

Your Broker:



Rob Cassam

November 2020

REAL ESTATE Update



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What is a Short Sale?



Short sales are transactions where a home is sold for a lower price than the debt

that's owed. When a homeowner realizes they can't afford their mortgage anymore, they can start the short sale process with the lender. The owner has to apply, and the goal is to avoid foreclosure.

Short Sale vs. a Foreclosure

Sometimes buyers think a short sale and a foreclosure are the same, which they're not. During a foreclosure, the bank repossesses the property. Then, the bank tries to sell it, often at a price well below market value, to cover their costs. In a short sale, the seller is voluntarily entering the process. A foreclosure is not voluntary for the seller.

What Are the Benefits of a Short Sale?

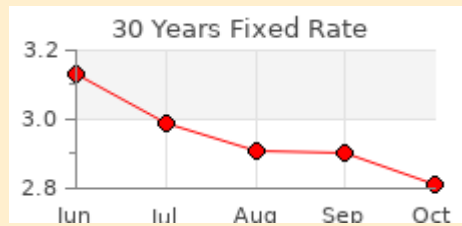
The first is the lower price. A lender is very motivated to sell the property and cut their losses. Short sales may be less complex than traditional sales because there is likely to be less competition from other buyers. Your offer has a greater chance of being approved with less competition.

Are There Downsides of a Short Sale?

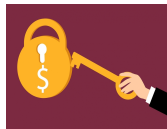
For buyers, one of the primary downsides of a short sale is that it's time-consuming. These transactions can take much longer than a traditional transaction. There's also an increased level of risk for buyers because they're buying the home as-is. There's also the possibility the transaction won't go through, and the time will be wasted for the buyer. Since the owners in a short sale are experiencing financial hardship, their homes may be in significantly worse condition than similar properties.

Mortgage Rates U.S. averages as of November 2020:

30 yr. fixed: 2.81%
15 yr. fixed: 2.32%
5/1 yr. adj: 2.88%



Rate Locks: What You Need to Know



Rates determine your monthly mortgage payment as well as determine affordability.

Mortgage interest rates can change daily and, in some instances, rates can even change from the morning to later in the day. Regardless, whatever rate you see isn't any good until you lock that rate in.

There are no universal guidelines lenders must adhere to as it relates to when and how you can lock in a rate. Lenders do have their own rate lock disclosures they use to give you a physical copy of their own rate lock policy. Read it carefully because this disclosure specifically lays out when you can lock in a rate. Your loan officer will also help explain this to you as well.

Rate lock periods can vary but most rate locks can range from 10 to 60 days or more. The longer the rate lock period the higher the rate and/or fees will be. The strategy is to lock in your rate for the shortest period possible while still meeting your settlement date or to give the lender enough time to approve your loan, deliver your loan papers to the settlement agent, sign the papers and return them to the lender for a final review.

Buyer vs. Seller's Agent: How Do They Compare?



Sometimes the terminology can get a bit confusing. For example a buyer's agent is also called a selling agent because they help buyers find properties. A seller's agent is referred to a listing agent. Beyond working out the terminology, the following are some differences between the two.

Responsibilities

A seller's agent's responsibilities can include:

- Providing tips on how the seller can make the home more appealing to potential buyers.
- Providing referrals for professionals who can make needed updates to a home, and they can help a seller stage the property.
- Working on marketing, which can include having professional photos taken.
- Working with the homeowner to price their home accordingly.
- Other things seller's agents do include hosting tours and open houses, negotiating issues including inspection issues with the buyer's agent, and helping with the closing process.

A buyer's agent's responsibilities include:

- Helping buyers with the preapproval process if they're getting a mortgage loan.
- Finding properties they think will meet the criteria of their clients.
- Taking buyers on appointments to view potential properties.
- Helping buyers understand the value of a home as they work toward making an offer.
- Coordination of communication between the mortgage lender, seller, buyer, and title officer.

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Why Are People Obsessed with Mid-Century Modern Design?

By Ashley Sutphin

Mid-century modern design is one of the most popular design styles right now and for good reason. It boasts clean lines, pops of color, and if you buy an older home, it can be a natural fit with the existing elements of the property. So, what exactly is mid-century modern design, and how can you make it work in your home?

Mid-Century Modern Basics

Mid-century modern design is based on architects' work who moved from Germany to the U.S. after World War Two. These architects led the way in mid-century modern design, which emphasizes functionality and simplicity.

The period, while there is some disagreement on specifics, generally is considered to have lasted from the 1940s to the 1960s, but much of what we think of as mid-century modern now is from the 60s. Mid-century modern design grew from the changes that were occurring post-war, and it reflected a sense of optimism.

These design concepts are focused on limited accessories, functionality and form, and sleek lines. In mid-century modern design, there is the use of different types of materials, including both traditional and non-traditional. For example, wood is often mixed with Lucite or metal. The general idea behind mid-century design, above all else, is that pieces of furniture are like art in and of themselves, but they should take up as little space as possible. There's nothing unnecessary in mid-century design.

There's a lot of contrast in mid-century design, not just in materials but in other ways. For example, you might seek the very sleek lines that characterize the design style paired with organic shapes, such as a live-edge table.

The general idea behind mid-century design, above all else, is that pieces of furniture are like art in and of themselves, but they should take up as little space as possible. There's nothing unnecessary in mid-century design.

Color Palettes

While mid-century is primarily about simplicity, there is one area where things get especially interesting which are the color palettes. For example, the use of bold colors like orange or emerald green is common. In current, updated versions of mid-century style, you see many unique colors like shades of pink and saturated blues.

How Can You Create a Mid-Century Space?

One of the first things you can do to capture the simple style of mid-century is to take out things in a space that you don't need. From there, you can think of it like building an art collection. Start integrating mid-century pieces one-by-one.

While you might want to stick with the clean lines and minimalism of mid-century consistently, that doesn't mean you can't also intermix other styles into your home.

If you have large windows, keep them uncovered if possible, to ensure unobstructed natural light. If you do need to use curtains, choose lightweight fabrics like linen that allow for the natural light to flow into a space.

Sculptural chandeliers can be a focal point in a mid-century modern room, and avoid oversized furniture. The idea is to appreciate negative space rather than trying to fill every square inch with furniture, which is common in more traditional design concepts. Along with making sure your furniture isn't too big, look for low profiles.

Integrate elements of nature, whether that's natural wood furniture or potted plants.

As far as the actual furniture and other items you purchase, one option is to splurge for authentic pieces. If you're not ready to do that, you can still find replicas at a more budget-friendly price. Even much of what Ikea offers could be easily integrated into a mid-century design concept. There are also retailers with pricing that's considered middle-of-the-road such as Crate and Barrel, with beautiful mid-century-inspired options.



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What Should You Know About Buying Real Estate Overseas?

By Ashley Sutphin

Owning real estate overseas is often a lifelong dream. It can look different for everyone. For example, maybe your goal is to retire in Tuscany, or perhaps you want to buy a second home but keep your primary residence in the U.S. You might want to purchase property now where you'll live later, or you could want to move overseas full-time. Regardless of your situation, many specifics vary depending on where you want to buy, but the following are some general considerations to keep in mind.

Buying Property Overseas Is Complex

No matter where you want to buy or when, you should go into it with an understanding that it's complex. There are legal and financial issues, as well as travel-related logistics. If you think you're going to have a completely smooth process, you're probably wrong.

To help streamline it, you should work with local professionals. First, a local lawyer can be extremely helpful when you're buying property as a foreigner. You should also use a buyer's agent who specializes in international transactions.

There are very specific rules dictating who can buy what in most countries. For example, there's a rule in Mexico that if you're a foreigner, you can't own property on the coast, but there are ways to go around this by using a Mexican bank trust.

Some places won't let foreigners buy property altogether. For example, Switzerland has very strict restrictions on foreigners buying property. You can only buy property if you're an EU or EFTA national who has a Swiss residence permit and lives in Switzerland, or have a Swiss C permit.

Financing Foreign Property

In many cases, mortgages overseas aren't available to U.S. buyers, and U.S. banks typically won't lend you money to buy something internationally. Even if you can find a location where you might be eligible for mortgage lending, you're probably going to have to make a down payment of anywhere from 30% to 50% and your terms aren't going to be very favorable.

You may also have to get a life insurance policy that totals your mortgage, and the bank lending you money will have to be named the beneficiary. At the same time, depending on your age you may not be eligible for life insurance in some countries.

What this means is that you should have cash if you plan to buy overseas. You might be able to get developer financing, or you can use the proceeds of a self-directed IRA if you plan to use the property as a rental or investment only.

Tax Liability

If you buy property in a foreign country, you may be taxed both when you buy it and sell it. You may also have to make payments throughout the year, similar to property taxes in the U.S.

Finally, before you buy anything overseas you need to have an exit strategy you can turn to if necessary. You may think you'll never sell, but unexpected life and financial situations can arise. What taxes would you owe if you did sell? Would you even be able to sell? What is the market like where you're buying and what is it likely to look like in the future?



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What Are the Differences in Mortgage Pre-Qualification and Pre-Approval? By Ashley Sutphin

When you're considering buying a home, there are two terms you'll hear, both of which are related to getting a mortgage loan. There's mortgage pre-qualification and pre-approval. Sometimes people use these terms interchangeably, but they're different from one another.

Understanding these terms is critical because they're going to help you know what you can afford as you search for a home, and they're also how you're going to demonstrate you're a serious buyer to a seller.

Both are similar in that they are steps along the way to get a mortgage, but if you have a preapproval, you don't necessarily need a prequalification.

What is Prequalification?

A mortgage prequalification means that you provide a lender with some general financial information. The goal is to help provide you an estimate of how much you can afford when you're buying a home.

The information you provide for prequalification is usually self-reported. Most of the time, it doesn't include verification of your credit report. You can get a prequalification without dinging your credit report with a hard pull.

When you're prequalified, you receive a letter that will show you can afford to buy. You can show it to your agent and sellers, and it may be helpful in the process, but not as much as a preapproval.

What is Preapproval?

A preapproval carries a lot more weight in the buying process. When you're preapproved, you've submitted your financial history and the lender has verified the information you provide by checking your credit report, your employment and income, and your assets and debts.

For a preapproval, you'll have to submit information like your total monthly expenses, W2s, pay stubs, and if you already own property, your mortgage statement.

Once you submit all the necessary documents, you receive a preapproval letter. This letter will outline the amount you're approved for, and the type of mortgage a lender will give you as well as the terms.

A preapproval serves as an offer by the lender to you, and there is usually an expiration of the offer. For example, you might have 90 days to buy a home based on your preapproval.

How Do You Get a Mortgage Preapproval?

The following are steps to follow to get a mortgage preapproval:

- Get your own credit score. The higher your score, not only the more likely you are to be approved but the better the terms you're likely to be offered. With most lenders, if you have at least a 740 credit score, you're likely to qualify for the most favorable terms.
- When you check your credit score, go over your report and make sure there aren't errors that need to be addressed.
- Calculate your debt-to-income ratio. To buy a home, you should aim to have a ratio of 36% or less. Your DTI is a ratio of your gross monthly income that goes toward paying debt.
- Gather the documents you're likely to need to submit, such as your tax forms, employment details, and banking and account information. If you're self-employed anticipate showing at least two years of income tax returns.

Finally, when you're applying for preapprovals, shop around and talk to multiple lenders. This will help you find the lender that's right for you so you increase your chances of getting approved, but also so that you can save money on interest with better terms.



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Can You Get a Mortgage with Bad Credit?

By Ashley Sutphin

The real estate market remains hot right now, despite economic headwinds. Many people want to jump in and buy a home or upgrade their current home to a new one for good reason. Interest rates are incredibly low, so now could still be a buying opportunity, despite limited inventory and high prices in some locations.

If your credit isn't perfect, you may wonder if anyone will approve you for a mortgage. The short answer is maybe.

You aren't alone if you don't have great credit. Around 15% of Americans have a credit score from 500 to 599, which is considered poor. Around 10% of people have credit in the range of 600 to 649, which is considered fair.

When you're applying for a mortgage, you're most likely to be approved with a score of at least 650, although even anywhere in the 600s can make it challenging. If your score is below 500, you're almost certainly not going to be approved for a mortgage, and beyond that, the following are key things to know.

Conventional Mortgages

Conventional mortgages tend to have the strictest requirements as far as your credit score. Freddie Mac and Fannie Mae are two companies offering conventional mortgages. Freddie Mac's minimum credit score requirement is 660, with a down payment of 3%. Fannie Mae's minimum score for a 3% down payment is 620. If you make a down payment of at least 25%, you may be eligible for a Freddie Mac conventional mortgage with a credit score as low as 620.

The majority of lenders follow similar requirements, because usually after your loan is closed, the lender will sell it to Freddie Mac or Fannie Mae.

You should be aware that in the eyes of your lender, there's a difference between having a low score because you don't have much credit history and having a low score because of bad credit history. You're likely to be viewed more favorably with limited credit than with bad credit.

If you're close to the lending cut-off, you should be able to show that you have a debt-to-income ratio of no more than 36%. You will probably also need to show that you have at least two months of cash reserves on hand.

What About an FHA Loan?

An FHA loan may be an option for someone with a very low credit score. You can be approved for these loans with a score as low as 500, but you'll have to plan to put at least 10% down. If you have a higher score, you may be able to put as little as 3.5% down.

Aside from VA loans, FHA loans have the least stringent approval guidelines. As such, FHA loans are often used by people after a foreclosure or bankruptcy.

FHA lenders don't have to follow the above credit score requirements. They can require that your credit score is higher for approval. Many FHA borrowers have a score somewhere between 650 and 699.

VA Loans

For a VA loan, there is no minimum credit score, but you can only get this type of home loan if you're an eligible service member in the military, a veteran, or the surviving spouse of a veteran. While there's no set minimum score, individual lenders can create their own guidelines.

Should You Focus on Improving Your Score?

If you have less-than-perfect credit right now, you might want to focus on building your score. It can take several months, but it's very unlikely interest rates will go up anytime soon based on what the Fed has said so far. The Fed says they expect rates will stay around zero through 2021 and maybe 2022, although there's no guarantee.

If you can make even modest improvements in your credit score, not only are you likely to be approved, but you may also get better terms. Focus on paying down your high-balance credit cards, cleaning up any errors, and in the meantime, also try to save for a down payment. If you have at least 10% for a down payment, a lender will see you as less risky.

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