

# Real Estate

YOUR HOME | YOUR LIFE



# Trends of 2017

Any time a new presidential administration takes office, the real estate industry as a whole tends to take notice. Factors such as interest rates and market uncertainty can impact buyers, sellers and investors.

With President Donald Trump and his staff taking over the country, we can expect to see some changes in the home buying and selling processes.

## INTEREST RATES

Between Trump's election and February 2017, interest rates shot up 40 basis points (0.4 percentage points), according to economic research by the Realtor.com team. This boost marked the end of record-low interest rates that had been seen over the previous few years.

According to the organization's forecast, the 2017 national real estate market is predicted to slow compared with the past two years. These shifts in the interest rate can make a difference to first-time homebuyers, who rely heavily on getting as much bang for their buck as possible.

## MAJOR DEMOGRAPHICS

Look no further than the



two largest American generations in history for indicators of who will move the markets in 2017 and beyond. Millennials and baby boomers are both in the thick of life stages that generally are associated with moving.

Millennials are starting families and landing new jobs, requiring them to rethink their current living situation or buy bigger homes.

Boomers are retiring or becoming empty-nesters, facilitating the need to downsize their homes or even sell them for extra retirement income.

The analysis by Realtor.com predicts that millennials will make up 33 percent of buyers in 2017. If we see a return to lower interest rates anytime soon, that number could move even higher.

## HOME PRICES: A MOVING TARGET

Realtor.com also reports that home prices are expected to slow nationally to 3.9 percent growth year over year, from an estimated 4.9 percent in 2016.

What does this mean for the country's major markets?

- Of the 100 largest metros in the country, 26 markets are expected to see price acceler-

ation of 1 percentage point or more, with Greensboro, N.C., Akron, Ohio and Baltimore experiencing the largest gains.

- Likewise, 46 markets are expected to see a slowdown in price growth of 1 percentage point or more, with Lakeland, Fla.; Durham, N.C.; and Jackson, Miss., expected to undergo the largest downturns.

# Paying Off a Mortgage Early

If you cringe every time you send an online payment or check to your bank for your mortgage, you're not alone. We all want to live debt free, right? Even if you had access to a large chunk of money that could completely pay off your mortgage, would it be wise to do so?

Should you be sending double or even triple your minimum payment amount every month in an effort to pay down your mortgage?

The answer depends on your financial goals and future. Consider the following questions when putting together your mortgage payoff plan:

## WHAT IS YOUR OTHER DEBT?

With 30-year fixed mortgages still relatively low, a mortgage offers a great solution for you to build credit and invest in your future.

Consider the rates for other debt, such as your credit cards. The financial website Bankrate reports that the average variable interest rate for credit cards stands at around 16.28 percent.

If you have extra money to pay down some debts, your best strategy is probably to focus on knocking down your highest-interest debt. This helps get you out of "bad credit" situations that can affect your credit score.

Lenders like to see that you have low balances on credit cards. Paying more than the minimum payment can help you cut into these debts in a big way. Once you have these under control, it makes sense to move on to your mortgage payments.



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## IS THIS YOUR FOREVER HOME?

What sense does paying off your mortgage make if you're just going to be moving in a couple of years?

Speak with your financial advisor or local accountant for better ways to place your extra money in low-risk investments.

This will help your money

grow as you continue in your career. If you plan to stay in your home forever, paying it off makes a lot of sense.

By paying an extra each month, you can shave thou-

sands of dollars off the amount you'll pay in interest over the life of your mortgage. This can lead to a more financially secure future in retirement and beyond.

# Set Aside Cash for 'Extras'

If you haven't been through a home sale or purchase, you might not be prepared for the extra costs you could incur during the process. While Realtors and other involved parties will do their best to guide you along the way, there will likely be expenses that you aren't expecting. Don't let them get in the way of you closing a deal.

If you're buying a home, make sure you sit down with your budget to understand exactly how much money you can devote to the transaction. This includes your down payment, title costs and moving expenses. Don't forget any extra purchases you'll need to make after moving in. Even if your new home is fully furnished, there are hidden costs that you will want to prepare to cover.

If you're selling a home, be prepared to give and take a bit on your final asking price. Once a buyer hires an inspector to assess the home, there might be items you will be asked to either pay for or fix. This can lead to unforeseen expenses.

## UP-FRONT COSTS

The website Homefinder.com has put together a helpful chart for home buyers to consider before signing the dotted line on a mortgage. Use it to calculate the minimum you should save for your home purchase and estimate what the upfront costs could be on the high end.

Cost category	Low estimate	High estimate
Down payment	3.5% of purchase price	20% of purchase price
Home inspection	\$300	\$500
Closing costs	2% of purchase price	5% of purchase price
Cash reserves	2 months of payments	6 months of payments

By taking these figures into consideration, you can help stay on top of your required costs, while also building an amount on the side that can



help float any extra costs.

## TRACK YOUR SPENDING

The good news is that there are easy ways to quickly stockpile extra cash for your home purchase or sale. The first step is tracking your spending.

Here are a few tips:

- **Assess your expenses.** Two of the largest spending categories for a typi-

cal household are housing and transportation costs. Consider moving to a cheaper unit while you save for your down payment. Go to a one-car household if you can feasibly do so. This will cut down on your car payments, insurance costs and gas and maintenance expenses.

- **Reduce your bills.** How much are you paying for your monthly satellite

TV and video streaming services? Make some cuts to free up a little cash for your real estate fund.

- **Pay off debt.** A great way to increase your cash flow is to pay off debts that is taking up a big portion of your budget.

Get those high-interest credit cards under control and watch your savings account grow.

# Is a VA Loan Right for You?

**A**s a member of the military, your service grants you access to the VA Loan Guaranty program, an initiative that can mean major savings in your monthly home payments. The loan is guaranteed by the U.S. Department of Veterans Affairs and may be issued by qualified lenders.

According to mortgage software company Ellie Mae, VA mortgage rates routinely beat “market” rates by more than a quarter of a percentage point. The company handles more than 3.7 million loan applications annually and has a solid handle on the loan marketplace.

Consider these statistics from Ellie Mae:

- In January 2017, for the 33rd straight month, VA mortgage rates beat rates for comparable mortgages via the FHA, and via Fannie Mae and Freddie Mac.
- VA mortgage rates consistently beat conventional mortgage rates by 25 basis points (0.25 percent) or more on any given day.
- By contrast, FHA mortgage rates now beat conventional rates by only 19 basis points (0.19 percent).
- VA mortgages never require mortgage insurance, whether you put down 20 percent or nothing at all.

## REFINANCING FEES AND ELIGIBILITY

The interest rate reduction refinance loan (IRRRL) is designed to provide veterans a lower interest rate. To refinance into an IRRRL, you must already have a VA mortgage.

Here are some costs you can expect to pay, according



to the VA:

- The funding fee on an IRRRL is 0.5 percent of the loan amount.
- On a VA cash-out refinance, it's 2.15 percent of the total loan, unless it isn't your first VA loan. In that case, it's 3.3 percent.
- If you served in the

National Guard or Reserves, the fee is 2.4 percent if it's your first VA cash-out refi.

- You don't have to pay the VA funding fee if you have a service-related disability or if you're the surviving spouse of a service member who died in the line of duty or from a service-related injury.

## CONSIDER THE INSTITUTION

If you decide to look into a VA loan for purchase or refinance, consider finding a mortgage lender that specializes in these types of programs. To qualify for a VA refinance, you must be an active-duty service member, an honorably dis-

charged veteran or the spouse of a current service member or veteran.

These loans can still be considered a niche product, so research lenders who have experience structuring them. Call local banking institutions and credit unions to find the right fit for you.

# Remodel or Move?

It's the intersection at which many individuals and couples are forced to make a major life decision: Should we remodel or move?

Your first instinct after outgrowing your current residence might be to put it on the market, but if you love your home and shudder at the thought of leaving it, you may have some other options. Adding on to your house or performing an extensive remodel might give you the extra space you need.

Your budget and creativity are the two main factors in pulling off a remodel that satisfies your space and livability requirements, so sit down with a contractor or financial advisor to put together your plan.

## REASONS TO SELL

Sometimes, moving is inevitable. You might land a great job or have to move away to handle family issues, making staying in your current location physically and financially impossible.

If selling is your only choice, you can at least take comfort in the fact that you'll be able to enlist the help of a local Realtor to help facilitate the process while you take care of your new life circumstances.

Your Realtor can keep you



in the loop on any offers and let you know of any issues keeping buyers from pulling the trigger on making an offer.

## WAYS TO REMODEL

Conversely, if there isn't a major life change on your horizon and you love your current home, location and neighborhood, maybe you're just due for a remodel.

Even if you love your area and your home fits your over-

all lifestyle, there may still be parts of the home that aren't working for you. Is the master bathroom outdated? Does the landscaping need an overhaul?

Here are a few remodeling tips that can make a big difference in your overall love for the home, as well as your resale value should you need to make a move one day:

**Little things:** Changing out light fixtures and updating

your appliances can make a world of difference in the overall look and feel of your home. These are also relatively inexpensive projects that can add immediate value.

**A new backsplash:** Transforming a room from drab to dramatic is as easy as updating the backsplash. Add peel-and-stick backsplash tile to your kitchen or bathroom for an instant upgrade or hire a professional crew to install

top-tier tile. Whatever you decide, you'll enjoy your new backsplash for years to come.

**Consider curb appeal:** Making small tweaks to the landscaping by seeding the lawn or planting vibrantly colored flowers help make you enjoy spending time in your yard again. Power wash your home, plant a tree or add a garden shed. These steps can add functionality and beauty to your outdoor space.

# Pets and Our Homes

**W**hen making decisions about buying, selling or renovating your home, don't forget about Fido.

The 2017 Animal House: Remodeling Impact report from the National Association of Realtors found that 81 percent of respondents said animal-related considerations play a role when deciding on their next living situation.

From specific building materials that hold up to pet wear and tear to renovation projects that make life easier on pets, American pet owners are crazy about their four-legged friends.

Considering that 61 percent of households in the United States either have a pet or plan to get one in the future, today's generation of pooches and kittens might have more marketplace influence than we think.

## PETS BY THE NUMBERS

Here are some more fun facts from the NAR's 2017 animal study:

- Ninety-nine percent of pet owners said they consider their animal part of the family, and this becomes apparent in the sacrifices pet owners are willing to make when it comes to buying and selling homes.
- Eighty-nine percent of those surveyed said they



would not give up their animal because of housing restrictions or limitations.

- Twelve percent of pet owners have moved to accommodate their animal.
- Nineteen percent said they would consider moving

to accommodate their animal in the future.

- Fifty-two percent of respondents indicated that they had completed a home renovation project specifically to accommodate their animal (including building a

fence around their yard, adding a doggy door or installing laminate flooring).

The viewpoints of Realtors also was taken into consideration for the study:

- When it comes to selling, 67 percent of Realtors say

animals have a moderate to major effect on selling a home.

- Sixty-six percent of Realtors say that they advise animal-owning sellers to replace things in the home damaged by an animal.

# Be a Better Landlord

**W**as your 2017 New Year's resolution to make more money? Being a landlord can be a profitable endeavor, especially if you are a good one. Improving your tenant relations can be a big first step in boosting your income this year.

Whether you rent out a multiplex to numerous families or a single home to a college student, consider the following steps to becoming a better landlord. Your tenants — and your checkbook — will thank you.

## INTEGRATE TECHNOLOGY

As a landlord, you want to make things as easy as possible on your tenants. This can be as simple as making it possible for them to pay their monthly rent online or sending emails rather than written correspondence.

Think like your tenant to understand whether these steps would make a positive difference. If your target demographic is young families headed by millennial parents, incorporating technology into your landlord business model makes sense. If your market is less inclined to use technology to pay bills or connect with others, stick with traditional modes of billing and communication.

The key is knowing your clientele and making their experience with you as seamless as possible.

## FARM OUT YOUR WORK

Making the largest profit could mean taking yourself out of the picture. Especially if you have multiple properties or even a full-time job, it

might make sense to hire a property management company to handle a lot of the legwork.

Doing so allows you to still bring in monthly cash without having to sweat the small — but vital — stuff, such as contract management, legal

compliance and repairs.

## BUILD RELATIONSHIPS

The best tenant-landlord relationships are based on trust, communication and loyalty. If you're not listening to your tenants, you might be missing out on opportunities

to grow your business or improve your reputation as a top local landlord.

Your tenants are the ones living in your properties on a daily basis. If something breaks or a pipe starts leaking, it's up to you to show them that their comfort and safety matters.

Rather than letting repairs drag on for days or weeks, have a solid relationship with a handyman who can take care of emergency calls quickly.

This kind of commitment to tenant satisfaction will help you retain clients in a competitive marketplace.

