas where they feel like they can be competitive with their offers, but the limited supply of homes for sale is putting those would-be buyers in a position where they seem to be stuck renting.

In the coming months, the market will likely see a deceleration in home prices to something more reasonable. The historical rate of home price increases has typically been in the 4-5% range. Mortgage rates are also in line with historical averages, as much as they might not feel that way. Many homeowners are reluctant to sell now because they don't want to lose their historically low mortgage rate. According to current data, 51% of homeowners have a rate under 4% as of April this year. Mortgage rates are significantly higher than now, but when people decide it's time to sell, it's usually for factors other than financial considerations.

A recent survey showed that the main reasons homeowners are selling right now include:

- Wanting different features or amenities in a home
- Their home no longer meets their current needs
- Wanting a home office for work
- The desire to be closer to loved ones
- Owning a smaller home that requires less maintenance and upkeep
- They don't need to live close to their office anymore

Mortgage Rates
U.S. averages as of November 2022:

30 yr. fixed: 7.08%
15 yr. fixed: 6.36%
5/1 yr. adj: 5.96%

Understanding Financial Gifts

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. If you get paid on the 1st and 15th, there should be deposits shown on those dates. 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.

Lenders want to make sure, for one, that the money showing up in your bank statements doesn't come from a loan. A loan will mean you have to pay it back, either in monthly installments or in one big lump sum. That can affect your ability to pay your mortgage and at minimum increase your debt to income ratios.

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. 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.

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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What Factors Drive the Real Estate Market?
By Ashley Sutphin

There are a lot of discussions going on currently about the real estate market. The Fed has been aggressively raising interest rates for months, and to buy a home now is significantly more expensive compared even to the beginning of this year. The Fed also indicates that it's got more rate hikes coming as it tries to slow down record inflation.

This, paired with other worrying economic indicators, leaves many wondering if a housing correction is coming. Some feel that it's already here. Many markets that were the hottest during the pandemic boom are starting to see the effects of a potential correction first. For example, places like Austin and Phoenix are starting to see significant price dips.

Some analysts say we can expect pricing declines of anywhere from 15-25% in many parts of the country. It leaves many people wondering exactly what factors drive the real estate market as a whole, affecting home prices in different countries.

Interest Rates

Interest rates holistically drive the real estate market. If interest rates are low, people will be more likely to purchase a house because they can borrow money cheaply. You can afford a lot more houses if your rate is around 2% versus a rate that's 6% and higher, and that's what people are seeing right now.

As interest rates rise, there isn't always an immediate slowdown in the real estate market. Rates move slowly, so buyers do have time to lock in their rates, but where we're at right now is a time when the rates have been increasing for months. People no longer have those opportunities to lock in the best rates, and it's likely to start catching up with the market. When interest rates are high, there often tends to be a slowdown in the entire market because buyers can't afford to borrow money at these rates. There may also be more people looking for cheaper houses to stay within their budget even as rates are high.

The Economy

Bad economies tend to drag housing down with them. In 2008, people were being laid off from their jobs and struggling to pay their bills. Then, making the payments on a current mortgage becomes challenging, let alone thinking about buying a new home.

Even when people don't lose their jobs, consumers tend to feel negative about making big purchases if the economy is bad. They have a tendency to want to hunker down during bad economies and wait out rather than make a giant leap and buy a home.

The Government

The government can do things that can strengthen the real estate market and encourage people to buy homes, or they can do things that slow it down.

In 2008, the government introduced a homebuyer credit that was meant to help people afford to purchase a home. They also created the HARP program, meant to help people refinance so they could sell their homes. While neither had a massive impact on the market, they did help stimulate some activity.

The government also creates and offers loan programs that can help people afford to buy a home more easily.

Supply and Demand

One of the things that some analysts feel could help the housing market out right now is the relationship between supply and demand. The supply and demand factor can be local, but it can also be national. Right now, even though interest rates are going up, there is a limited supply of homes. That's a big part of the boom during the pandemic. People were competing for a very small supply of homes relative to how many wanted to buy.

This may not shift much, so it could keep the housing market stronger than otherwise, given the economic situation.

Demographics

Finally, demographics describe the makeup of a population. These statistics play a significant but often overlooked role in the real estate market, the types of properties in demand, and prices.

When there are big demographic shifts, it can have a significant real estate effect.

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When Do Mortgage Points Make Sense?
By Ashley Sutphin

Right now, mortgage rates are rising fast following several years of record lows. This 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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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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