

# A BUYERS GUIDE

THINGS TO CONSIDER WHEN BUYING A HOME THIS FALL



Fall Edition  
2019

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# Why This Fall is the Time to Buy a Home

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## #1 Prices ↑

CoreLogic's latest Home Price Index reports that home prices have appreciated by 3.7% over the last 12 months. The same report predicts that prices will continue to increase at a rate of 4.8% over the next year. And home values will continue to appreciate.

## #2 Mortgage Interest Rates ↑

Freddie Mac's Primary Mortgage Market Survey shows that interest rates for a 30-year fixed rate mortgage have started to level off around 4.3%. Most experts predict that rates will rise over the next 12 months. The Mortgage Bankers Association, Fannie Mae, Freddie Mac, and the National Association of Realtors are in unison, projecting that rates will increase by this time next year. An increase in rates will impact your monthly mortgage payment.

## #3 You're Paying a Mortgage Whether You Buy or Rent

Renters: Is the reason you haven't bought a house yet because you are uncomfortable taking on the obligation of a mortgage? Think about it: You are paying a mortgage either way – either yours or the landlord's. Are you ready to put your housing cost to work for you?

## #4 Your "Why"

What's your "why"? In other words, what's the real reason you are buying? Whether you want to have a great place for your children to grow up, greater safety for your family, or you just want to have control over renovations, now is the time to buy.

# What's Happening in the Market and Is a Recession Coming Our Way?

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The Yield curve has inverted. Over the last 50 years when the yield curve inverts it is one of the most consistent recession indicators. That, coupled with the stock market dropping 800 points in August and bouncing up and down since, has caused a lot of talk about a recession being closer than we thought. So what does that mean for the U.S. Housing market? Interestingly enough, homeowners in the U.S. have over 6.3 Billion dollars in equity in their homes. Only 4.1% of homeowners have negative equity.

**Tappable Equity of U.S. Mortgage Holders**  
*in billions*



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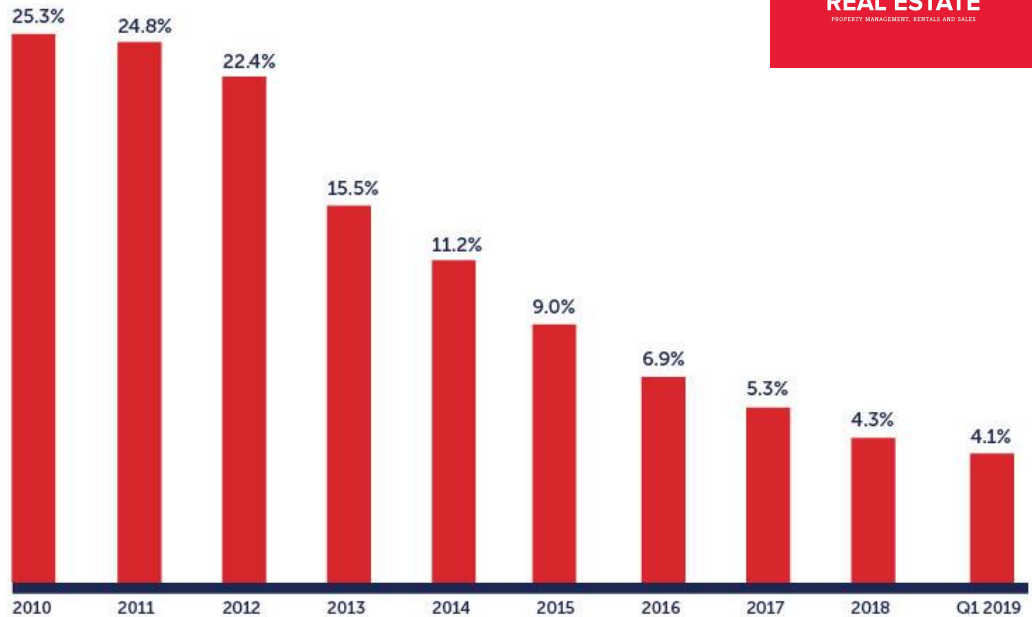
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# What's Happening in the Market and Is a Recession Coming Our Way? Continued...

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## % Negative Equity Share



CORELOGIC

Back in 2010 homeowners had 25.3% negative equity. So as we think about a recession and how it relates to the housing market we need to look at factors like this. With 6.3 billion dollars of equity in homes, homeowners aren't going to bail out. Also, according to the Urban Institute over 37% of homes don't even have a mortgage on them. During the last crash, people were taking equity out of their homes and buying boats and cars. They were using their homes as an ATM machine, before. But now, they are keeping their money in their homes that's why we are 37% of homes are mortgage free and we have 6.3 billion in equity. CoreLogic breaks down their anticipated increase in appreciation. All states with the exception of Texas are seeing an increase in appreciation. According to the Home Price Expectations Survey, all the analysts are saying that we are going to see appreciation between the next two and four years depending on how far each organization makes their predictions.

# What's Happening in the Market and Is a Recession Coming Our Way? Continued...

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The reason I feel it's important to talk about this is because with all the hype of a Recession, we need to truly know what that means about the housing market and not let the fear of what happened in the last recession control our thoughts and emotions about what we should or shouldn't do. As Ali Wolf the Director of Economic Research says,

**"As people having PTSD from the last time, they're still afraid of buying at the wrong time."**

But we need to know the differences between 2008 and now. As Jeff Tucker, Zillow Economist states,

**"The housing crash during the Great Recession left a lasting impression...But as we look ahead to the next recession, it's important to recognize how unusual the conditions were that caused the last one, and what's different about the housing market today. Rather than an abundant homes, we have a shortage of new home supply. Rather than risky borrowers taking on adjustable rate mortgages, we have buyers with sterling credit scores taking out predictable 30-year fixed-rate mortgages. The housing market is simply much less risky than it was 15 years ago."**

## The Main Point

We are in a totally different time and many of the economic indicators as well as how easy it was to get a loan and the types of loans that were available back then, are totally different. So let's not make this something that it isn't. In fact, I just purchased a home myself in the past 90 days, and obviously I would not have if I thought the housing market was going to crash beneath me. I feel it's important we know the facts as many times the media is NOT telling us everything and they love to get those negative headlines out there because they sell more! Please reach out to us here at Ace Real Estate as we want to help be your knowledge base and trusted advisor.

# Real Estate Ranked as the Best Investment 6 Years in a Row

Amy Reynolds

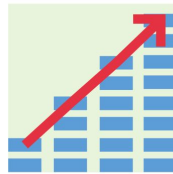
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**35%**  
**Real  
Estate**



**27%**  
**Stock  
Market**



**15%**  
**Savings  
Account**



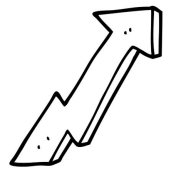
**14%**  
**Gold**



## The Main Point

If you're serious about growing your assets and making the most powerful investment in your family's future, call us today and know that homeownership is ranked as the best investment by Americans for 6 years in a row.

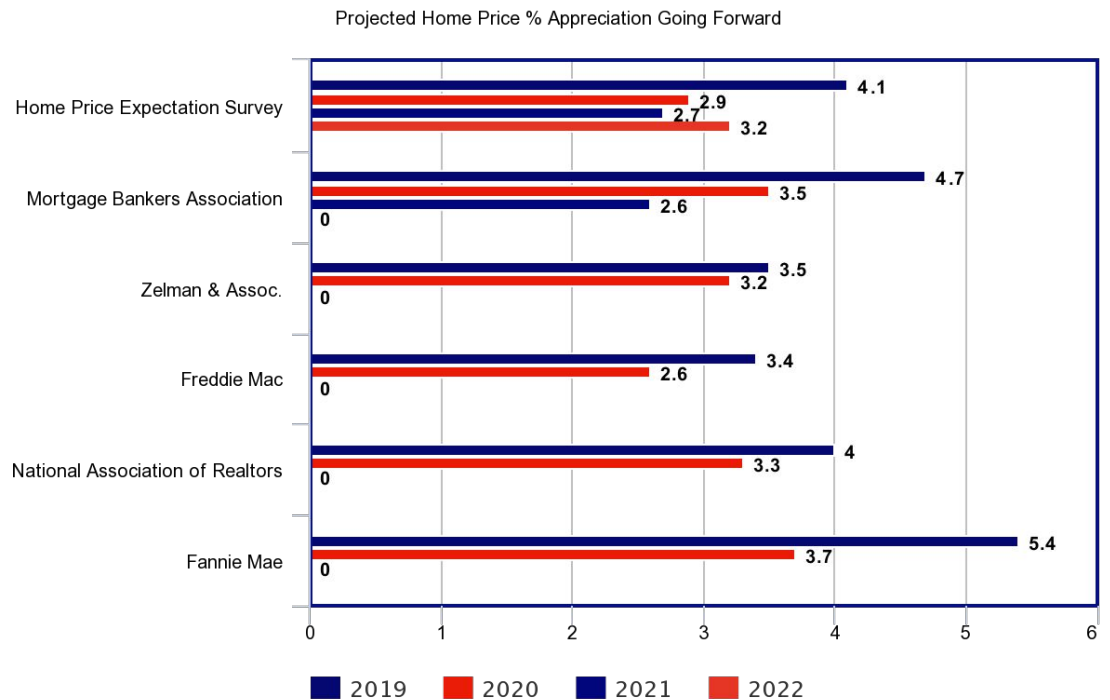
# Home Prices on the Rise



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Questions continue to rise as home prices continue to rise. Here is a look at the forecast for the rest of the year from top experts:



meta-chart.com

## The Main Point

Experts predict home price appreciation to continue over the next few years. The increase is projected to be steepest throughout the rest of 2019, and prices should continue rising as we move through 2020 and beyond. With appreciation growing, now is the best time to buy.

# What's Going on with Interest Rates?

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Mortgage rates have fallen by over a full percentage point since Q4 of 2018, settling at near-historic lows. This is big news for buyers looking to get more for their money in the current housing market.

According to Freddie Mac's Primary Mortgage Market Survey,

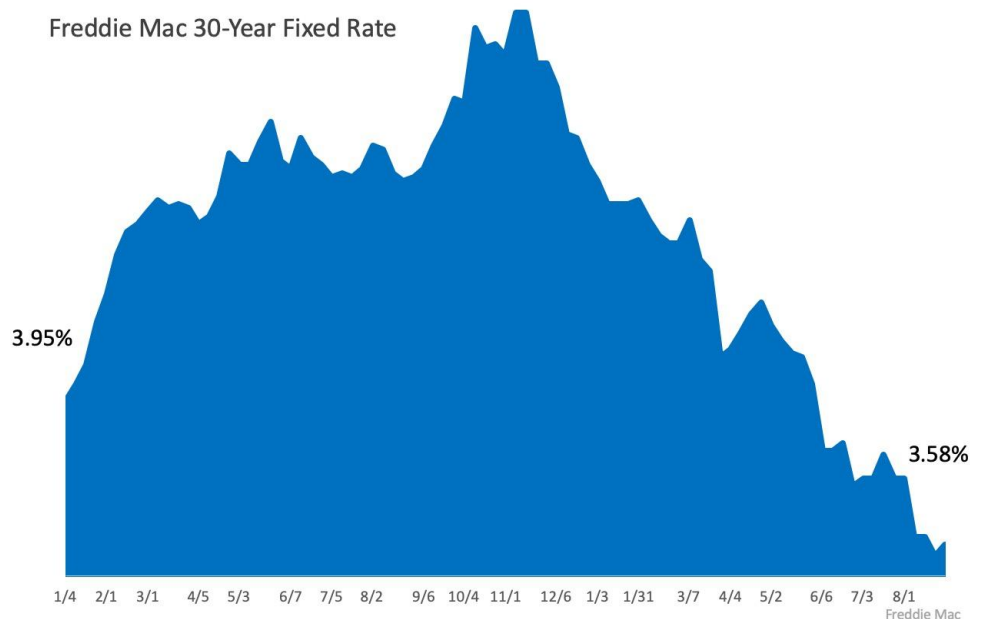
**“the 30-year fixed-rate mortgage (FRM) rate averaged 3.60 percent, the lowest it has been since November 2016.”**

Sam Khater, Chief Economist at Freddie Mac, notes that this is great news for homebuyers. He states,

**“...consumer sentiment remains buoyed by a strong labor market and low rates that will continue to drive home sales into the fall.”**

## Mortgage Rates

Freddie Mac 30-Year Fixed Rate



## The Main Point

As a potential buyer, the best thing you can do is work with a trusted advisor who can help you keep a close eye on how the market is changing. Relying on current expert advice is more important than ever when it comes to making a confident and informed decision for you and your family. If you are planning on buying a home in the near future, contact us so we can develop a game plan to fit your needs.

# Why Hire a Realtor

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Can you buy or sell a home in Fayetteville and surrounding areas without losing thousands of dollars to your bottom line? That's a great question, especially with all this talk about working with companies to buy or sell a home without an experienced Realtor, and discount brokers who will sell your home for next to nothing because they lack the experience, negotiations, and sales. Now I don't pronounce to be a Doctor, but buying or selling a home is most likely one of your largest assets right next to your body. And you wouldn't operate on yourself, right? When choosing a doctor, wouldn't you want to choose one that specializes in fixing whatever body part you had trouble with? For example, if you broke your hip, you wouldn't go to a foot doctor. You'd go with an experienced doctor who specializes in hips. So do the same with your Real Estate and Mortgage Professional, hire one who has a lot of experience, it truly can make the difference between you losing out on a lot of money and potential interest.

# Why Hire a Realtor Continued...

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If you hire an inexperienced Real estate professional who has no clue about marketing strategies to capitalize on your investment or a lender who isn't experienced enough to know what programs are available for you to capitalize on, well that can cost you a lot of money and heartache, so hire someone experienced. Lastly, what about negotiations? If you were being sued, wouldn't you want to hire the very best attorney to keep you out of jail or to keep more money in your pocket in case you had to pay out? Of course you would! You know by hiring a good attorney who can negotiate on your behalf can mean the difference between ending up in the slammer or possibly being bankrupt. Well, your home is no different. Remember, it's most likely your largest investment, be careful not to hire an agent or lender whose only card they can pull out is to reduce their commission because they don't have the negotiations experience. Take my advice being a specialist, having lots of experience and knowing how to negotiate is the right choice when purchasing or selling your largest investment. And, as always, feel free to reach out to us here at Ace Real Estate as we're always here to help.

# Real Estate Terms for Buying that Everyone Should Know

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To start your home buying search with confidence, we thought it would be helpful for you to be familiar with the following real estate terms:

**Appraisal-** A professional analysis used to estimate the value of the home. A necessary step in validating the home's worth to you & your lender to secure financing.

**Closing Costs-** The cost to complete the real estate transaction. Paid at closing, they include: points, taxes, title insurance, financing costs, items that must be prepaid or escrowed. Ask your lender for a complete list of closing cost items.

**Credit Score-** A number ranging from 300-850, that is based on an analysis of your credit history. Helps lenders determine the likelihood that you'll repay future debts.

**Down Payment-** Down payments are typically 3-20% of the purchase price of the home. 0% down programs also exist, ask your lender for more information.

**Mortgage Rate-** The interest rate you pay to borrow money to buy your house. The lower the rate, the better.

**Pre-Approval Letter-** A letter from a lender indicating that you qualify for a mortgage of a specific amount.

**Real Estate Professional-** An individual who provides services in buying & selling homes. Real estate professionals are there to help you through the confusing paperwork, find your dream home, negotiate any of the details that come up, and to help you know exactly what's going on in the housing market.

# 5 Powerful Reasons to Own a Home Rather Than Rent

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## #1 Housing Is Typically the One Leveraged Investment Available

Homeownership allows households to amplify any appreciation on the value of their homes by a leverage factor. A 20% down payment results in a leverage factor of five, meaning every percentage point rise in the value of your home is a 5% return on your equity. If you put down 10%, your leverage factor is 10.

## #2 You're Paying for Housing Whether You Own or Rent

Some argue that renting eliminates the cost of property taxes and home repairs. Every potential renter must realize that all the expenses the landlord incurs (property taxes, repairs, insurance, etc.) are baked into the rent payment already – along with a profit margin.

## #3 Owning Is Usually a Form of “Forced Savings”

Studies have shown that homeowners have a net worth 44X greater than that of a renter.

## #4 Owning Is a Hedge Against Inflation

House values and rents tend to go up at or higher than the rate of inflation. When you own, your home's value will protect you from that inflation.

## #5 There Are Still Substantial Tax Benefits to Owning

We know that the new tax reform bill puts limits on some deductions on certain homes. However, *“...the mortgage interest deduction is not the main source of these gains; even if it were removed, homeowners would continue to benefit from a lack of taxation of imputed rent and capital gains.”*

## The Main Point

From a financial standpoint, owning a home is better than renting.

# 5 Tips to Find Your Dream Home For First-Time Buyers

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- #1** Get pre-approved before you start your home search.
- #2** Solidify your “must-have” and “should-have” lists.
- #3** Research and choose a specific neighborhood.
- #4** Choose the style of your dream house and have tenacity.
- #5** Document the homes you walk through.

## The Main Point

One way to show you’re serious about buying your dream home is to get pre-qualified or pre-approved for a mortgage. Qualify the items on your “must-have” and “should-have” lists. Before you commit to a home based solely on the house itself, take a test-drive of the area. Evaluate your family’s needs and settle on a style of home that will best serve those needs. Make notes on the listing sheet to document what you love and don’t love about each property you visit.

# It's Time to Move Up

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In every area of the country, homes that are listed in the top 25% of the price range for that area are considered 'premium homes.' In today's real estate market, there are deals to be had at the higher end. This is great news for homeowners who want to upgrade from their current house and move up to a luxury or premium home.

But what if luxury or premium homes are out of your price range, yet you're ready to make a move? The current decrease in demand for luxury homes coupled with the increase in demand for traditional homes is positioning a place for move-up buyers to dive into a niche market between these two price points. The *Luxury Report* by ILHM points out,

*"Choosing to live in this niche helps avoid the heavy taxes of the very high-end price point. But more importantly, it affords a lifestyle that offers luxury amenities, easy access to travel, and time to relax or partake in a favorite adventure or activity. As well as the opportunity of owning multiple homes – in other parts of the country or abroad."*

This means there is a great opportunity today for those who would like to move up to a home with similar amenities to the luxury market, but aren't ready to take on the price tag and responsibilities of owning a home in the upper-end of the market. A move up to this niche will increase your home equity as value appreciates and put you one step closer to your dream of trading up to a luxury or premium home in the future.

## The Main Point

If you're debating upgrading your current house, let's get together to see what will be best for you and your family.

# 10 Steps to Buying a Home

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1

## Save Your Down Payment

Many people believe you need a 20% down payment to buy a home. There are loans available that allow buyers to put down as little as 3% or 0% with a VA or USDA Loan.

2

## Know Your Credit Score

Your credit score is a numeric representation of your history & ability to pay back debts in the past. Different home loans have different credit requirements.

3

## Find A Real Estate Agent

Once you have a handle on your credit score & down payment savings, contact a local agent who can guide you through the process of buying your first home.

4

## Get Pre-Approved

Your agent will have a list of lenders that you can work with to get pre-approved for your mortgage. This will help keep you on budget during the next step!

5

## Go Home Shopping!

Make a list of what you want vs. what you need in your new home. Your agent will use this list to find homes for you to tour.

## 10 Steps To Buying A Home

6

## Make an Offer

Your agent will help you determine the best price to offer for the home. In a competitive market you may not be the only one bidding & will want to stand out!

7

## Get a Home Inspection

Once your offer is accepted, you will want to do a home inspection to ensure there are not any hidden issues with the home.

8

## Get a Home Appraisal

Your lender will arrange for a home appraisal to ensure that the property is worth the price that you have agreed to pay for it. The bank will only issue a loan for the appraised value.

9

## Close the Sale

Once your loan is approved, your lender will schedule a closing date. This is the day you sign all your paperwork to complete the purchase & get the keys to your new home!

10

## Move In!

Congratulations!



You're a homeowner!

# The Top 2 Things to Know About Down Payments

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## 1. How Much Do You Really Need for a Down Payment?

There is a long-standing misconception about down payment requirements. A recent survey from *Fannie Mae* shows only 17% of consumers know the minimum options are actually between 1 – 5% of the purchase price. 40% don't know how much they need at all.

There are many mortgage loans available that require as little as 3% down for first-time buyers. Some only ask for 3.5% down from repeat buyers. There are even loans available for veterans that provide 0% down payment options too.

The reality is, you don't always need a 20% down payment to buy. That puts homeownership in a much closer reach for many potential buyers, maybe even you!

## 2. How Can I Get Help with My Down Payment?

Regardless of the loans available, many buyers still need assistance with a down payment. The great news is there are a lot of ways to tap into down payment assistance options. Here are just a couple of them:

### Assistance from Family Members

The *National Association of Realtors* (NAR) said, “a third of recent first-time buyers received down payment assistance from family members.” They also mentioned, “the average net worth of those aged 75 and over stands at \$264,800...They just might offer the boost the next generation needs to become homeowners.”

That means one of the ways to find help with a down payment is to accept a gift from a family member. If this is an option for you, make sure you talk to your loan officer before you accept the money to ensure you document the process the way your loan requires. This way, it will be received properly and you will still have the ability to qualify.

# The Top 2 Things to Know About Down Payments Continued...

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## Down Payment Assistance Programs

The reality is, not everyone has a loved one or a family member who can provide help with a down payment. There are, however, more than 2,500 down payment assistance programs available (by local areas like city, county, or neighborhood), and some of them are even specifically for first-time buyers.

The gap, as mentioned in the same survey, is *“only 23% of consumers are familiar with low down payment programs.”*

That’s why it is so important to get familiar with these options by doing your homework before you plan to buy a home. Determine what is available in the area you ultimately want to live so you have all the necessary details to take advantage of the best option for your family.


## The Main Point

If buying a home is one of your long-term goals, you may be able to get there sooner than you think by tapping into one of the many down payment assistance programs available. Also, contact us and we can discuss down payments and how we can make your dream home a reality.

# 7 Not to Do's After Applying for a Mortgage

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Congratulations! You've found a home to buy and have applied for a mortgage! You are undoubtedly excited about the opportunity to move into your new home! But before you make any big purchases, move any money around, or make any big-time life changes, consult your loan officer. They will be able to tell you how your decision will impact your home loan. After applying for a mortgage, don't do any of the following:

- #1** Don't change jobs or the way you are paid at your job.
- #2** Don't deposit cash into your bank accounts.
- #3** Don't make any large purchases like a new car or new furniture.
- #4** Don't co-sign on any other loans for anyone. When you co-sign, you are obligated.
- #5** Don't change bank accounts. Remember, lenders need to source and track assets.
- #6** Don't apply for new credit.
- #7** Don't close any credit accounts.

## The Main Point

Any change in income, assets, or credit should be reviewed and executed in a way that ensures your home loan can still be approved. The best advice is to fully disclose and discuss your plans with your loan officer before you do anything financial in nature. They are there to guide you through the process.

# Why You Need a Real Estate Professional When Buying a Home

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## **There's more to real estate than finding a house you like online.**

Did you know there are over 230 possible steps that need to take place during every successful real estate transaction?

## **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.

## **What is the home you're buying worth in today's market?**

There is so much information out there on the news and on the Internet about home sales, prices, and mortgage rates; how do you know what's going on specifically in your area? Who do you turn to in order to competitively and correctly price your home at the beginning of the selling process? How do you know what to offer on your dream home without paying too much or offending the seller with a lowball offer?

## **The Main Point**

We are the real estate professionals you should hire when buying a home. We do the right research and know what's going on in the market.

# Contact Us to Talk More

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We would love to answer your questions and talk more about what you read in this article. We can lead you on the right path to selling your current home or buying the home of your dreams! Look forward to hearing from you :)

**Main Point:** Don't hesitate on selling your home or purchasing a new one. Prices are at a standstill right now and the inventory is still great! Call us and we can help give you an accurate value or find your dream home.



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