Things To Consider When

Buying a Home

SPRING 2024

EDITION

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LUXURY PROPERTIES

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What's Happening in the Housing Market Today?

You might be thinking about how the latest housing market news will affect your plans to buy a home this spring. Here are the three most important questions you should be asking.

1. What's Going On with Mortgage Rates?

Mortgage rates have come down a bit from their most recent peak last October. And looking forward, most experts expect them to decline further over the course of the year, though with some volatility along the way. Rick Sharga, Founder and CEO at *CJ Patrick Company*, explains:

> *"We've seen mortgage rates inch back up,* ***and are likely to see them zig zag in a gradually downward direction for the rest of the year*** *. . ."*

And even a small change in mortgage rates can have a big impact on your purchasing power, making it easier for you to afford the home you want by reducing your monthly mortgage payment.

2. What's Up with Home Prices?

Even though home prices are rising across the country, some buyers are worried they might drop. You might be one of them.

But experts say prices won't fall, they'll actually keep rising. That's because there aren't many homes for sale and buyer demand is still high. Those two factors will likely keep upward pressure on home prices as the year continues. As Selma Hepp, Chief Economist at *CoreLogic* says:

> *". . . demand for homes in early 2024 is likely to be strong and will again put pressure on prices, similar to trends observed in early 2023 . . .* ***Most markets will continue to reach new home price highs over the course of 2024.****"*

Home prices are expected to keep going up this year. So, if you're ready to buy, it's better to do it soon because waiting may mean higher prices later.

3. Are More Homes Coming onto the Market?

In the past year, many homeowners didn't want to sell because mortgage rates were high. They preferred to keep their lower rates instead of selling and taking on a higher rate on their next home. But now, there are signs people are ready to move again.

Lower mortgage rates are encouraging more homeowners to sell their houses. This increase in homes for sale means you might have more choices when looking for a home. According to Mark Fleming, Chief Economist at *First American*:

> *"There is reason to believe that the rate lock-in effect will ease modestly this year as mortgage rates come down. And you could only imagine if they got below six, then even more people would be again 'in the money' and* ***homeowners will become less anchored to that low, low rate that they got a few years ago****."*

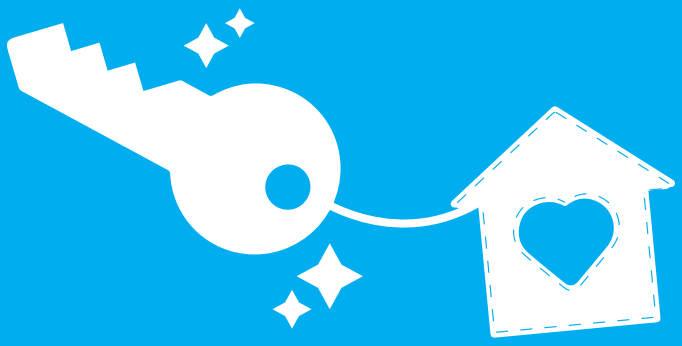
Bottom Line

There are a lot of things to consider when buying a home. Let's connect so you have a housing market expert who can answer your questions. We can chat about what's going on in our area and how it applies to you.

If you're in a financial position to do so and ready to stay put for at least a few years, buying a house is totally worth it. You'll gain stability, build equity and retain a sense of ownership and control, rather than being at the whim of a landlord.

- Bankrate

Top Reasons To Own Your Home



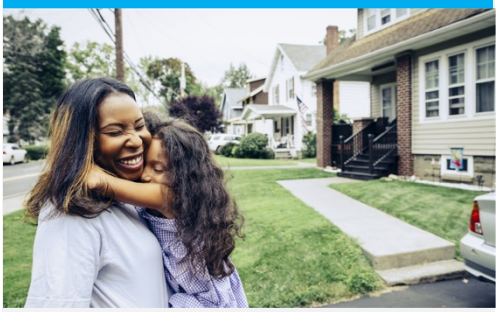
Accomplishment

Feeling a sense of achievement and pride

Loved Ones

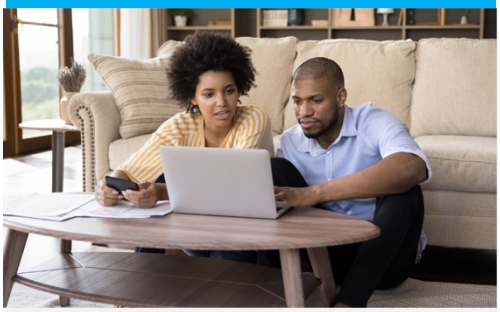
Prioritizing the needs of those closest to you

Stability



Locking in your monthly housing payment with a fixed-rate mortgage

Financial Investment

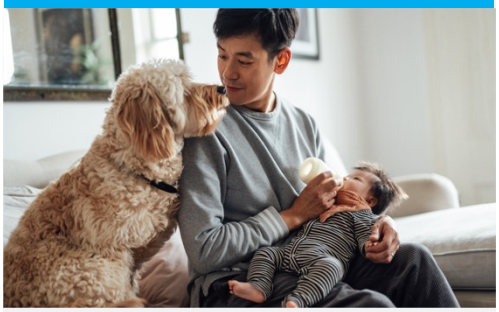


Growing your assets and net worth

Comfort

Enjoying features that enhance your lifestyle

Privacy

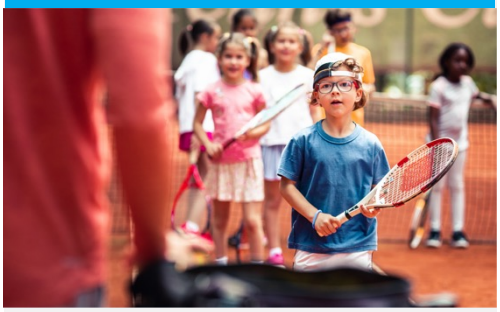


Having a space that's your own

Personal Expression

Tailoring your home to your unique style

Community



Being a part of a broader social group

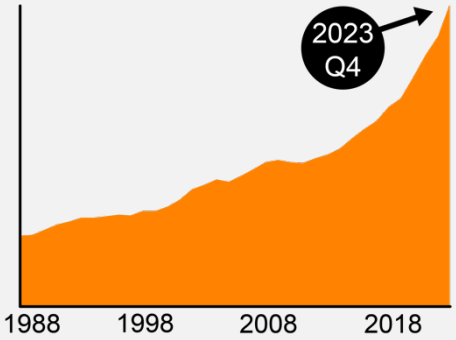
If you're ready to buy a home, let's get the process started today.

The Difference Between Renting and Buying a Home

When deciding between buying a home or renting, think about these three important factors.

Buying a Home Means Avoiding Rising Rents

Median Asking Rent Since 1988



When You Rent:

Your monthly payment generally goes up each time you sign or renew a lease.

When You Buy:

With your fixed-rate mortgage, your monthly payment is locked in for the length of your home loan.

Homeowners Own a Tangible and Valuable Asset

. . . the average U.S. homeowner with a mortgage still has about

$300,000 in equity . . .

CoreLogic

When You Rent:

You won't get any return on your investment as you pay your rent monthly.

When You Buy:

As home prices rise, and as you pay down your home loan, you build equity.

Owning Your Home Grows Your Wealth Over Time

A monthly mortgage payment is often considered a forced savings account that helps **homeowners build a net worth about 40 times higher than that of a renter.**

Lawrence Yun
Chief Economist, NAR

When You Rent:

When the cost of renting goes up, it's more difficult to save money for a down payment to buy a home.

When You Buy:

As you build equity through the years, you give your net worth a big boost.

Sources: Census, CoreLogic, NAR

What Lower Mortgage Rates Mean for Your Purchasing Power

If you want to buy a home, it's important to know how mortgage rates impact what you can afford and how much you'll pay each month.

Mortgage rates don't move in a straight line. Instead, they bounce around because they're impacted by so many different factors. Fortunately, rates for 30-year fixed mortgages are lower than their most recent peak at end of last October. That's good news for buyers. As a recent article from *Bankrate* says:

> *"The rate cool-off somewhat eases the housing affordability squeeze."*

And according to Edward Seiler, AVP of Housing Economics and Executive Director of the Research Institute for Housing America at the *Mortgage Bankers Association* (MBA):

> *"MBA expects that affordability conditions will continue to improve as mortgage rates decline . . ."*

Here's a bit more context on how this could help with your plans to buy a home.

How Mortgage Rates Affect Your Search for a Home

Understanding the connection between mortgage rates and your monthly mortgage payment is crucial for your plans to become a homeowner. The chart below illustrates how your ability to afford a home changes when mortgage rates shift. Imagine your budget allows for a monthly payment between $2,400 and $2,500. **The green boxes in the chart below show payments in that range or lower.**

Buyer's Purchasing Power

Monthly Mortgage Payment (Principal and Interest)

Mortgage Interest Rate	Home Loan Amount				
	$440,000	$420,000	$400,000	$380,000	$360,000
7.50%	$3,077	$2,937	$2,797	$2,657	$2,517
7.25%	$3,002	$2,865	$2,729	$2,592	$2,456
7.00%	$2,927	$2,794	$2,661	$2,528	$2,395
6.75%	$2,854	$2,724	$2,594	$2,465	$2,335
6.50%	$2,781	$2,655	$2,528	$2,402	$2,275
6.25%	$2,709	$2,586	$2,463	$2,340	$2,217
6.00%	$2,638	$2,518	$2,398	$2,278	$2,158
5.75%	$2,568	$2,451	$2,334	$2,218	$2,101
5.50%	$2,498	$2,385	$2,271	$2,158	$2,044

Principal and interest payments rounded to the nearest dollar. Total Monthly payment may vary based on loan specifications such as property taxes, insurance, HOA dues, and other fees. Interest rates used here are for marketing purposes only. Consult your licensed Mortgage Advisor for current rates.

Source: Mortgagecalculator.net

As you can see, even small changes in rates can affect your budget and the loan amount you can afford.

Get Help from Reliable Experts To Understand Your Budget and Plan Ahead

When you're looking to buy a home, it's important to get guidance from a local real estate agent and a trusted lender. They can help you explore different mortgage options, understand what makes mortgage rates go up or down, and how those changes impact you.

By looking at the numbers and the latest data together, then adjusting your strategy based on today's rates, you'll be better prepared and ready to buy a home.

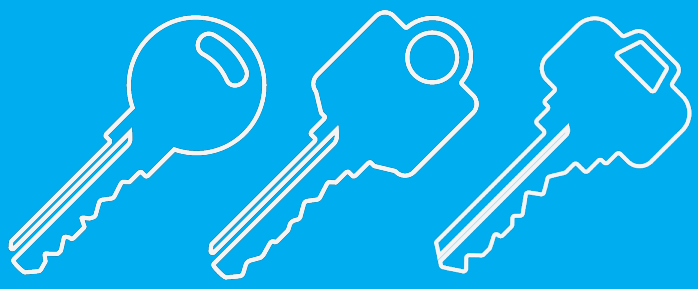
Bottom Line

If you're looking to buy a home, even a small change in mortgage rates can affect your move. Let's connect to plan your next steps.

Lower borrowing costs since the end of 2023 have brought some much-needed relief to the US housing market. . . . improved affordability has more buyers wading back into the market and more sellers listing their homes as they give up trying to time the market . . .

- Business Insider

Why It's More Affordable To Buy a Home This Spring



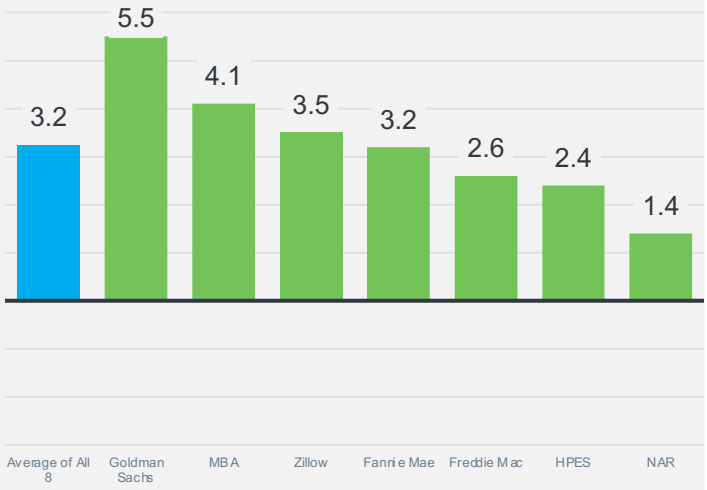
Mortgage Rates Are Down from Their Recent Peak

While there could be some fluctuations in the path forward . . . the general expectation is that ***mortgage rates will continue to trend downward,*** *as long as the economy continues to see progress on inflation.*

Jiayi Xu,
Economist, Realtor.com

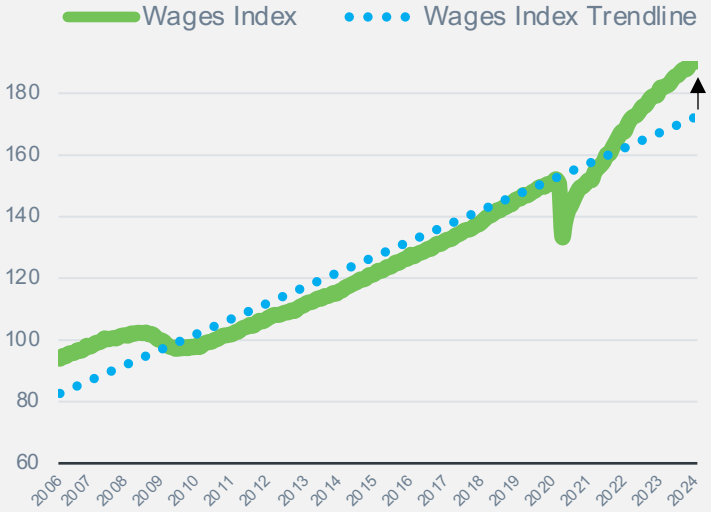
Home Prices Are Expected To Rise at a Slower Pace

2024 Home Price Forecasts - Percent Appreciation/Depreciation



Wages Are Increasing Faster Than Usual

Weekly Changes in the Index Measuring Total Amount of Money Paid to All Workers in the Private Sector



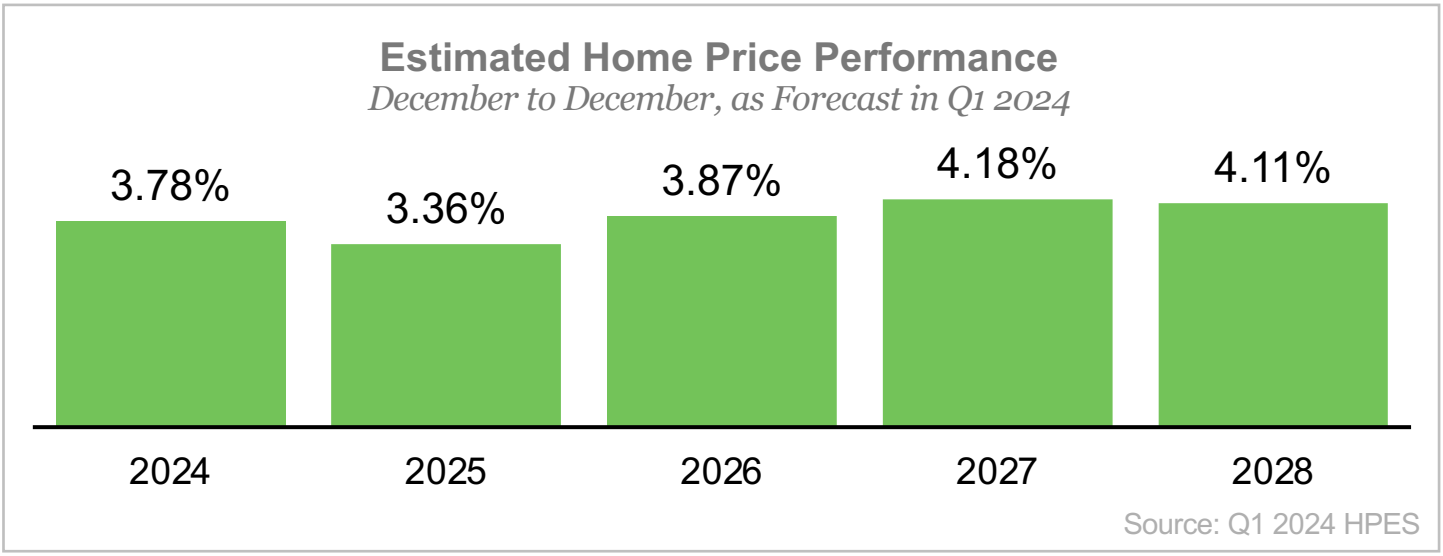
Sources: Freddie Mac, Zillow, Realtor.com, Goldman Sachs, MBA, NAR, Pulsenomics, Fannie Mae, The Fed

Thinking About Buying a Home? Ask Yourself This Question

If you're thinking of buying a home this spring, here's an important question you need to ask yourself as you make your decision.

Where Do I Think Home Prices Are Heading?

One reliable place you can turn to for information on home price forecasts is the *Home Price Expectations Survey* from *Fannie Mae* – a survey of over one hundred economists, real estate experts, and investment and market strategists. According to the most recent release, the experts are projecting home prices will continue to rise at least through 2028 (*see graph below*):



So, why does this matter to you? While the percent of appreciation may not be as high as it was in recent years, what's important to focus on is that this survey says we'll see prices rise, not fall, for at least the next 5 years.

And home prices rising, even at a more moderate pace, is good news not just for the market, but for you too. It means, by buying now, your home will likely grow in value, and you should gain home equity in the years ahead. But, if you wait, based on these forecasts, the home will only cost you more later on.

Bottom Line

If you're thinking about buying a home, you need to know what's expected with home prices. While no one can say for certain where they'll go, making sure you have the latest information can help you make an informed decision. Let's connect so you can stay up to date on what's happening and why this is such good news for you.

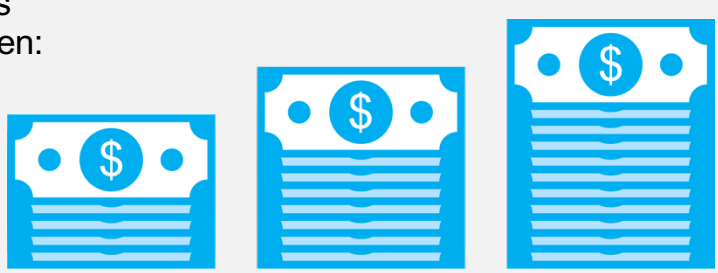
How Homeowner Net Worth Grows with Time

If you're thinking about buying a home this year, be sure to consider the long-term financial benefits of homeownership.

Home Equity Boosts Your Net Worth

Equity is the current value of your home minus what you still owe on your loan. It goes up when:

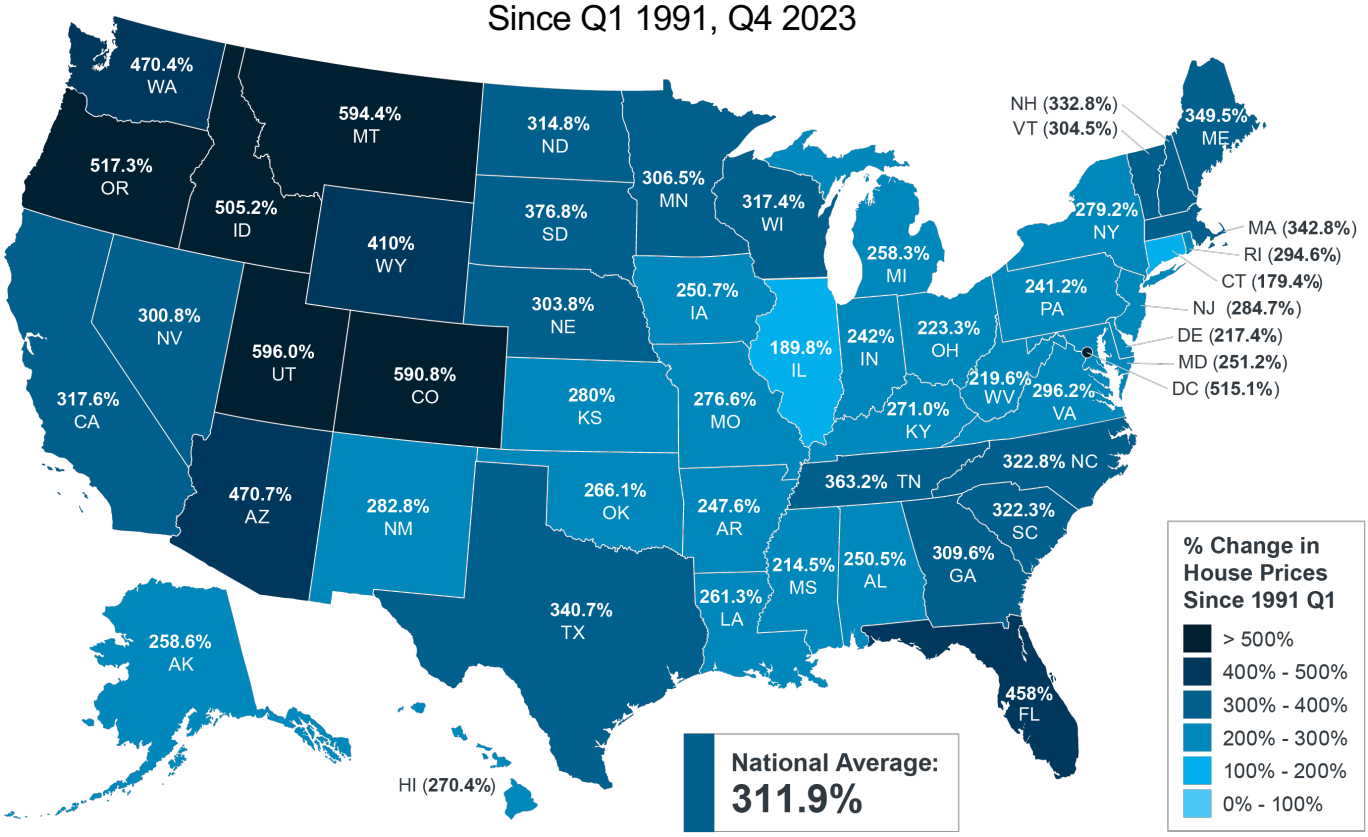
- You pay down your loan
- Home price appreciation makes your home's value go up



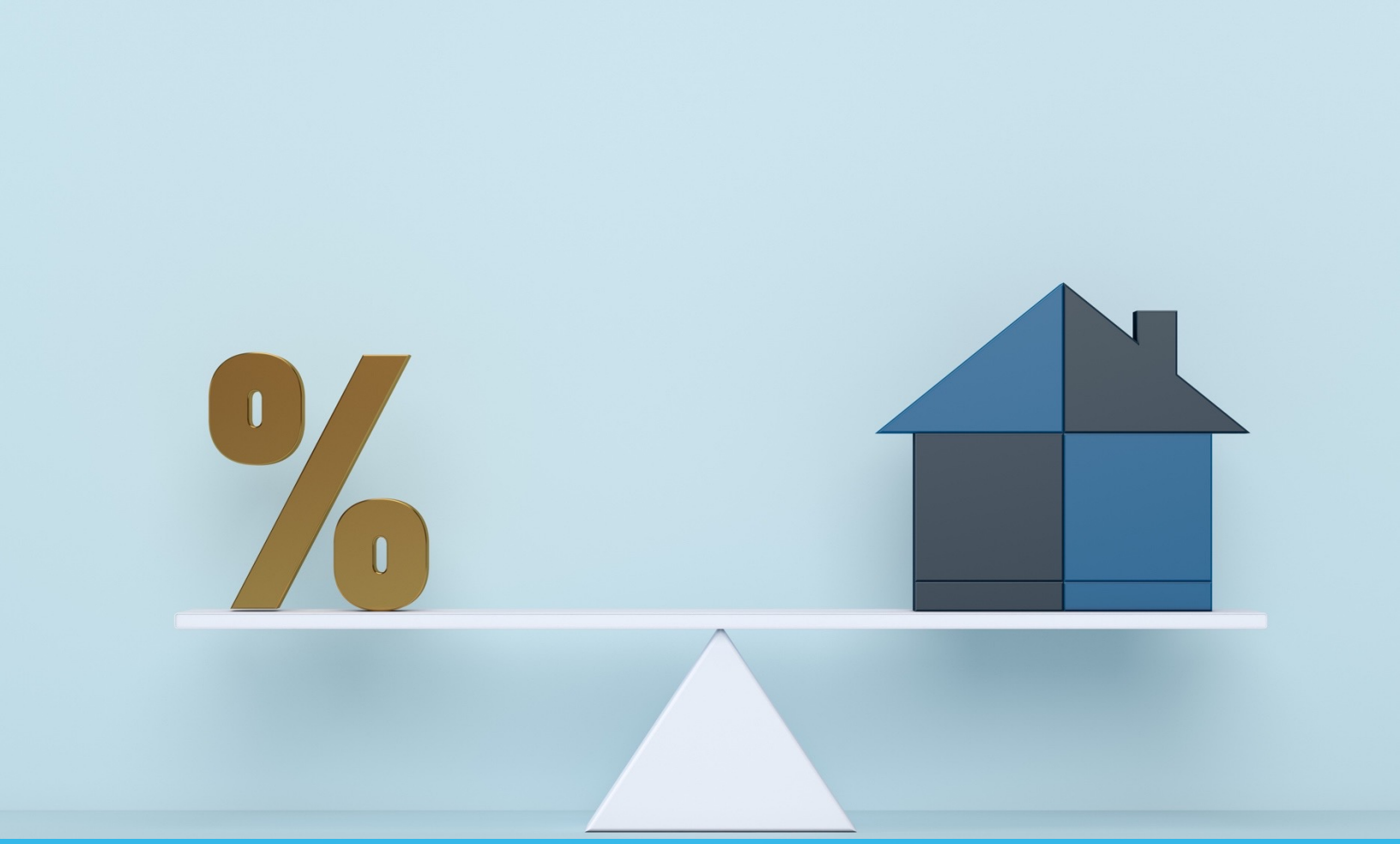
Here's a look at how just the home price appreciation piece can increase your wealth over time.

Percent Change in Home Prices

Since Q1 1991, Q4 2023



Source: FHFA



Are More Homeowners Selling?

If you're looking to buy a home, the overall downward trend in mortgage rates is good news because it helps with affordability. But there's another way this benefits you – it may inspire more homeowners to put their houses up for sale.

The Mortgage Rate Lock-In Effect

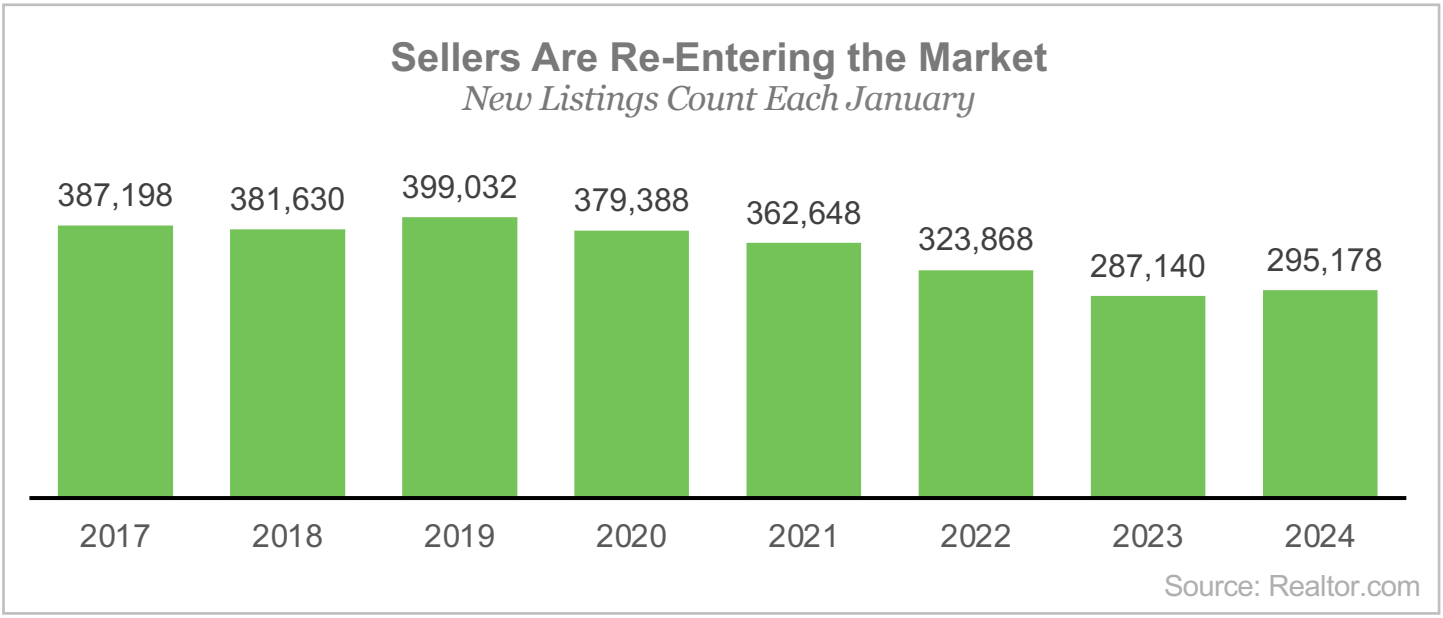
Over the past year, one factor that's really limited the options for your move is how few homes were on the market. That's because many homeowners chose to delay their plans to sell once mortgage rates went up. An article from *Freddie Mac* explains:

> *"**The lack of housing supply was partly driven by the rate lock-in effect**. . . . With higher rates, the incentive for existing homeowners to list their property and move to a new house has greatly diminished, leaving them rate locked."*

These homeowners decided to stay put and keep their current lower mortgage rate, rather than move and take on a higher one on their next home.

Early Signs Show Homeowners Are Ready To Move Again

According to data from *Realtor.com*, there were more homeowners putting their houses up for sale, known in the industry as ***new listings***, in January 2024 compared to January 2023 (*see graph below*):



Here's why this is so significant. **This is the first time since 2019 that we've seen an uptick in new listings this time of year.** This could be a signal that the rate lock-in effect is easing a bit.

What This Means for You

While there isn't going to suddenly be an influx of options for your home search, it does mean more sellers may be deciding to list. According to a recent article from the *Joint Center for Housing Studies* (JCHS):

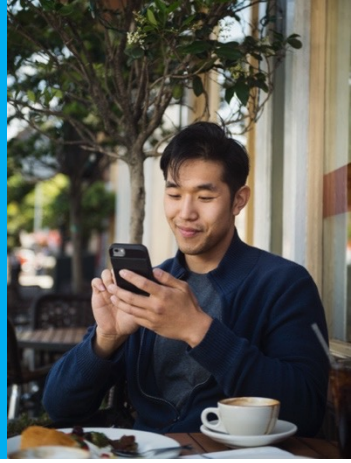
> *"**A reduction in interest rates could alleviate the lock-in effect** and help lift homeowner mobility. Indeed, interest rates have recently declined, falling by a full percentage point from October to November 2023 . . . **Further decreases would reduce the barrier to moving and give homeowners looking to sell a newfound sense of urgency** . . ."*

And that means you may see more homes come onto the market to give you more fresh options to choose from.

Bottom Line

As mortgage rates come down, more sellers may re-enter the market – that gives you an opportunity to find the home you're looking for. Let's connect so you've got a local expert on your side who'll help you stay on top of the latest listings in our area.

Why Pre-Approval Is Even More Important This Spring



On the road to becoming a homeowner? If so, you may have heard the term pre-approval get tossed around. Let's break down what it is and why it's important if you're looking to buy a home this spring.

What Is Pre-Approval?

Freddie Mac explains it like this:

*"**A pre-approval is an indication from your lender that they are willing to lend you a certain amount of money to buy your future home**. . . . Keep in mind that the loan amount in the pre-approval letter is the lender's maximum offer. **Ultimately, you should only borrow an amount you are comfortable repaying.**"*

Now, that last piece is especially important. While home affordability is getting better, it's still tight. So, getting a good idea of what you can borrow can help you really wrap your head around the financial side of things. It doesn't mean you should borrow the full amount. It just tells you what you can borrow from that lender.

How Does It Work?

As part of the homebuying process, a lender looks at your finances to determine what they're willing to loan you. According to *Investopedia*, this includes things like your W-2, tax returns, credit score, bank statements, and more. From there, they'll give you a pre-approval letter to help you know how much money you can borrow.

This sets you up to make an informed decision about your numbers. That way you're able to tailor your home search to what you're comfortable with budget-wise and can act fast when you find a home you love.

Why Pre-Approval Is So Important This Spring

If you want to buy a home this spring, there's another reason you're going to want to be sure you're working with a trusted lender to make this a priority.

While more homes are being listed for sale, the overall number of available homes is still below the norm. At the same time, the recent downward trend in mortgage rates compared to last year is bringing more buyers back into the market. That imbalance of more demand than supply creates a bit of a tug-of-war for you.

It means you'll likely find you have more competition from other buyers as more and more people who were sitting on the sidelines when mortgage rates were higher decide to jump back in. But pre-approval can help with that too.

Pre-approval shows sellers you mean business because you've already undergone a credit and financial check. As Greg McBride, Chief Financial Analyst at *Bankrate*, says:

> *"Preapproval carries more weight because it means lenders have actually done more than a cursory review of your credit and your finances, but have instead reviewed your pay stubs, tax returns and bank statements.* ***A preapproval means you've cleared the hurdles necessary to be approved for a mortgage up to a certain dollar amount.****"*

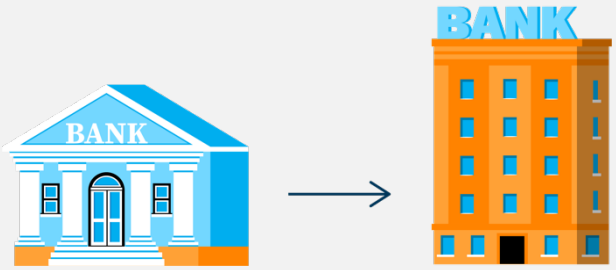
Sellers love that because that makes it more likely the sale will move forward without unexpected delays or issues. And if you may be competing with another buyer to land your dream home, why wouldn't you do this to help stack the deck in your favor?

Bottom Line

If you're looking to buy a home this spring, know that getting pre-approved is going to be a key piece of the puzzle. With more buyers coming back to the market, this can help you make a strong offer that stands out from the crowd.

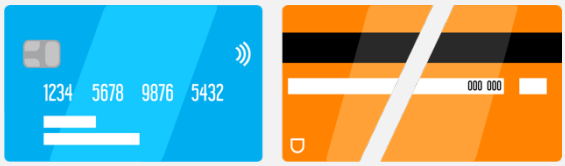
Things To Avoid After Applying for a Mortgage

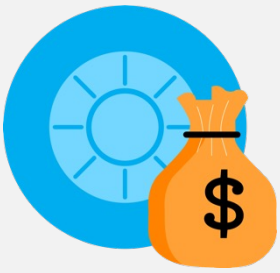
Consistency is the name of the game after applying for a mortgage. Be sure to discuss any changes in income, assets, or credit with your lender, so you don't jeopardize your application.



Don't change bank accounts.

Don't apply for new credit or close any credit accounts.

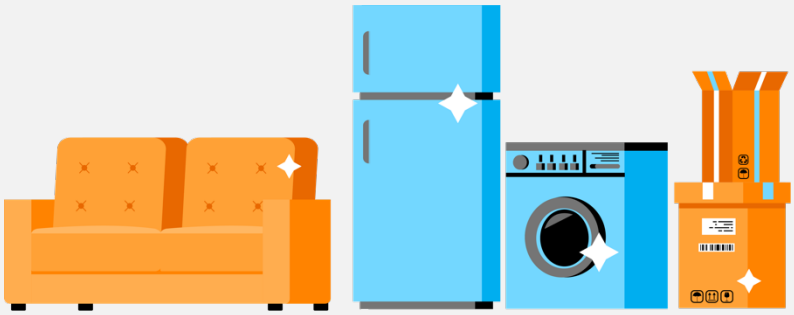




Don't deposit cash into your bank accounts before speaking with your bank or lender.

Don't co-sign other loans for anyone.

Don't make any large purchases.



The best plan is to fully disclose and discuss your intentions with your lender before you do anything financial in nature.

Advice for Making Your Strongest Offer on a Home

The housing market is competitive in many places right now because there aren't many homes for sale. If you're planning to buy a home this spring, here are some tips to help you make a strong offer.

1. Lean on a Real Estate Professional

Rely on an agent who can support your goals and help you understand what's happening in today's housing market. Agents are experts in the local market and on the national trends too. They'll use both of those areas of expertise to make sure you have all the information you need to move with confidence.

Plus, they know what's worked for other buyers in your area and what sellers may be looking for in an offer. It may seem simple, but catering to what a seller needs can help your offer stand out. As an article from *Forbes* says:

> *"Getting to know a local realtor where you're hoping to buy can also potentially give you a crucial edge in a tight housing market."*

2. Get Pre-Approved for a Home Loan

Having a clear budget in mind is especially important right now given current affordability challenges. The best way to get a clear picture of what you can borrow is to work with a lender so you can get pre-approved for a home loan.

That'll help you be more financially confident because you'll have a better understanding of your numbers, and it also shows sellers you're a serious buyer. And that can give you a competitive edge if you do get into a multiple offer scenario.

3. Make a Fair Offer

It's only natural to want the best deal you can get on a home. However, submitting an offer that's too low does have some risks. You don't want to make an offer that will be tossed out as soon as it's received just to see if it sticks. As *Realtor.com* explains:

> *". . . an offer price that's significantly lower than the listing price, is often rejected by sellers who feel insulted . . . if a seller is offended by a buyer or isn't taking the buyer seriously, there's not much you, or the real estate agent, can do."*

The expertise your agent brings to this part of the process will help you stay competitive and find a price that's fair to you and the seller.

4. Trust Your Agent's Expertise Throughout Negotiations

Over the past few years, some buyers skipped home inspections or didn't ask for concessions from the seller in order to submit the winning bid on a home. An article from *Bankrate* explains this isn't happening as often today and that's good news:

> *"It's in the buyer's best interest to have a home inspected . . . Inspections alert you to existing or potential problems with the home, giving you not just an early heads up but also a useful negotiating tactic."*

Fortunately, today's market is different, and you may have more negotiating power than before. When putting together an offer, your trusted real estate advisor will help you think through what levers to pull and which ones you may not want to compromise on.

Bottom Line

When you go to buy a home this spring, let's talk so you can have an expert on your team to help you make your top offer.

Why You Should Use a Real Estate Agent When You Buy a Home

If you've decided you're ready to become a homeowner, chances are you're trying to figure out what to do first. It can feel a bit overwhelming to know where to start, but the good news is you don't have to navigate all of that alone.

When it comes to buying a home, there are a lot of moving pieces. And that's especially true in today's housing market. The number of homes for sale is still low, and home prices and mortgage rates are still high. That combination can be tricky if you don't have reliable expertise and a trusted advisor on your side. That's why the best place to start is connecting with a local real estate agent.

Agents Are the #1 Most Useful Source in the Buying Process

The latest annual report from the *National Association of Realtors* (NAR) finds recent homebuyers agree the #1 most useful source of information they had in the home buying process was a real estate agent. Let's break down why.

How an Agent Helps When You Buy a Home

When you think about a real estate agent, you may think of someone taking you on home showings and putting together the paperwork, but a great agent does so much more than that. It's not just being the facilitator for your purchase, it's being your guide through every step.

The list below uses that same NAR release to show some examples of the many ways an agent adds value. It includes the percentage of homebuyers in that report who highlighted each of these benefits:

- **Helped Buyer Understand the Process (61%):** Do you know the difference between an inspection and an appraisal, what each report tells you, and why they're both important? Or that there are things you shouldn't do after applying for a mortgage, like buying appliances or furniture? An agent knows all of these best practices and will share them with you along the way, so you don't miss any key steps by the time you get to the closing table.

- **Pointed Out Unnoticed Features or Faults with the Home (58%):** An agent also has a lot of experience evaluating homes. They've truly seen it all. They'll be able to pinpoint some things you may not have noticed about the home that could help inform your decision or at least what repairs you ask for.

- **Provided a Better List of Service Providers (46%):** In a real estate transaction, there are a lot of people involved. An agent has experience working with various professionals in your area, like home inspectors, and can help connect you with the pros you need for a successful experience.

- **Negotiated Better Sales Contract Terms and a Better Price (46% and 33%):** Did something pop up in the home inspection or with the appraisal? An agent will help you re-negotiate as needed to get the best terms and price possible for you, so you feel confident with your big purchase.

- **Improved Buyer's Knowledge of the Search Area (45%):** Moving to a new town and you're not familiar with the area, or you're staying nearby, but don't know which neighborhoods are most affordable? Either way, an agent knows the local area like the back of their hand and can help you find the perfect location for your needs.

- **Expanded Buyer's Search Area (21%):** And if you're not finding anything you're interested in within your initial search radius, an agent will know other neighborhoods nearby you should consider based on what you like, what amenities you want, and more.

Bottom Line

If you're looking to buy a home, don't forget about the many ways an agent is essential to that process. Any hurdle that pops up, a negotiation that needs to take place, and more, your agent will know how to handle it while they make sure to minimize your stress along the way. Let's connect to tackle it together.

“Buying a house can be one of the most difficult and complicated purchases you make in your lifetime. Not only is the amount of money you’re dealing with substantial, the many, many legal ins and outs of real estate transactions can be confusing for someone who doesn’t work directly in the field. This is why many home buyers use a buyer’s agent when they’re searching for a new home to purchase.”

- U.S. News

Let's Chat.

I'm sure you have questions and thoughts about the real estate process.

I'd love to talk with you about what you've read here and help you on the path to buying your new home. My contact information is below, and I look forward to working with you.

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