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THINGS TO CONSIDER WHEN

# BUYING A HOME

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## 5 REASONS TO BUY A HOME NOW INSTEAD OF SPRING

Based on prices, mortgage rates and soaring rents, there may have never been a better time in real estate history to purchase a home than right now. Here are five major reasons purchasers should consider buying:

### 1. Supply is Shrinking

With inventory declining in many regions, finding a home of your dreams may become more difficult going forward. There are buyers in more and more markets surprised that there is no longer a large assortment of houses to choose from. The best homes in the best locations sell first. Don't miss the opportunity to get that 'once-in-a-lifetime' buy.

### 2. Price Increases Are on the Horizon

Prices are projected to appreciate by over 25% from now to 2018. First home buyers will probably pay more both in price and interest rate if they wait until the spring. Even if you are a move-up buyer, it will wind-up costing you more in net dollars as the home you will buy will appreciate at approximately the same rate as the house you are in now.

### 3. Owning a Home Helps Create Family Wealth

Whether you are rent or you own the home you are living in, you are paying a mortgage. Either you are paying your mortgage or your landlord's. The Federal Reserve, in a recent study, revealed that the net worth of the average homeowner is 30 times greater than that of a renter.

#### **4. Interest Rates Are Projected to Rise**

The Mortgage Bankers Association, the National Association of Realtors, Freddie Mac and Fannie Mae have all projected that the 30-year mortgage interest rate will be over 5% by the end of 2014. That is an increase of almost one full point over current rates.

#### **5. Buy Low, Sell High**

Most would all agree that, when investing, we want to buy at the lowest price possible and hope to sell at the highest price. Housing can create family wealth as long as we follow this simple principle. Today, real estate is selling 'low' compared to where it will be next year. It's time to buy.





## **BUYERS: WINDOW OF OPPORTUNITY STILL OPEN**

The Federal Reserve recently announced they would continue their current pace of purchasing bonds until the economy was stronger. This bond purchasing program is the reason that mortgage interest rates are at historic lows. Rates began to increase over the last several months just on the anticipation that the Fed would announce that they would be reducing the level of bond purchases last month. When that didn't happen, rates actually decreased (4.5% to 4.37%).

That was great news for any buyer in the process of purchasing a home. However, this window of opportunity is expected to close in the very near future as most experts expect the Fed to taper the bond purchases in December. Even Ben Bernanke, Chairman of the Fed, suggested that the Fed could still scale back the stimulus this year. He stated:

*"If the data confirms our basic outlook, then we could move later this year."*

### **Where will mortgage rates head in 2014?**

The Mortgage Bankers Association, Fannie Mae, Freddie Mac and the National Association of Realtors have each projected that the 30 year fixed rate mortgage will have interest rates in excess of 5% by this time next year. The average of their four projections is 5.3%.

# WHERE ARE PRICES HEADED OVER THE NEXT 5 YEARS?

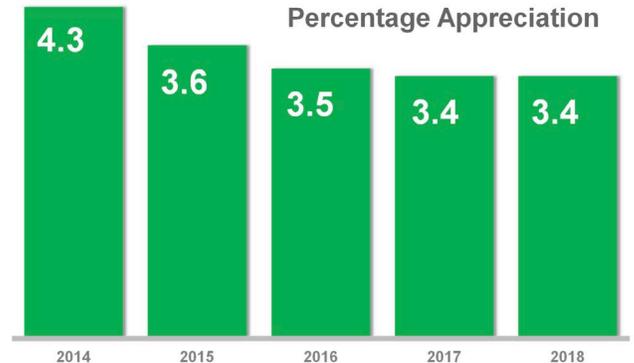
Today, many real estate conversations center on housing prices and where they may be headed. Every quarter, Pulsenomics surveys a nationwide panel of over one hundred economists, real estate experts and investment & market strategists about where prices are headed over the next five years. They then average the projections of all 100+ experts into a single number.

## The results of their latest survey:

- Values will appreciate by 4.3% in 2014
- Cumulative appreciation will be 28% by 2018
- Even the experts making up the most bearish quartile of the survey still are projecting a cumulative appreciation of over 16.8% by 2018.

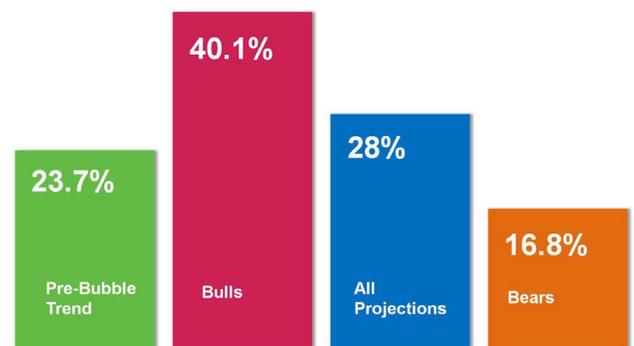
Individual opinions make headlines. This survey is a fair depiction of future values.

## PROJECTED Percentage Appreciation

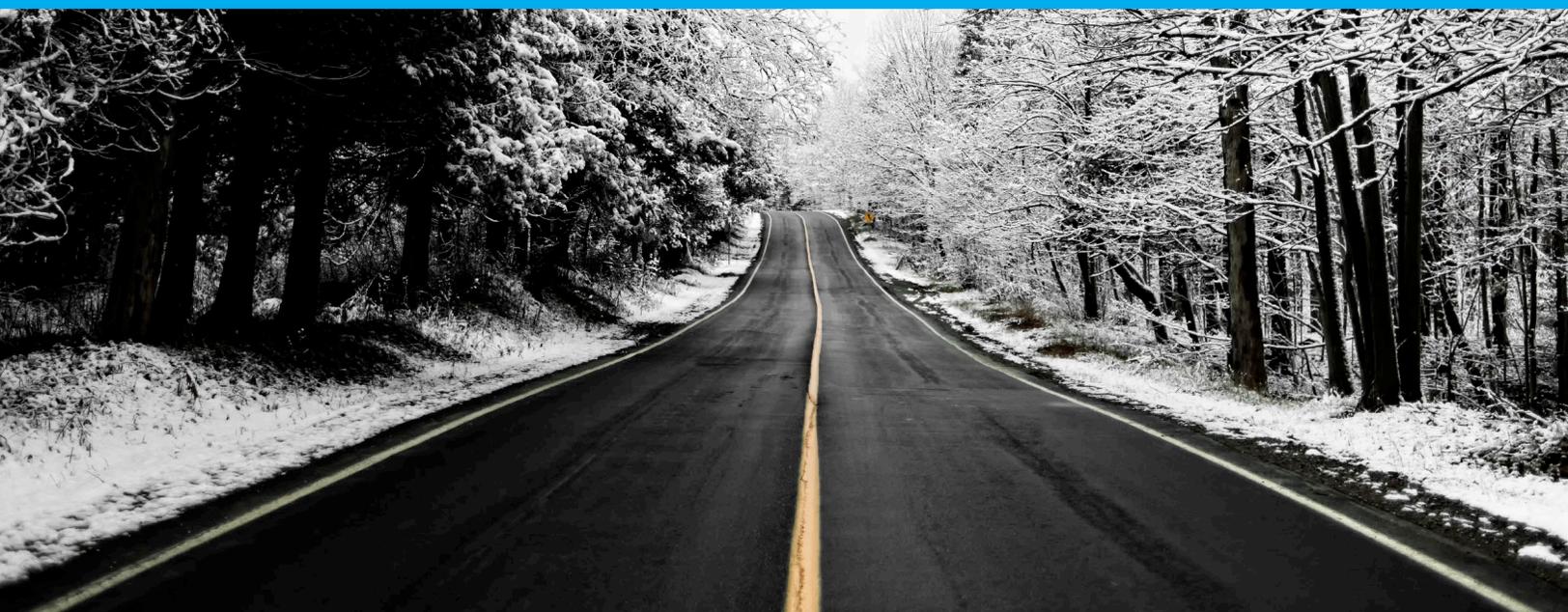


Home Price Expectation Survey 2013 4Q

## Cumulative House Appreciation by 2018



Home Price Expectation Survey 2013 4Q



# YOU NEED A PROFESSIONAL TO BUY OR SELL A HOME

Many people wonder whether they should hire an agent to sell their home or whether they should first try as a For Sale by Owner (FSBO). In today's market: you need an experienced professional!

## You Need an Expert Guide if you are Traveling a Dangerous Path

The field of real estate is loaded with land mines. You need a true expert to guide you through the dangerous pitfalls that currently exist. Finding a buyer ready, willing and able to pay fair market value for your home at a time when lending standards are so stringent is not an easy task. Finding reasonable financing can also be tricky when interest rates are volatile like they have been over the last several months.

## You Need a Skilled Negotiator

In today's market, hiring a talented negotiator could save you thousands, perhaps tens of thousands of dollars. Each step of the way – from the original offer, to the possible renegotiation of that offer after a home inspection, to the possible cancellation of the deal based on a troubled appraisal – you need someone who can keep the deal together until it closes.

Realize that when an agent is negotiating their commission with you, they are negotiating their own salary; the salary that keeps a roof over their family's head; the salary that puts food on their family's table. If they are quick to take less when negotiating for themselves and their families, what makes you think they will not act the same way when negotiating for you and your family? If they were Clark Kent when negotiating with you, they will not turn into Superman when negotiating with the buyer or seller in your deal.

## Bottom Line

Famous sayings become famous because they are true. You get what you pay for. Just like a good accountant or a good attorney, a good agent will save you money...not cost you money.



# BUYING A HOME?

## CONSIDER COST NOT JUST PRICE

As a seller, you will be most concerned about 'short term price' – where home values are headed over the next six months. As a buyer, you must be concerned not about price but instead about the 'long term cost' of the home. Let us explain.

The Mortgage Bankers Association (MBA), the National Association of Realtors, Fannie Mae and Freddie Mac all projected that mortgage interest rates will increase by about one full percentage over the next twelve months. We also know that many experts are calling for home prices to also increase over the next year.

### What Does This Mean to a Buyer?

Here is a simple demonstration of what impact an interest rate increase would have on the mortgage payment of a home selling for approximately \$250,000 even if home prices remain the same:

## The Cost of Waiting

	Mortgage	Interest Rate	Payment (P&I)
<b>Today</b>	<b>\$250,000</b>	<b>4.3%</b>	<b>1,237.18</b>
<b>Next Year</b>	<b>\$250,000</b>	<b>5.3%</b>	<b>1,388.26</b>
	<b>Monthly Difference</b>		<b>\$151.08</b>



# HOMEOWNERSHIP'S IMPACT ON NET WORTH

Over the last five years, homeownership has lost some of its allure as a financial investment. As homeowners suffered through the housing bust, more and more began to question whether owning a home was truly a good way to build wealth. A recent study by the Federal Reserve formally answered this question.

Some of the findings revealed in their report:

- The average American family has a net worth of **\$77,300**
- Of that net worth, **61.4%** (\$47,500) of it is in home equity
- A homeowner's net worth is over **thirty times** greater than that of a renter
- The average homeowner has a net worth of **\$174,500** while the average net worth of a renter is \$5,100

## Bottom Line

The Fed study found that homeownership is still a great way for a family to build wealth in America.

Homeowners Net Worth...

