REAL ESTATE UPDATE

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THIS NEWSLETTER IS BROUGHT TO YOU BY:

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

Three Quarters of The Way Home

We are through three-quarters of the year. And if we had a word to describe this year, it would be persistence. As a matter of fact, persistence could describe the past 15 years. Yes, it has been 15 years since the Great Recession. And the effects of the Great Recession persisted for much longer than we expected. The housing market slowly recovered for years before real estate turned hot again. Then the pandemic hit and again the pandemic persisted longer than we expected. Those who expected COVID to fade away quickly were deeply disappointed.

Now we have the same persistence applied to the current interest rate environment. When the Federal Reserve started raising rates about 18 months ago, many thought that we are just going back to normal after the pandemic. But the increases in rates have persisted for much longer than expected and now rates are expected to stay higher for a longer period of time. Why? For one, inflation has persisted for longer than expected. Secondly, the economy has continued to expand for longer than expected. Thus 2023 is all about persistence. But that does not mean that higher rates and inflation are here to stay.

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Did You Know…

A recent Axios/Ipsos polling on retirement finds that about one in five Americans believe they will never retire. Financial worries are the main reasons people feel they can't retire.

Among the people who don't think they'll ever retire, a decisive majority (70%) say that they won't ever retire because they can't or won't be able to afford to retire, versus 19% of people who just don't want to retire (an additional 10% picked 'other' as a response).

Selected Interest Rates

September 21 2023

30 Year Mortgages———7.19%
2022 High (Nov 10)——7.08%
2022 Low (Jan 6)———-3.22%
15 Year Mortgages———6.54%
10 Year Treasuries———4.47%

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

The Reverse Mortgage...

In the year 1910, life expectancy in the U.S. was only 50 years. By the year 2021, life expectancy had increased to 76 years. The overall effect of this longevity on the population of the United States is significant. Between 1995 and 2025, the number of people who are elderly is projected to double in 21 states. The total U.S. population of those over 65 years of age is projected to grow from 12.8% to 18.5%, according to the census bureau.

While this growth is happening, the economics of America will change. Most Americans do not have significant retirement plans outside of social security. While social security income stagnates, expenses continue to rise…

The Senior Citizens League said older Americans have lost 40% of their buying power since 2000. This is because the Social Security Cost of Living Adjustment has gone up just 64% since that year, while typical expenses have jumped 73%.

The good news is that many seniors have equity in their homes which can help with retirement. According to the National Council on Aging, approximately 10 million older adults have equity in their homes that they could use to help them stay independent.

Putting these numbers in perspective, it is no wonder that reverse mortgages have become more popular. What is a reverse mortgage? It is a loan that provides a homeowner over 62 years of age with cash and/or a monthly payment over time, with no repayment required until the ownership of the home is transferred either through sale or death.

Basically, the owner of the home can receive a monthly income from their home to help with living expenses without having to pay a mortgage payment. It is obvious why such a loan would be popular for those with limited/fixed incomes and have substantial equity in their homes.

The most popular reverse mortgage program is one administered by the Federal Housing Administration (FHA). The program is called the Home Equity Conversion Mortgage (HECM). Not all FHA approved lenders offer reverse mortgages.

Previously Congress increased FHA mortgage limits for reverse mortgages to the equivalent of the high-cost

“...Most Americans do not have significant retirement plans outside of social security...”

City Centers Are Calling

As businesses call employees back to the office, more home buyers are moving closer to city centers, according to a new analysis. More home buyers are once again factoring commute times into their homebuying decisions and are moving closer to city centers. Remote work in recent years prompted many to move to more affordable exurbs.

Now companies are demanding that workers return to the office, which is driving growth back to the city, according to a report from realtor.com®. “As many companies continue to call employees back to the office, we’re seeing a surge in home shoppers who are seeking a desirable combination of cost and convenience within commuting distance of major metropolitan areas,” says Danielle Hale, realtor.com®’s chief economist. “In addition to affordable markets, this year’s list also features some higher-priced areas close to large urban cores, which will likely appeal to buyers who are concerned with finding the right mix of size and amenities within reach of a nearby city center.”

The renewed interest in cities marks the first time in five years that the suburbs of major metro areas have made it onto realtor.com®’s list of “hottest ZIP codes.” Realtor.com® researchers note that its 2023 list reflects growing demand for areas near metro areas that also offer greater affordability...

Source: Realtor® Magazine

…Solution

limit for conforming mortgages, which means that more homes qualify for the program. The amount of money that can be obtained under a reverse mortgage will be subject to many variables including:

The amount of equity in the home. Obviously if the home is worth $300,000 and the current mortgage amount is $290,000, there is not room to access equity.

- The amount of the current mortgage. Regardless of the value of the home, if the current mortgage is over the FHA loan limits, a FHA reverse mortgage will not be possible. Recently, many lenders have been offering jumbo reverse mortgages for those with larger loan amounts.

- The age of the homeowner. The closer the homeowner is to the age limit of 62 years of age, the longer is their life expectancy. Therefore, there may be less income available on a monthly basis.

- *Interest rates.* Higher market rates would also reduce available income and/or up-front cash.

New Solutions. FHA has made major changes to their Reverse Mortgage Program in recent years.

- Purchase Program. Now a senior can purchase a home using a reverse mortgage. What does that mean? Let's say they are downsizing. Now they can purchase their next home with less cash and still have no mortgage payment! This program is poised to be very popular in the future.

- Spousal Protection. If the owner of the home dies and a non-borrowing spouse wants to remain in the home, they have that choice, though they will not have access to the proceeds.

- Financial Assessment. The applicant must go through a financial assessment to see if they can afford the tax and insurance payments on the home. If they cannot, the lender is authorized to withhold money to make the payments for the homeowner.

Expect reverse mortgages to become even more popular in the future with the graying of America expected to continue and the economics expected to become tighter for our aging population. If you are a candidate, talk to your mortgage consultant so they can assess your needs...

3.8% Unemployment Rate For August

Three Quarters of The Way Home

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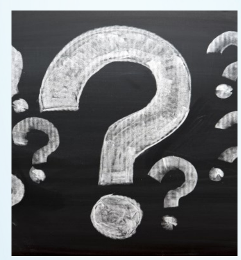
Like the recession recovery, the tide will change. We are already seeing evidence of this change. Inflation has slowed down significantly. Jobs growth is subsiding, which will open the way for the economy to slow down. These trends open the door for rates to stabilize and hopefully fall somewhat in the future. Will this happen in the fourth quarter of this year? Or will we have to wait a bit longer? Early this month we will see the jobs report for September. This data will help us answer these questions. If there is good news on the "moderation front" – remember that market rates such as mortgages can move before the Fed acts – especially if we hear positive statements from Fed members...



"….many thought that we are just going back to normal after the pandemic…."

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

Single Women Move Ahead

More single women swipe right on homeownership than single men. Owners of 1 in 8 homes in the U.S., it's a group that can't be ignored. Woman may earn 83 cents to every dollar a man makes, but they're dominating the housing market.

A LendingTree study using data from the U.S. Census Bureau found that single women are more likely than single men to own a home in 48 of 50 states. In 2022, single women made up 17% of recent buyers, compared to 9% of men. For the past decade, these numbers have been fairly stable; single women have maintained between 15% and 19% of the buyer pool, and single men have maintained between 7% and 9%

Jessica Lautz, NAR's deputy chief economist and VP of research indicated that — "Single women have really made it their mission to not be at the mercy of a landlord. They want their own spaces, and homeownership seems more important to their demographic." Lautz says that there is a laundry list of factors as to why single women are dominating: they live longer than men, marriage rates are declining, women are more likely to move closer to family and friends, they express a desire for stable homes to raise a family in potentially, and they make more sacrifices when it comes to their house wish lists...

Source: National Mortgage Professional

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