Your REALTOR:

Dennis Kuty

January 2024 Real Estate Update™

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How to Destress Downsizing

If you plan to downsize, decluttering and preparing can be intimidating, and the following are some tips to take some of the stress out of it.

Be Strategic: With furniture and large items, don't waste your time trying to guess what will fit and what won't. Instead, create a floor chart of your new home, and then you can map out a grid of your furnishings to figure out what will fit and how it will fit. There are apps that you can use that will make it incredibly easy to do this.

Start Small: Create a downsizing plan, and start small. Don't overwhelm yourself with the most challenging parts of your house first. For example, begin with your laundry room or perhaps a small closet. Don't start with your garage or your basement first—those can be the biggest projects to take on.

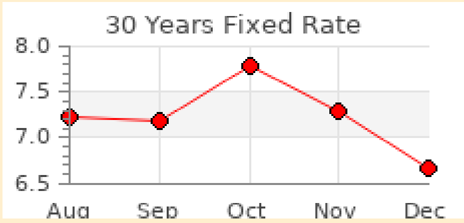
Start Clearing Things Out: Create four piles. There should be no maybe pile—don't give yourself the option. The first pile will be giveaways. The next pile will be donations. If something is in bad shape, don't put it in the donate pile because it probably won't be accepted. Your third pile can be more valuable items that you plan to sell. Finally, your fourth pile heads to the dump.

Find Help: You should look for someone to help you with the process who doesn't have the emotional attachment to the things that you do. You have to take the emotionality out of downsizing, and a third-party can guide you in that direction. If you're struggling with getting rid of things, perhaps you should have someone help you. If so, resist the urge to micromanage what they give away or throw away.

Should You Buy a Home Warranty?

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

30 yr. fixed: 6.67%
15 yr. fixed: 5.95%
5/1 yr. adj: 6.42%



Should You Buy a Home Warranty?

A basic home warranty costs about $350 to $500 a year or more and typically covers kitchen appliances, plumbing, water heater, heating and electrical system components, sump pump, whirlpool tub, and ceiling and exhaust fans.

Many homeowners opt for a home warranty for major "just-in-case" scenarios. For a homeowner who doesn't have an emergency fund or who wants to protect their emergency fund, a home warranty can act as a buffer. Home warranties also make sense for people who aren't handy or who don't want to worry about tracking down a contractor when they have a problem.

However, having a home warranty doesn't mean the homeowner will never have to spend a penny on home repairs. Some problems won't be covered by the warranty, whether because the homeowner didn't purchase coverage for that item or because the warranty company doesn't offer coverage for that item. Also, home warranties usually don't cover components that haven't been properly maintained.

How Do You Choose What To Renovate First?

What comes first, and what shouldn't you bother with at all? It's all so confusing. Follow these tips before you swing that hammer.

Ask yourself why you're doing it: It is vital that you know the objective of the renovation before you start as this will help you keep on track and make the appropriate decisions once the work has started. This may be any one of the following: increase rental return; improve capital value; own enjoyment; keep up with the next door neighbors; provide an income when property is flipped (ie: purchased, renovated and then sold in a short period of time); or something else that is important to you."

Consider your budget: Perhaps it would be best to knock out a few small items that will make you feel good about your progress. Or, perhaps what you really need is a couple months of serious money-saving so you can put in those countertops you've been dreaming of.

Consider the ROI: If you can't rule out one or the other based on how much use you think you'll get from the areas you're looking to renovate, look at the potential value. One might provide a much better return on investment than the other.

Assess Your House: Hire a licensed home inspector to check your house from top to bottom. They'll climb into the attic to check for dampness, scour the basement looking for leaks, test the heating and air conditioning systems, examine the roof, the plumbing and electrical panels. Evaluate the results before deciding on a plan of action.

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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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What Exactly Is A Rate Lock?
By David Reed

Mortgage lenders, like pretty much any type of industry, have their own internal lingo. It's certainly one that is difficult to understand, as certain facets of mortgage lending have no standard English equivalent. Many times, loan officers can use some of their own internal lingo with a client, mistakenly assuming the client knows what the loan officer is actually saying. One of those terms is a mortgage rate lock, or sometimes simply a 'lock.' What are rate locks and how do they work?

A rate lock is when an interest rate is guaranteed on a particular loan for a specific period of time. Many times, consumers can think that if they see a rate online or get a quote from a loan officer that the rate pretty much stays there. That's not the case. Mortgage rates can change daily, depending upon economic and market conditions. During extremely volatile times, they can even change during the course of a day. And until that rate is locked, the rate can change or 'float.'

Lenders don't lock rates for a borrower without the direct authorization from the borrower. While each individual lender may have slightly different rules on when and how a rate can be locked, there are a few general guidelines you can expect.

One is how long the rate lock can be made. And the longer the rate lock requested, the more expensive the rate will be. That makes sense because someone can't expect a lender to lock in a rate for 60 days compared to a lock for 10 days, for instance. That means you should lock in your rate only long enough to cover your closing date. If your sales contract says the close date is say 30 days out, then you'll want to lock in for 30+ days.

You also want a little cushion in case there are any delays but the way the mortgage market is set up these days, it's doubtful delays will occur, but they can happen. Another appraisal might be needed or maybe the appraisal needs another comp listed. Maybe there appears to be an issue with the title and that needs to be cleared up as well. Title issues are referred to as a 'cloud' on the title.

One last thought- if you do lock in and rates go up, you're protected. But what if they go down? Same. The rate lock is the lock. Some lenders do offer a 'float down' option if market rates fall far enough but lenders won't do a float down without a fee. All of these parameters for your lender will be spelled out in a rate lock form you receive as part of your initial disclosure package. And as always, if you have any questions, speak directly with your loan officer.

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HELOC or Home Equity Loan: Which One Is Right for You?

By Jaymi Naciri

If your home has increased in value and you are short on cash or have a large upcoming expense, you may be thinking about tapping your home equity. Home equity loans and home equity lines of credit (HELOC) are two easy ways to turn your appreciation into cash in hand, but how do you know which way to go—or if you should go at all?

While there are definite advantages to accessing your equity over taking out a personal loan or using credit cards, especially if you're intending to use the funds for home improvement, the No. 1 thing to consider before you take any money out of your home is whether you can really afford it. Take out a home equity loan or use the funds from a HELOC and your monthly obligation will increase. But that's not all. Should you have a change in circumstances like a job loss or simply extend yourself beyond your financial comfort zone, causing you to miss payments, you could be putting your home at risk of foreclosure.

"Because the loans are secured against the value of your home, home equity loans offer extremely competitive interest rates—usually close to those of first mortgages. Compared to unsecured borrowing sources, like credit cards, you'll be paying far less in financing fees for the same loan amount," said Investopedia. "But there's a downside to using your home as collateral. Home equity lenders place a second lien on your home, giving them the right to eventually take over your home if you fail to make payments. The more you borrow against your house or condo, the more you're putting yourself at risk." Should you want to move forward, it's important to know the difference between a home equity loan and a HELOC so you can make the decision that best suits your need.

"HELOCs and home equity loans extract value from your home but add to your debt," said NerdWallet. "The loan is a lump sum, the HELOC draws money as you need it." Both loans typically offer a shorter term than borrowers have on their mortgage. "Home equity loans and HELOCs are paid off within five to 20 years, while 30 years is typical of a first mortgage," said Bankrate.Let's break that down a little further.

About home equity loans

Borrowers who choose home equity loans often do so because of the fixed interest rate. The stable payment schedule means they don't have to worry if rates go up. But, the fact that this type of loan is given in one lump sum doesn't necessarily track with everyone's needs. If you are the type that wants more flexibility in your loan, a HELOC may be the better choice. If you get a loan for $25,000 and only use $5,000, you're still required to pay on the total amount loaned.

A home equity loan can also be problematic if your home's value drops after you have tapped all your equity. In this situation, you could find yourself underwater, or owing more than the home is worth. Homes in some hard-hit areas remained underwater many years after the market crash, with "more than 820,000 underwater homeowners" who owed more than double what their home was valued for, according to CBS News.

About home equity lines of credit

With a HELOC, you are still borrowing against the available equity in your home, however the funds are provided differently. Instead of having a lump sum, you use a HELOC like you would a credit card, accessing money as you need it and only paying interest on what you use. "As a line of credit, a HELOC allows for flexibility around both borrowing and paying back the money you borrow," said Credit Karma. "But it can also require borrowers to stay especially disciplined when it comes to taking out the funds and repaying their lenders." That's because HELOCs typically offer adjustable rates; if the interest rate rises, so does your payment.

"A HELOC's interest rate is usually variable and can change. The interest rate is often tied to the prime rate and can be affected by market forces that could change quite a bit over the life of the HELOC," said Credit Karma. "There may be limits to those changes though, like a periodic cap (a limit on rate changes at one time) or a lifetime cap (a limit on rate changes during the loan term)."

Most HELOCs also have "two phases," said Investopedia. "During the draw period – typically 10 years – you can access your available credit as you see fit. Many HELOC contracts require small, interest-only payments during this period, though you may have the option to pay extra and have it go against the principal."

At the end of the period, borrowers have to start repaying the principal in addition to the interest, and, "From here on out, you can no longer access additional funds and you make regular principal-plus-interest payments until the balance disappears. During the 20-year repayment period, you must repay all the money you've borrowed, plus interest at a variable rate."

Payment shock often hits at this point because, "The monthly payment can almost double. According to a study conducted by TransUnion, the payment on an $80,000 HELOC at 7% annual percentage rate will cost $467 a month during the first 10 years when only interest payments are required. That jumps to $719 a month when the repayment period kicks in."

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Where Do Mortgage Rates Come From, Anyway?
By David Reed

One might wonder where mortgage rates actually come from and who makes these daily adjustments? There is indeed a method. Lenders don’t set rates pretty much out of thin air. You also might wonder why mortgage lenders from A to Z offer interest rates that look very much the same, if not exactly the same. Do they have a Zoom meeting and they all decide at once?

First, an individual lender can set interest rates based upon several factors. Rates for a rental property will be slightly higher compared to an owner-occupied home. Rates for shorter term loans can be lower compared to a longer term loan. Rates might even adjust based upon the amount of down payment or equity in the property. Credit scores can also be a factor. Pretty much all lenders follow these guidelines.

Okay, so then why are rates pretty much the same wherever you go, with only slight variances? Because they all refer to the very same index when setting rates.

No, they’re not based upon Treasury bonds or bills, although that’s a common misconception. Close, though. Fixed rate loans refer to a similar bond. Instead, lenders look up the price of a specific Mortgage Backed Security, or MBS. An MBS is indeed a bond that offers a fixed rate of return and just like any other bond, when the price of the bond goes up, the yield (return) goes down.

Generally speaking, when investors make a choice between a stock or a bond, while a particular stock might provide a greater return, a bond offers security. The investor knows how much it will receive and when. Historically, when the economy is doing quite well, investors pull money out of bonds and into the stock market. Lower demand for bonds then means a lower price for the bond. With mortgage backed securities, the method works pretty much the same.

Another bug-a-boo for higher mortgage rates is the rate of inflation. Higher inflation will typically result in higher rates as the Fed looks for ways to cool down an overheated economy. Or, as is currently, various increases in commodities and everyday consumer goods can rise as well. This is the current cycle we see ourselves in. And while the Fed stood pat at their last round of meetings, they indicated they’ll be at the ready the next time around. It’s quite possible another rate bump by the Fed is already cooked in the books. We’ll see. But the gambling money is on one more Fed increase at their next round of meetings in a few weeks.

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Decorating Tricks for Hiding Kids' Messes While Selling Your Home
By Jaymi Naciri

Keeping the house together during the selling process is a challenge. Making sure everything is just right for showings and open houses can be exhausting and overwhelming. Throw kids into the mix, and things can get downright chaotic. Fortunately, a few small decor choices can help conceal kid clutter—changing your "for sale" sign to "sold."

Hide in Plain Sight

With overflowing toy boxes and tea-party set-ups overtaking the living room, it may be unrealistic to banish all kid stuff to other rooms. Instead, make use of your furniture's built-in compartments and drawers. Have a storage ottoman next to the sofa? Fill it with everything from action figures and dolls to coloring books, art supplies, stuffed animals and more. Divide the credenza in the family room so that your little ones can store toys behind its closed doors. Accent the open shelves with ceramic vases, family photos, decorative carafes and other appealing decor items.

If your built-in storage is already in use, opt for two or three woven baskets with lids instead. Place them wherever you want, whether it's next to the loveseat or on the bottom shelf of a console table. Buyers will be too busy appreciating your home's cleanliness and open floor space to think about what's inside.

Hide Within Reach

Families in smaller living spaces might consider another strategy—underbed and attic storage. While the underside of your child's bed may already be home to all sorts of tchotchkes, encourage kids to neaten it up with rolling plastic or rattan storage bins. Discreetly stow away everything from dress-up clothes to seasonal clothing in multiple containers. Slide them out of sight, then help your little one make the bed with an oversized quilt that conceals what's hidden below. The best part? These containers can still be used after moving into the new bedroom or playroom.

For toys that are too big to fit in this space, such as kids' teepees and play tents, consider collapsing them and stowing behind a dresser. If the dresser has legs that makes it easy to spot what's behind it, opt for a chest instead.

Rotate Toys in Longer-Term Storage

Consider storing bins of toys longer-term and swapping them out every few weeks. In addition to the attic and basement, the back corner of a deep closet is a great place to stack storage tubs filled with everything from building blocks and board games to miniature cars and pull toys. Strategically hide them behind long coats so a quick peek inside the closet doesn't give anything away. Better yet, switch out the storage tubs for suitcases. Rotate the toys in storage every few weeks--kids will have renewed interest when they come out of hiding.

Minimize and Add Some Style

Rather than attempting to conceal every toy, consider downsizing. Prior to the first showing, help your little one sort through toys, determining what still gets played with and what doesn't. Sort into "keep," "donate," and "throw away." This streamlines the cleanup process and makes it easier to stow away what remains. Bonus? You'll have less to move when the time comes. For every item your children give up, consider rewarding them with small change or a trip to a favorite restaurant or ice cream shop.

For kids' areas like bedrooms and playrooms, embrace the playful nature and just add a little style. Choose bookcases and desks with useful cubbies and shelves, and dress up the space with vibrant and unique artwork. Inspire imagination in potential buyers (and keep the space useful while your home is on the market) by choosing a few colorful supplies and knick-knacks to display.

Strategically rearrange home decor to hide kids' messes while your house is being shown, and potential buyers will see a clean space that they'll want to make their own.

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