

Your Broker:



Rob Cassam

March 2020

# REAL ESTATE Update



The right real estate advice makes ALL the difference!

## 3 Tips to Give Your Home a Fresh, Exciting Feel



These tips are simple, yet effective when it comes to freshening up the space where you spend so many hours of your life:

### 1. Brighten Up Your Wall Colors

Rooms with fewer windows require paint colors that are bright and add a bit of light to the space. Hallways, bathrooms, and closed-in spaces all require a little extra thought when it comes to paint jobs if you want to give your home an invigorating feel. Consider colors like lavender, yellows, grays, and bright whites to open up areas.

### 2. Do Away with the Clutter

In order for your home to feel like a place where you can recharge and enjoy yourself, you'll need to clear out some of that junk. It doesn't matter if you use Marie Kondo's famous "spark joy" method or something different - just eliminate the clutter that's keeping you from loving your home. Take the process step-by-step and you'll find that it's not as overwhelming as it seems.

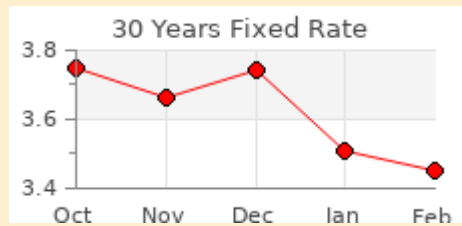
### 3. Don't Shy Away from Personalization

Many homeowners spend so much time thinking about what will make their home look "good" that they forget to think about what will make their home theirs. What makes you feel refreshed and excited? Look at spaces in your home where you could add a splash of personality. Choose accents that are meaningful, not just aesthetically pleasing. Some simple ways to bring a touch of personality into your home:

- Display accomplishments that bring you pride
- Add artwork that's special, not just generic
- Put up some memorabilia from past experiences

## Mortgage Rates U.S. averages as of March 2020:

30 yr. fixed: 3.45%  
15 yr. fixed: 2.95%  
5/1 yr. adj: 3.2%



## Changes to Credit Scoring System



"Fair Isaac Corp., commonly known as FICO®, has built a new suite of scoring models that will be available from all three credit reporting agencies (Experian, TransUnion and Equifax) to lenders by the end of 2020," said Experian. "The new models will treat late payments and debt more severely, but will also now consider historical information about your credit card balances and payment amounts. Your FICO® Score will likely change as a result."

Just how could this impact borrowers? Consumers with high FICO scores who continue to manage their finances well may actually see an increase in their scores. "This change will create greater separation in the 600s," said Forbes. "If you are in the lower 600s and struggling to make payments on time, there is a chance your score can go down further. If you are in the high 600s and making payments on time and trending toward lower debt levels, your score could actually increase."

Joanne Gaskin, vice president of scores and analytics at FICO, told NPR that, "About 40 million Americans are likely to see their credit scores drop by 20 points or more, and an equal number should go up by as much."

## 3 Appliance Repairs That You Can Do Yourself



Many appliance repair jobs tend to cost a lot of money and can be time consuming to schedule, however it's possible to do the repair yourself, sometimes in just minutes. Here are a few repairs you can confidently fix yourself:

### Replace the Thermostat in The Dryer

The thermostat often breaks and when it happens, the dryer won't heat up. You can purchase a new thermostat at most hardware stores for under \$80, which is a pretty big savings on most dryer repairs, which cost around \$180. Follow the manual for your specific brand of dryer to locate the thermostat and purchase the most relevant model.

### Clear the Drain in the Dishwasher

If the dishwasher is no longer draining, it is most likely a clog in the drain. You can clear this yourself in just minutes with the use of a shop vac. Just disconnect the drain and insert the shop vac's hose. Run the hose for a few minutes, then try the dishwasher again.

### Unclog the Burner in the Gas Stove

Gas stoves that aren't lighting and aren't giving off a smell of gas may seem to be a big problem, but it's usually a small issue that's easily fixed. First just make sure that the electricity and gas lines to the stove are working properly. If the electricity and gas lines are in good order, the burner is probably clogged. Shut off the gas to the stove, then grab a small brush and some cleanser. Clean the burner head well, scrubbing it out. When you turn on the gas and turn the burner, it should light right up.

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## Credit Inquiries: When They Really Matter and When They Really Don't By David Reed

A credit inquiry is when an individual or a business requests a credit report from one or all of the three main credit repositories. These repositories are Experian, Equifax and TransUnion and all three use the very same algorithm when calculating the crucial credit scores.

For most mortgage loan programs, a minimum credit score is required. There are five factors that go into calculating these three digit FICO scores and they are someone's payment history, account balances, types of credit, how long someone has used credit and requests for new credit, referred to as an inquiry.

There are two primary types of inquiries, a hard and a soft inquiry. A hard inquiry will have a direct and almost immediate impact on credit scores whereas a soft inquiry will not. A hard inquiry is one where the individual has made a direct request for new credit. The request can be for a new automobile loan, installment loan or a credit card. A single, somewhat isolated request for new credit will have a marginal impact on credit scores.

However, multiple requests for credit during a compressed period of time will eventually harm scores. The thinking is that immediate and several requests for new credit could indicate the individual is currently or soon will be in some sort of financial straits and the new credit accounts could act as a cushion until the financial issues are resolved. These varied, multiple requests can keep companies from issuing new credit.

A soft inquiry is relatively benign. A soft inquiry won't affect scores at all. A soft inquiry is when someone requests their own credit report for an annual review. A soft inquiry can be made by a potential employer. A soft inquiry can also be made by a company seeing if someone is eligible to apply for their credit card. None of these scenarios will hurt scores. Unfortunately, consumers might do a bit of basic research and see that multiple inquiries during a short period of time will hurt scores when that's not always the case.

Let's take a look at someone who's applied for a new home loan. The application is submitted but after a few days the applicant gets a little worried. There's been no documentation sent, no phone calls returned and a vacant loan officer. After two weeks the applicant thinks it might be a good idea to apply for a mortgage at another lender but decides not to because an additional inquiry will drive scores down even further. But that thinking is wrong, especially for something as important as a mortgage.

The guidelines set forth by the Consumer Financial Protection Bureau, or CFPB, have ruled that multiple requests for the same type of account within a 45 day period count as just one inquiry. That's the key phrase here, "...same type of account." The applicant with the non-responsive loan officer makes another application with a new company after two weeks and there is no effect on scores. Remember, same type of account and 45 days.



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## 3 Tips for Buying a House That Will Support Your Lifestyle By Riley Swanson

There are countless details to consider when buying a house: size, style, acreage, price, age, structure, etc. It can be overwhelming, but overall, one of THE most important things to think about is how the house will accommodate your family's specific lifestyle. You need a home that will conveniently fit your routines, hobbies, and expectations. Whether that's a ranch in the country or a small city townhouse, it's up to you to decide if the home will support your lifestyle.

Here are three important aspects to consider when determining if a house is a good fit for the life you and your loved ones lead.

### 1. Consider How Your Daily Routine Will Work

When you first tour a house that's for sale, what are you thinking about? Are you dreaming of the house parties you could throw and the furniture that would fit perfectly, even if you can't afford it?

Try flipping your mindset to a more realistic setting. The majority of the time you're in that house, you'll be going about life normally: getting up for work, taking care of kids or pets, cooking, cleaning, and just living.

Is the house close to the businesses, doctors, offices, and schools you'll frequently be visiting? Research has shown that people with short-distance commutes are more relaxed, calm, and satisfied than those who travel long distances. A house can be perfect in many ways, but if it's not conveniently located, it might not fit well into your current lifestyle.

What about the kids? What do they do on an average day, and how will their activities and necessities be met in the house you're considering? Will they be close to the things that they do every day, like parks, schools, and friends' houses? A house can be beautiful, spacious, and a good price, but if it doesn't have features that will contribute to the ease of your everyday life, it might not be a good overall fit for your family.

### 2. Think About Incorporating Your Hobbies

Speaking of daily activities, it never hurts to think about how your most important hobbies will fit into a new house. Many hobbies take up space, so before you make any commitments, think about where your workshop, exercise room, or arts and crafts area could fit. Maybe you'll decide you need a separate room or shed for your hobby, or perhaps you want to convert half of the garage into a workshop. Regardless, these are things you need to think about while home shopping - not after you've already made the move.

In the rise of "workaholicism" in America, it's more important than ever to actively search for ways to keep hobbies involved in your home life. Hobbies exercise a part of our brain we don't typically use and improve our cognitive functions - don't brush them off when thinking about how a house fits your lifestyle.

### 3. Remember: Your Happiness Doesn't Come from a Home

The American Dream would often have us believe that a good job, a content family, and a house with a white picket fence are the necessary ingredients for a happy life - but that's not always true. Owning a McMansion you can't really afford or living in a cramped space to be in a "cool" city isn't always the right path to a happy lifestyle.

Know what the real ingredients to a happy lifestyle are? Research indicates they are:

- A sense of community and frequent community celebrations
- Close friends and family, especially for children
- Access and commitment to frequent exercise
- Less emphasis on consumerism (a big happiness suppressant)
- The chance to actively help people for about 100 hours a year

Notice that none of those ingredients have anything to do with the size of the house. However, many of them do influence where you live and how you can access support groups, community, activity, and charity.

As you shop for your "dream" house, everything from your commute to your space for hobbies and proximity to friends, family, and community can seriously impact your happiness - don't let those factors be overshadowed by a pretty exterior or five awesome bedrooms.

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## How Much Will New Home Upgrades Cost?

*By Jaymi Naciri*

If you're thinking of buying a new home, understanding and considering these extra costs is important. Many buyers fall in love with a model home and are disappointed to see that the "real" home they are buying is full of builder basics, like unimpressive flooring and countertops, and no fancy backsplash or tiled shower. There may not be any grass or landscaping in the backyard or window coverings at all either. Here's what you need to know:

### What is included in the base price?

What's the first thing you do when you get to a new-home community? You tour the model homes, right? And now you're all in love and imagining your furniture sitting atop the wide-plank wood floors in the living room and your kids cozying up to the quartz-covered breakfast bar. That's when you get hit with a big shock of reality: The model costs \$200,000 more than the base price of the house.

### Can you upgrade for less?

Of course. You may want to replicate that model down to the very last knob and pull, but picking and choosing where to put your money can help you stay within a reasonable budget.

### So how much are we talking?

Could be a little, could be a lot. It entirely depends on you. "We visited a builder in our area that advertises low home prices, and were shocked to find out how much of what we saw in the model was an upgrade," said Autumn of It's Always Autumn. "I knew that the granite countertops would be an upgrade, but the entire kitchen layout was an upgrade costing \$10,000, and the master bathroom layout was another upgrade costing nearly as much. Window sills were an upgrade. A garage door opener was an upgrade. Central air was an upgrade. Any light fixtures other than fluorescent bar lights in the kitchen were an upgrade. Not to mention 2-tone paint, the trim, the doorknobs, all the fixtures, the carpet, the tile, etc." In general, everything you add or change will cost you, however individual prices will vary depending on the builder, the home, and the specific finishes they offer.

### Where should I start with my upgrades?

In the kitchen. "The kitchen is the heart of the home, the spot where you will spend the majority of your time and make the most memories," said New Home Source. "It can never be overly well equipped. Pay special attention to cabinets and appliances, as this is what future buyers will focus on, as well as the tools you will use every day."

### Do any builders include upgrades in the base price?

Some do. For example, Lennar's Everything's Included (EI) program includes some of the most popular amenities, such as GE® or Electrolux® stainless steel, energy-efficient appliances, upgraded polished granite or quartz countertops, and upgraded cabinets and flooring, in the price of the home. Other things you need to know about home upgrades:

### You're going to have decisions to make.

Many, many, MANY decisions. You'll need to choose products and colors and finishes for every room and nearly every surface. Sometimes, there will be multiple decisions that need to be made at once. Just selecting your cabinets from among the standard options and colors can be an adventure.

Thankfully, many new-home builders today have design centers that are staffed with professionals who can provide guidance.

### Upgrades can often be rolled into your mortgage.

This makes them seem painless since you don't have to come out of pocket for those wood floors. But it will raise your monthly payment. And, if you're already at the limit of what you're qualified for, or what you feel you can afford, that increase may be problematic.

### It's important to consider the value.

Are you making smart upgrades that will add value to your home? Obviously, you have to weigh the importance of your personal wants and needs against what the general public might want when it's time to sell. Your real estate agent should be able to provide important insight into items that will—or will not—make the home attractive to future buyers.

You also want to think about whether you are over-improving for the neighborhood. If you put \$100,000 in upgrades into the home, will you ever be able to get that money back out of the home? If your improvements make the home more expensive than any of the other homes in the neighborhood, you may end up losing money down the line.



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## **“Mattress Money” and Mortgages** *By David Reed*

What is “mattress money?” It’s a funny term but it means funds that someone owns but does not have a paper trail. Let’s look at how mattress money can be viewed by a lender and how to document these funds. It’s a good thing to come across some extra cash. Maybe the sale of a car or a small inheritance or someone just gave you some funds to help you buy a home in the future. However it’s acquired, it’s always better to have more money than less, right?

One of the more important things lenders look at when evaluating a home loan application is how much money is available for the transaction. There needs to be funds showing enough money for the required down payment, if any, closing costs and some extra funds left over after closing called “cash reserves.” Cash reserves are counted as the number of months’ worth of house payments that are left after the loan has closed. If the total mortgage payment, including taxes and insurance, is \$2,000 and the cash reserve requirement is three months, there should be an additional \$6,000 available. This is on top of the down payment and closing costs. But these funds have to be verified as yours.

Verification is done by reviewing recent copies of bank statements. If your savings account shows \$20,000 and the checking account statements show regular deposits on the 1st and 15th, the lender will begin to tally the total amount available and when enough funds are verified, the loan application continues through the approval process.

But in this scenario, the funds are short by \$5,000. The down payment, closing costs and reserves needed add up to \$30,000. That’s okay though, because at home in the vault, there is \$7,000 in cash ready for you to use any way you wish. You take out the \$7,000 and deposit it in your checking account. Yet there’s still a problem. Even though you’ve saved up those funds over the past year or so, you may not be able to use them. At least, the lender won’t count them as yours. This is called mattress money. Loosely meaning the cash is stuffed in your mattress at home. It’s frustrating because you know the funds are yours and yours alone, but the lender is ignoring them.

The issue here is there is no way to source where those funds came from. Are the funds a personal loan? If so, at some point the loan will need to be paid back. Will there be monthly payments and if so, how much? In both instances it can affect the ability to repay the mortgage.

If it’s cash saved up and you know you’re going to buy a home in the future, pull the cash out of the vault and into your bank account. This will let the funds “season” over time and the lender will not question where the funds came from. How long does it take to season funds? There’s no universal guideline but in general funds may be considered yours after two or three months.

If the funds are from the sale of a car, provide a copy of the bill of sale, copy of the check and copy of the deposit into your bank account. If the funds are a gift from a family member or qualified donor, again provide a paper trail. But if it’s cash at home, “mattress money,” put it in the bank as soon as able.



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