Your Broker:

Rob Cassam

February 2020 REAL ESTATE Update™

CAROLINA REALTY ADVISORS

The right real estate advice makes ALL the difference!

3 Renovations That Will Help Get Your Home Sold

Smart renovations can actually help get your home sold quickly and for a higher sales price. Here are three to concentrate on.

Quartz countertops
"Quartz is a great alternative to granite or marble because of its durability and ease of maintenance. The new styles of quartz often mimic marble so well that for some it's hard to distinguish one from the other," says Elle Decor.

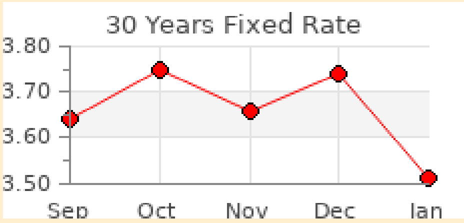
Putting a couple thousand dollars into your countertops to get rid of granite or, even worse, laminate, can be a great investment that gets your home noticed. You may not recoup 100% of your dollars, but it may be well worth it to get your home sold without dropping your price.

The master shower
A cave-like shower or one with chipped or dingy tile or a corroded door isn't going to attract buyers. In fact, the idea that buyers will have to remodel this critical element could be such a turnoff that they might just turn around and leave. According to Homelight, "a brand new bathroom also helps inspire offers on your house, and small, inexpensive updates to this space could help you fetch 2-3% more for your house."

Paint
Bright red walls, dirty white walls, deep purple walls. What do they have in common? They could all cost you a sale. Fresh paint can add anywhere from 1% to 3% to the final sale price, and you don't even have to paint every inch of the place, inside and out. Experts recommend focusing on "high-traffic and first-impression areas such as the kitchen, the bathrooms and the foyer."

Mortgage Rates
U.S. averages as of February 2020:

30 yr. fixed: 3.51%
15 yr. fixed: 3%
5/1 yr. adj: 3.24%



The One Change You Should Make to Your Home in 2020

Splash a new color up on the walls. Redo your floors. Buy a new couch. They might be on the long list of things you'd like to do to your house in 2020. But you know what should be at the top of that list? Buying new plants.

So key are plants to the overall look and feel of the home that they made Elle Decor's list of 2020 design trends. But we're not talking about those faux, plasticky plants. It's time for the real stuff.

"Going green with nice, real indoor plants helps give personality and another layer to a space," Linda Hayslett of L.H. Designs, told them. "For a while, it seemed like everyone was going faux. But these days, it's all real, ll the time. "I can always spot a faux plant in a design. It may be great initially, but the character of a plant comes from how it organically grows. And faux plants will always remain the same and eventually get dusty."

One great place to start is with an idoor herb garden, and they're easier to achieve than you might think. Start with something simple like basil and thenadd in other favorite herbs to the mix like rosemary, mint, or thyme and you'll have a fragrant, edible indoor garden in no time.

An Effective Home Listing Can Get Your Place Sold

The right real estate listing could make the difference between your home selling quickly, or not at all. You may not have thought much about your real estate listing, but it's a critical piece of the home-selling pie. Getting it wrong may not necessarily cost you a sale if your home is well-priced, located in a hot area, and you have great listing photos, but it could help you attract the right buyers if done well. Here are a few tips to help:

Carefully choose which features to mention
Some could be more valuable than others. "Mentioning certain home features like professional appliances, wine cellar, steam shower and waterfall countertop can boost sales prices from 24% to 34%," said SFGate.

Write an effective headline
Your house has to make a great first impression to attract buyers, and so does your listing. This isn't a time to be boring.

Check for errors
"For example, if your house is listed on Polar Lane when it is actually on Poplar, your place may never be found, even if it is turnkey and well priced," said the Los Angeles Times. "The same holds true if the school district is incorrect, the ZIP Code is wrong, the number of bedrooms is misstated or the map coordinates are inaccurate."

Think about the area
Many experts advise that sellers focus on out-of-area prospects. Even a buyer from 10 minutes away many not be aware that there are 12 community parks, 20 miles of trails, and four museums in the area.

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10 Down Payment Saving Tips for 2020
By Jaymi Naciri

Buying your first home can seem like an insurmountable goal, especially if your expenses are already high. Pricey rent, not to mention car payments, insurance, utilities, groceries, and all the other realities of life, can make it hard to save.

Many renters assume they'll never be able to buy a house for this reason. They spend so much money month to month, there is little or nothing to put away. And the idea of coming up with tens of thousands of dollars for a down payment seems impossible. But here's the reality: The current national median home price is $257,000, and 3.5% of that—the minimum amount needed for an FHA loan—is just under $9,000. Does that seem more doable? The truth is that there are probably a bunch of cuts you can make to your current budget to come up with that kind of cash. Here are 10 ideas for 2020.

Set a frugal but realistic budget

Do you know how much you spend every month on bills, necessities, and incidentals? Many people don't. Having a debit card makes it easy to spend, spend, spend, and, often, a lot of what is being purchased is unnecessary, frivolous, and counterintuitive to your goals if you're looking to buy a home.

Cut the cord

"The average cable or satellite user spends a little over $100 a month on their TV bill, which means canceling their service could save them over $1200 annually. But many pay TV defectors will likely be looking for an alternative way to watch their favorite programs," said Mental Floss. "Assuming you're one of the 83 percent of consumers who pays for both TV and internet, switching to a web-based service shouldn't be too expensive. An Amazon Prime plan costs $99 a year, a basic Netflix subscription costs $132, and Hulu costs $96. Even if you spring for all three choices, you'll still only be paying $327 annually, saving you about $875 if you're a former cable subscriber."

Pause your retirement savings

"If you're already saving for retirement, this might feel really weird," said Dave Ramsey. "After all, Dave normally recommends you start investing 15% of your household income for retirement right after getting your emergency fund in place. But if you're planning on buying a house in the near future, hold off on your retirement savings and redirect those funds toward your down payment. It's temporary, so don't worry. Once you're sipping coffee in your new breakfast nook, you can get right back to that 15% toward your retirement goal. Think of it like this: If you're currently investing $500 a month into 401(k)s and IRAs, and instead, you put that toward your down payment savings, you could save around $12,000 in two years. That's a big boost to your savings timeline!"

Ditch the dry cleaning

Save hundreds of dollars per month with a few dry cleaning tricks. "There is a difference between 'dry clean' and 'dry clean only,'' said Capitol Hill Style. "As The Laundress explains, many items labeled 'dry clean' can actually be machine washed on gentle or hand-washed. So when looking at clothes, check the tag: Is it dry clean or dry clean only?"

Use those coupons

We all get mailers that have coupons for local restaurants, but how many of us actually use them? If you are going to go out for a meal, use that buy one entree, get one free offer.

Do competitive research on credit cards

You could be throwing away money on credit card rates that are higher than they should be. LendingTree has a great breakdown of the best options, hitting on interest rates, rewards programs, and other important details.

Use your points

Savings those credit card points for a vacation? Check to see if your points are redeemable for cash. If not, they may be able to be turned into gift cards, which you could use for daily spending, which would free up that money for your savings.

Adjust the temperature

You can save money by lowering the temp by a few degrees in the winter and raising it in the summer. According to the U.S. Department of Energy, the savings can add up to 10% per year "by simply turning your thermostat back 7°-10°F for 8 hours a day from its normal setting. The percentage of savings from setback is greater for buildings in milder climates than for those in more severe climates. You can easily save energy in the winter by setting the thermostat to 68°F while you're awake and setting it lower while you're asleep or away from home. In the summer, you can follow the same strategy with central air conditioning by keeping your house warmer than normal when you are away, and setting the thermostat to 78°F (26°C) only when you are at home and need cooling."

Get the right bank

There are plenty of banks that don't charge monthly fees or ATM fees. That can save you $25 or more per month, and it all adds up. Ally continues to get high marks for its online bank account. "This account pays a modest interest rate and offers free Allpoint ATM uses and up to $10 in monthly reimbursements for other bank ATM fees," said The Balance. "There are no monthly fees, plus no fees for ACH transfers to or from other banks, no fees for cashier's checks and no fees for incoming wires. This account also offers free checks, which come in handy for your landlord or anyone else who still wants to get paid like it's the 1990s."

Cook at home

According to meal planning service Wellio, "You can save around $16 per meal by cooking at home," said MyDomaine. "That means if you cook just one meal at home a week that you would normally buy from a restaurant, you could save $832 a year." Extrapolate those savings out over multiple nights and you could have your down payment in no time!

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6 Things That Happen When You Become a Homeowner
By Jaymi Naciri

Becoming a homeowner is more than having a set of keys and your name on the deed. You may have a rush of emotions the day you take possession and recognize you now have your place in the world—literally. And that's just the beginning. Here are a few more things you can expect.

You learn what pride of ownership means

You may take pride in your car and your clothes and other minor possessions, but nothing compares to the feeling of being a homeowner. Buying your first place is an accomplishment, and you get to come home to that accomplishment every day.

You'll have more peace of mind

Once you have moved into your new home, unpacked, and taken a breath, you'll have that moment—that moment where you realize, "This is mine." Thankfully, that moment is repeated regularly. You'll have it when you look at your countertops and realize you can redo them any way you want. And when you decide to get a dog and don't have to ask permission. And when you want to paint your walls—any color you choose.

You'll obsess over paint colors

Speaking of paint colors, get ready to spend hour after hour at Home Depot gathering dozens and dozens of paint chips. Even if you just want a fresh coat of white on the walls, it's easier said than done. "There are hundreds and hundreds of white paints available, and most of them are considered white," said The Spruce. "This makes choosing a plain white paint color nearly impossible."

You learn skills you'd never imagine

Soon you may be able to snake a toilet, tile a backsplash, and refinish your floors. Yes, there are people you can hire for these tasks, and all the others you'll want and need to do in your home over the years, but it can be so much more satisfying—and cost-effective—when you do it yourself.

If you're on a strict budget after buying your first home, you'll likely also have to learn how to care for your lawn. Get those edging skills down!

You start prioritizing differently

Oooh, that skirt is so cute. But if you buy it, you'll want the shirt and the jacket and the boots, and the jewelry, and, before you know it, you've spent half the money it would take to update your fireplace.

You start investing in yourself

When you put money and sweat equity into your home, you're impacting its value. That's an investment in your home, but it's also an investment in you and your future.

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New Changes for Mortgages in 2020
By David Reed

Well, that was fast. 2019, that is. Especially so during the holidays. It seems that the days leading up to Thanksgiving and then January 2 are a blur. The mortgage industry is no different as new guidelines will be in place for the new year. Some of these guidelines are a big deal and some not so much. But changes are coming.

The first big change is the conforming loan limit. Conforming loans are those that conform to guidelines set by Fannie Mae and Freddie Mac. Around two-thirds of all residential mortgage loans issued in the United States are conforming. Lenders approve loans using these standards and after doing so sell those loans to third parties, primarily Fannie and Freddie but other mortgage company buy loans as well. One of the primary conforming guidelines is how big the loan can be. In 2019, the conforming loan limit for most parts of the country was $484,350. But for 2020, the conforming loan limit will be $510,400. In areas where property values are much higher compared to the rest of the country, conforming limits can be as high as $756,600. Conforming loans will carry some of the most competitive mortgage rates compared to “non-agency” loans.

VA loans, those whose guidelines follow those set forth by the Department of Veteran’s Affairs, will also see some changes. Perhaps the biggest change is how big a VA loan can be. Historically, the VA loan marched in step with the conforming loan limits established by Fannie and Freddie. For 2020, that would mean VA loans would have a loan limit of $510,400. For 2020, that changes. VA loans will no longer have a limit and it will be up to the individual lender to set a loan limit for its borrowers. Lenders must still approve a VA loan application in the same way they’re approved today by verifying income, employment, eligibility and other guidelines.

Another change to VA loans is the Funding Fee. For 2020, the funding fee will be 2.3% of the sales price of the home, this is up from 2.15% in 2019. The funding fee is an insurance policy that compensates the lender in the case of default. This is rare however as VA loans are some of the highest performing in the industry. Other fees can change depending upon the number of times a VA loan was used and whether or not there was a down payment involved in the transaction. What does not change is the occupancy. VA loans can only be used to finance a primary residence.

FHA loans will also see some changes. For most parts of the country, the new FHA loan limit will be $331,760. FHA limits are set as a percentage of median home values for the area. This percentage is set at 115% of the median value. These areas, known as “metropolitan statistical areas,” are identified by the Census Bureau. Because home values will vary from one area to another, the FHA limits will also change. A quick phone call to your loan officer can tell you what the FHA limit is in the area you want to buy.

USDA loans will see some changes in 2020. USDA loans are used to finance rural properties. Because these areas are identified by population which is turn is reported by the Census Bureau, USDA loan limits will change as the new Census is performed. These new limits will be announced after the Census is taken.

Note, these are changes issued by their respective agency. Individual lenders may also have their own changes, referred to as “overlays” in addition to the ones noted above. In general, however, lending guidelines and regulations have somewhat stabilized over the years and obtaining a loan approval is much easier than say 10 years ago. There are changes coming, and they’re good ones.

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Financing Investment Properties
By David Reed

Consumers are taught early on about the importance of saving. Saving for emergencies, saving for a financial cushion and saving to build wealth over time. Different financial advisors will say that how much of a consumer's funds should be in stocks, bonds or cash depends upon the individual's personal situation, years to retirement and so on.

But while the conversation centers around stocks or bonds or keeping the money in a bank account, what's not mentioned as often is another investment- real estate. Real estate is typically a long-term hold strategy although there are those who look for undervalued properties, buy and repair them and flip for a profit. But over time, real estate can provide stability and long-term wealth accumulation that other investments cannot while at the same time providing a monthly cash flow. Stocks and bonds can increase over time but won't be able to send a monthly check each month as profit.

Buying a rental property is much like buying a primary residence. Most of the rental investment financing options centers around residential conforming loans of the Fannie Mae and Freddie Mac variety. These options provide perhaps the most competitive in terms of interest rates and fees. Note here however that government-backed mortgage programs such as VA, FHA and USDA loans are only for primary properties, not investments. Rates and fees will be a bit higher compared to financing a primary a residence, but not by very much.

In general, a 30 year fixed rate program to finance a rental might be 0.50 to 1.00 percent higher than an owner-occupied property. That can translate to a higher interest rate in the 0.25 percent range. When doing that math, that's really not all that much difference. Higher rates apply because lenders consider an investment property a greater level of risk compared to someone's own home. The thinking is that should someone find themselves in some degree of financial straits, a rental property will be let go before someone's owner-occupied property.

In addition to changes in an interest rate, borrowers can expect to bring a little bit more money to the closing table. Most conventional loan programs for rentals ask for a down payment of at least 20 percent of the sales price. You may recall that private mortgage insurance, or PMI, is required for most conventional loans if the amount financed is greater than 80 percent of the value of the property. However, PMI is not available for rentals, just owner-occupied units. That's the reason for the 20 percent down payment. Borrowers can also get a slightly better rate with a down payment of 25 percent or more.

How do investors evaluate a particular property? The bottom line is cash flow while the secondary reason would be wealth accumulation. Few investors will buy a rental property and hold for the long term if the property doesn't cash flow. The market rent for a specific property must exceed the financing costs including principal and interest, taxes, insurance and maintenance. If the cash flow is negative, the investor is likely to pass.

One final note, and an important one for would-be real estate investors. When buying and financing the first property, the rental income from the unit cannot be used to help qualify for a new mortgage. Instead, the buyers must be able to qualify without the benefit of rent and do so for at least two years. with any subsequent rental property purchase, income can be used to offset financing costs.

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