REAL ESTATE UPDATE

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THIS NEWSLETTER IS BROUGHT TO YOU BY:

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Specializing in

- ☑ **Residential Purchases**
- ☑ **Residential Refinances**
- ☑ **Commercial Properties**
- ☑ **Home Equity Loans**

Due For Another Surprise?

There is no doubt that the jobs report was a major shocker at the beginning of this month. We actually thought that we were about to slip into recession, but there is no evidence that the job market is slipping at all. Here is a basic concept—you can't have a recession when the economy is adding millions of jobs each year. We were watching for a slowdown in job growth as a recessionary signal, but saw quite the opposite as we added over 500,000 jobs in January alone. Welcome to the economic twilight zone!

Now before we get too excited, these jobs reports are adjusted twice before they are finalized. Thus, we would not be surprised to see a downward revision in the January numbers when the February jobs report is released. However, the January numbers were so strong, even a sharp revision leaves us with a great two months of job growth. Another basic concept—we can't keep adding 500,000 jobs per month. Thus, we should expect some sort of gravitation towards the mean with this report. Even negative jobs growth for a month would still

Continued on Page 3

Did You Know…

Recently both FHA and VA announced a significant reduction in costs for homebuyers. FHA is reducing the monthly mortgage insurance premiums for the vast majority of borrowers by approximately 35%! The typical FHA borrower puts 3.5% down to obtain a 30-year fixed mortgage. The monthly premium on that loan is being reduced from .85% to .55%.

VA also announced a reduction in costs. VA charges an upfront funding fee, which can be financed into the mortgage amount. The funding fee for first time use and less than 5% down was reduced from 2.30% to 2.15%. The funding fee for subsequent use and less than 5% down. was reduced from 3.60% to 3.30%.

Selected Interest Rates

February 23, 2022

30 Year Mortgages———6.50%
2022 High (Nov 10)——7.08%
2022 Low (Jan 6)———-3.22%
15 Year Mortgages———5.76%
10 Year Treasuries———3.90%

Sources—Fed Reserve, Freddie Mac
Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.

In This Issue

P2 Conforming Pricing Changes || P2 Mistakes To Avoid When Financing Your Home
P3 Due For Another Surprise? || P4 Sellers Made Profits in 2022

Conforming Pricing Changes

Fannie Mae and Freddie Mac have implemented an entirely new spectrum of Loan-Level-Price-Adjustments which will affect many purchasing or financing a home going forward. The new pricing includes a wide-range of changes:

- Higher pricing for Debt-to-Income Ratios over 40%.
- Lower pricing for investors and second homes.
- Lower pricing for those with low credit scores and/or those putting less down.
- Higher pricing for refinances, especially cash out.
- Higher pricing for some with higher, but not the highest credit scores – even if putting over 10% down.

The pricing schematic is very complex, which makes it important to get your prospects to a lender as quickly as possible.

With more time to work, the lender has a better chance of optimizing their financial situation and the transaction to achieve the best price. In addition, for those who are already pre-approved, the pre-approval should be reviewed immediately...

Sources: Fannie Mae & Freddie Mac

Mistakes to Avoid When...

Buying and financing a home is the most important personal financial decision we will make in our lifetime. Over a lifetime, the average homeowner may pay one-half of a million dollars or more in mortgage interest, many times more than any other single expense.

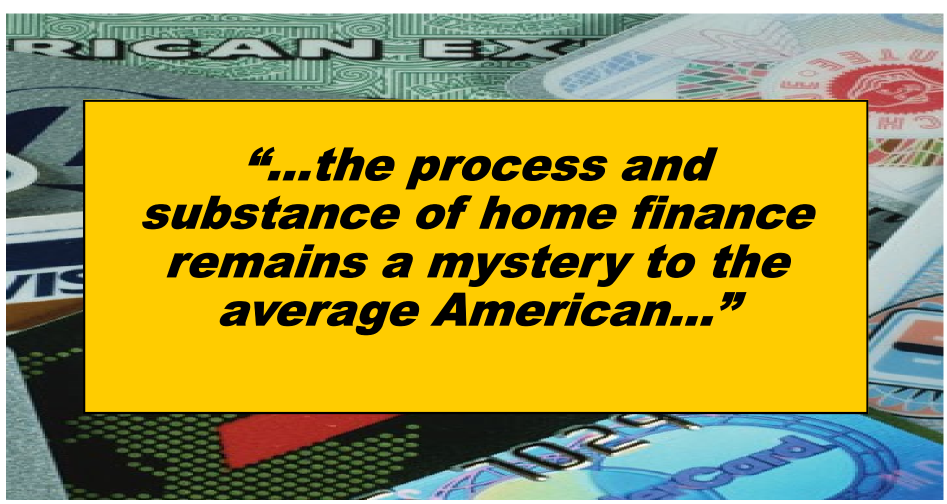
Yet, the process and substance of home finance remains a mystery to the average American. We tend to know much more about our automobiles than we do about the mortgages that make our home purchase possible. Because of our unfamiliarity, many Americans have no idea if they are making the right decision in relation to their personal financial situation. This is because we tend to make up to ten essential mistakes when involved in the home buying process.

We do not have a relationship with a loan officer. An individual formulates a multitude of professional relationships in his or her lifetime. These include a doctor, attorney, accountant, financial planner and even a car dealership. We tend not to have a relationship with a mortgage lender because the need for the home finance transaction arises much less frequently than our trips to other professionals such as a tax preparer. With the advent of adjustable rate mortgages and refinances, chances are you will need the help of a professional more frequently. If you have no relationship with someone qualified, you are much less likely to find qualified advice when the need arises.

We have no idea whether the lender we pick is qualified. Since we do not tend to have long-term relationships, we do not tend to shop for the right reasons. We know how to ask about a company's rates, but not the background of the entity with whom we are dealing. For example, what is their experience level? You are about to make your most important financial decision. Would it not make sense to check references?

We do not know how to shop. Most homebuyers know how to ask: what is your rate on a mortgage? We do not know how to ask about lock options, miscellaneous fees, annual percentage rates, or even the variety of programs available.

We do not know enough about mortgages in general–especially how the choices might affect our economic gains or losses. Since we do not know about mortgages, it is not likely we will know how to shop or what to look for in a mortgage. We tend to know that there are fixed rates and adjustables. We may not know that there are options that may



"...the process and substance of home finance remains a mystery to the average American..."

…Financing Your Home

require less of a down payment or closing costs. We tend to be clueless when asked how the down payment might affect our overall rate of return on our investment in the long run.

We think we know what type of loan we would like–without knowing all the options. Many of us begin by shopping for a 30-year fixed or one type of adjustable because we are familiar with only one or two options and we have made our decision. There are several additional major loan types that should be considered. Are you familiar with buydowns, long-term ARMs and 20-year loans?

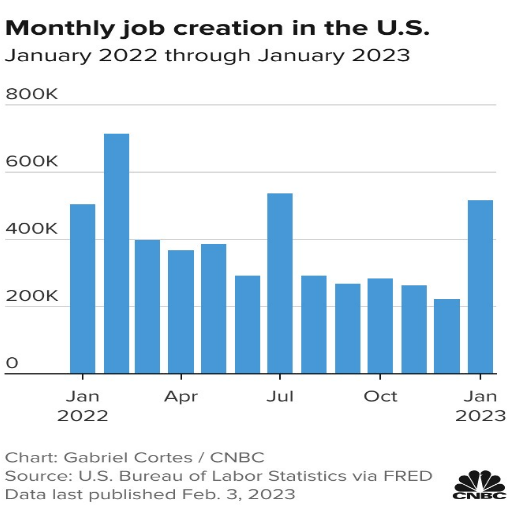
When we refinance our mortgage, we forget about the long-term. With lower rates, we think that we come out ahead when we refinance. Many times, we use the equity in our homes to finance additional debts. It seems very attractive to lower a payment from $500 monthly to $200 by stretching out the term. Did you know there are options that can accelerate your mortgage payoff?

We have no idea how the approval process works. Many of us sign a contract to purchase a home and then address the idea of obtaining a mortgage. Most do not know that it makes more sense to obtain an approval first. This helps our own piece of mind while we shop and also increases our bargaining power with the seller.

We do not know that the lock options may be as important as the rate. Most shoppers have no idea that many lock options exist. There are options which allow us to lock in the rate and points from 15 to 90 or more days. Some of the lock options may cost money upfront and the fees may or may not be applicable to closing costs. Many people shop different companies in order to save $250 in points and then make the wrong decision with regard to lock options.

We do not know what to ask the lender with regard to their services. The quality and service options can vary. For example, many lenders offer quick approval programs that will allow these lenders to render a decision in a few days. A smaller broker that sends your loan to a larger lender might offer you a wider range of programs than a bank. The important thing is that you are aware of what services are available and that tradeoffs must be made in order to make a final decision.

We are intimidated by the process. Buying and financing a home seems to be a very large task. The reason we become intimidated is that we are not knowledgeable. The decision is important enough to spend time learning. With knowledge comes confidence. With confidence comes the right decisions.…



Due For Another Surprise?

Continued from Page 1

average out to a healthy start to the new year.

Let's add one more concept. The Federal Reserve now has plenty of ammunition to keep raising rates a bit longer, as long as the economy keeps creating jobs—especially after the strong January retail sales report. There must be evidence that the economy is slowing for them to hit their proverbial "pause button." We would expect that the markets will be watching February's jobs report very closely. Hopefully there is no more "jack" left in the box!...

"….these jobs reports are adjusted twice before they are finalized…."

My goal is to provide expert advice and direction for my clients with an overall goal of providing a real estate finance transaction that exceeds their goals and expectations.

-- John E.
Senior Loan Officer

Sellers Made Profits in 2022

ATTOM said U.S. home sellers nationwide realized a $112,000 profit on the typical sale last year, up 21 percent from $92,500 in 2021 and up 78 percent from two years ago. Despite a market slowdown in the second half of last year, profits rose from 2021 to 2022 in 98 percent of housing markets with enough data to analyze, ATTOM said in its Year-End 2022 U.S. Home Sales Report. The latest nationwide profit figure, based on median purchase and resale prices, marked the highest level in the U.S. since at least 2008.

The report noted the $112,000 profit on median-priced home sales in 2022 represented a 51.4 percent return on investment compared to the original purchase price, up from 44.6 percent last year and from 32.8 percent in 2020. The latest profit margin also represented a high point since at least 2008. Both raw profits and ROI have improved nationwide for 11 straight years, shooting up again in 2022 as the national median home price increased 10 percent to $330,000–yet another annual record, ATTOM reported. But at the same time, profits increased at a slower pace than in 2021, reflecting a year when the nation's decade-long housing boom stalled! ...

Source: ATTOM

Address Correction Requested

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