Your Broker:

Rob Cassam

May 2023

Real Estate Update™

CAROLINA REALTY ADVISORS

The right real estate advice makes ALL the difference!

How to Start Homesteading

Homesteading isn't so much about the scale of what you're doing, but it's more about the core values of self-reliance and savoring simplicity.

Buying Property for Homesteading: If you want to get started with homesteading and you're also in the market to buy land or a home, there are certain things you might look for from the start that will facilitate your goals.

Land Accessibility: If you're looking for property, especially if it's surrounded by public land or the land isn't subdivided and platted, you need to make sure you'd have the right to access your land no matter what, which isn't a given. If you're working with a real estate agent, they should be able to help you figure this out.

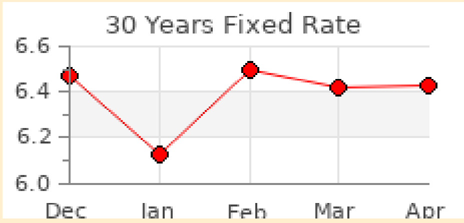
Are There Restrictions? You also want to consider covenants and other restrictions on a property. Most property types have some restrictions, but they might not greatly impact your goals or daily life. Then, there are situations where even large areas of land have significant restrictions. For example, a covenant may restrict your ability to have animals on the land. Think about your goals for homesteading, and make sure your home or property won't limit you.

Water Accessibility: A third big consideration is water access. Even if a natural water source is on a property, it doesn't mean you have the right to use it.

Homesteading only seems to be growing in popularity, especially as bloggers and influencers share their experiences and insight, and people realize it's a more attainable lifestyle than they perhaps initially realized.

Mortgage Rates
U.S. averages as of May 2023:

30 yr. fixed: 6.43%
15 yr. fixed: 5.71%
5/1 yr. adj: 5.76%



How Prepaying Your Mortgage Works

Paying a little extra can be applied differently depending upon whether or not you have a fixed rate loan or an adjustable rate mortgage. When you apply extra money to a fixed rate loan, your monthly payment will stay the same even though you're throwing some extra cash to the loan balance. Instead, the result of prepaying a fixed rate mortgage is shortening the term of the loan.

With an adjustable rate mortgage, or ARM, making a little extra payment to the outstanding mortgage balance does indeed reduce the monthly payment. ARMs base the monthly payment on the rate and the outstanding balance. When it's time for the next adjustment for your ARM loan, the payment is calculated using the lower loan amount. With an ARM, extra payments mean lowering your monthly payment. However, unlike a fixed rate mortgage, the loan term is actually shortened. One thing to note here, mortgage loan programs are heavy on interest due in the early stages of the mortgage, meaning you won't notice a significant change in your payment or loan balance early on. You will certainly notice it the older the mortgage gets.

4 Myths About USDA Loans

A USDA loan can represent an overlooked opportunity for homebuyers, and there are a lot of myths surrounding this particular type of loan that keeps people from exploring their options. First, USDA loans aren't just for farms, but more than that, they aren't exclusively for rural properties. USDA loans were initially designed to help with the development of farms and rural locations, but that's not automatically the case anymore. Around 97% of all the land in the U.S. is available for financing with a USDA loan. Many buyers who use this type of loan live in the suburbs, and tens of millions of people

Another myth that floats around is that you have to be a first-time buyer to qualify, which is, again, not the case. There are income and property limits to apply for this type of loan, but it doesn't matter if you've already bought a home in the past or not. The limitation is that you can't use these loans for investment properties though—you have to use it for a home that will be your main residence.

Next, people believe that, since there's no required down payment, the mortgage insurance on these loans will be higher. USDA loans have the option to put as little as 0% down, but they also have very low insurance costs compared to an FHA loan.

A final myth is that you have no options for negotiating your loan terms with USDA financing. There are two types of USDA loans. The USDA direct loan is for low-income borrowers, funded directly by the USDA. The terms of these loans are not negotiable. There are USDA-guaranteed loans, however, offered directly through approved lenders. These have terms that are negotiable.

Equal Housing Opportunity

Rob Cassam, ,CCIM BROKER MBA REALTOR
E-mail: rob@charlotteNCproperty.com
Website: http://www.charlotteNCproperty.com/residential
Toll Free: 800.587.4066
Office: 704.442.1774 ext.100
Fax: 704.442-8841

Carolina Realty Advisors
704-442-1774
1001 East Blvd. Suite B
Charlotte NC 28203

Your Broker:

Rob Cassam

May 2023

Real Estate Update™

The right real estate advice makes ALL the difference!

What's the Difference Between a Mortgage Lender and Servicer?
By Ashley Sutphin

When you get a home loan, you'll begin the process by choosing a lender to work with. If you're the borrower, from your perspective, a lender is a term that will include every party that's part of your loan, but in reality, lenders don't handle everything. A mortgage servicer might also take over your loan after you close on it.

A mortgage lender will either be a group of investors or a financial institution providing money to borrowers so they can buy or refinance homes. A mortgage servicer will deal with the administration of a loan on a day-to-day basis until you pay it off. Some lenders service their loans, but most are too small to make a profit doing so, which is where a loan servicing company becomes part of the situation.

The Role of a Mortgage Lender

Mortgage lenders handle the origination of a loan. Origination includes working with a homeowner to choose a loan, taking the application for the mortgage, and processing the loan. The origination process also includes underwriting a loan, drawing up the documents, funding the mortgage, and closing it.

After your loan closes, the administration is needed on an ongoing basis until it's paid off. This administration is known as servicing. Most lenders transfer the mortgages they originate to a company that does loan servicing. You might not be notified until after closing, or your documents for your loan can tell you it will be transferred.

What Is a Mortgage Servicer?

Mortgage servicers can take on the tasks where a lender leaves off. The servicing of a loan can include taking and processing your payments, so that's why it's especially important to you as the borrower. You're actually paying the servicer. Mortgage servicing can also include tracking loan balances and any interest paid. Your tax forms to show how much interest you pay every year are provided by your servicer, if there is one.

The servicer will manage your escrow accounts, so the company is responsible for collecting and paying your homeowners' insurance and property taxes. If you default on your loan, the servicer begins the foreclosure process, and servicers can also do loss mitigation, which can help borrowers avoid foreclosure. If you want to cancel your mortgage insurance and you have a loan servicer, you'll go through them with that request. Mortgage servicers can report the payment history on loans to credit bureaus, so if you think there's been an error, you will contact this company rather than your lender.

Finding the Servicer on Your Mortgage

It's possible that throughout the life of a home loan, you'll have multiple servicers. You should see the name of the servicer on your mortgage statement. You can also get in touch with your original lender to ask them where they transferred the loan. There's also the Mortgage Electronic Registration System or MERS. If a loan is registered with MERS, you can find it online and search with your property address, name, or Social Security number.

When a mortgage gets transferred to a servicer, the loan terms don't change. You might get a different account number; otherwise, you're just sending your payment to someone else instead of your original lender.

Your mortgage servicer can play a big role in your experience as a borrower. Good companies have strong customer service and make it easy to contact them, especially if you have questions. You don't, however, get a choice in who your company is, nor can you opt to change your servicer. Your only recourse is to file a complaint with the Consumer Financial Protection Bureau if you don't like your servicer or work with a lender that services its own loans.

Finally, when you apply for a mortgage, a lender is legally required to provide you with a Mortgage Servicing Disclosure Statement that will tell you if they plan to service the loan themselves or transfer it.

Equal Housing Opportunity

Rob Cassam, ,CCIM BROKER MBA REALTOR
E-mail: rob@charlotteNCproperty.com
Website: http://www.charlotteNCproperty.com/residential
Toll Free: 800.587.4066
Office: 704.442.1774 ext.100
Fax: 704.442-8841

Carolina Realty Advisors
704-442-1774
1001 East Blvd. Suite B
Charlotte NC 28203

Rob Cassam

Real Estate Update™

The right real estate advice makes ALL the difference!

Can You Just Walk Away?

By David Reed

It happens that on somewhat rare occasions, buyers get cold feet. There can be any variety of reasons why someone would have a change of heart on a home. One reason might very well be that the person was encouraged to buy a home before really being ready. When buying a home, one can't readily show the home store the receipt and request a refund. Once those closing papers are signed and the loan is funded, the house is yours.

Once word gets around that you're thinking of buying a home, it's not surprising that referrals for real estate agents and mortgage companies begin to arrive. Some of these referrals can be very persuasive. It's not hard to imagine someone signing a sales contract did so primarily at the urging of others. Yes, they were exploring the possibility of buying but were essentially 'talked into' making a purchase when they weren't really sure they were ready.

Maybe there were some life changes that needed a course correction. Maybe interest rates suddenly shot through the roof and they could no longer afford the home they really want. In this instance, the lender will help you change your mind by letting you know that you can no longer afford what you could afford just a few weeks ago. This doesn't happen very often but it has happened before which also tells you it's possible it can happen again. When such events, and others, seemingly appear out of nowhere, can you just walk away?

The answer is yes, but with a few caveats. The first to note that any funds you've given to your lender will likely be forfeited. Did you pay for an appraisal upfront but now have decided you want to cool things down and rethink your mission? If an appraisal hasn't been performed, then it's possible your lender will refund your money. But if the appraisal has been completed, those funds go to the appraiser who performed the work. The same can be said for application fees. As the name implies, it's a fee that gets your loan application in motion.

If you do decide to walk away, understand that you're not obligated to move forward with the loan. You can quit anytime you want. It may not always seem like it but you are indeed the one in control. If you decide you want to wait, you can walk away at any time you choose.

Equal Housing Opportunity

Rob Cassam, ,CCIM BROKER MBA REALTOR
E-mail: rob@charlotteNCproperty.com
Website: http://www.charlotteNCproperty.com/residential
Toll Free: 800.587.4066
Office: 704.442.1774 ext.100
Fax: 704.442-8841

Carolina Realty Advisors
704-442-1774
1001 East Blvd. Suite B
Charlotte NC 28203

When Should You Respond with a Counteroffer?
By Ashley Sutphin

When you're in the process of selling your home, negotiation is likely going to be part of the equation. Last year that might not have been the case, with many homes receiving multiple offers and ultimately selling for over the asking price. Now, with interest rates stubbornly high, sellers are facing a different situation in many parts of the country. That means negotiations are back.

A counteroffer is a tool that can help you get the price you want or at least get closer to it. If a buyer submits an offer on your home, you have a few situations you might be facing. You could accept their offer without any changes or conditions. You could present a counteroffer, or you might reject the offer altogether.

What Are the Changes You Could Make in a Counteroffer?

If you go back to a potential buyer with a counteroffer, you might be contesting a few key things. The first is the price. A seller might counter with their original selling price, or they could come in somewhere between their price and the buyer's offer. If you counter with your original selling price, you're signaling to the person who put an offer on your home that you're not willing to negotiate on price.

If you counter with a lower price than what your home was on the market for, you're indicating you will negotiate. Then, the buyer might agree to your proposed price or continue to negotiate. Another part of an offer you could counter as a seller would be the closing costs. Buyers might request the seller cover closing costs, at least partially. Sellers can say no, or agree to contribute a certain amount, but then the buyer will finance some or all of these costs in their loan. You could counter an offer based on the proposed closing date. The original offer might have detailed a 45-day close from the acceptance, but if you're the seller, you could want more time before you have to leave your home.

There are also contingencies buyers might request, some of which are standard and you're less likely to fight, like inspections and appraisals, but others you might counter. For example, some buyers will submit an offer that makes their purchase contingent based on the sale of their current home.

Countering Above Asking Price

Again, if you were selling your home just last year, countering an offer above your original asking price might not have seemed far-fetched. Now, that's not necessarily the case. The market has to be able to justify you countering an offer with one that's above your own asking price, and it's unlikely that justification exists right now, with rare exceptions.

Are Counter Offers a Good Idea?

If you're thinking about countering an offer, it makes the original offer void. You could hesitate to make a counteroffer, with the worry that you'll lose the sale altogether. It's important that before you make a counteroffer, you talk to your agent about it if you have one and thoroughly consider the local market, you're in. If you're in a competitive real estate market, as a seller, a counteroffer can be smart. If you're not, you run the risk of losing a deal.

A buyer's market is when there are a lot of houses for sale, and the ones on the market aren't selling that quickly. If you counter someone, especially too aggressively, a buyer in these situations can easily move on. Even if you're in a seller's market, if you're too aggressive with a counteroffer, it could cause the buyer to walk away from the deal.

Yes, negotiations are important in real estate, but there's such an emotional component to the whole process that you want to be careful. From a buyer's perspective, you don't want to offend the seller with a ridiculously low offer, but as a seller, you also want to avoid being frustrating or unreasonable.

Sometimes a seller will think they should counteroffer no matter what because the worst thing that can happen is the potential buyer says no. In reality, the worst outcome is that the buyer leaves the deal completely.

A counteroffer can be a valuable negotiation tool but should be used cautiously, with an eye on the local conditions of the real estate market.

Equal Housing Opportunity

Rob Cassam, ,CCIM BROKER MBA REALTOR
E-mail: rob@charlotteNCproperty.com
Website: http://www.charlotteNCproperty.com/residential
Toll Free: 800.587.4066
Office: 704.442.1774 ext.100
Fax: 704.442-8841

Carolina Realty Advisors
704-442-1774
1001 East Blvd. Suite B
Charlotte NC 28203

Your Broker:

Rob Cassam

May 2023

Real Estate Update™

The right real estate advice makes ALL the difference!

Do You Still Have to Pay Your Mortgage If the Bank Fails?
By Ashley Sutphin

The topic of bank failures is one that's in the news in a big way, right with Silicon Valley Bank collapsing a few weeks ago, followed by Signature Bank. The banking collapses triggered selloffs in the stock market and drops in mortgage rates. Any time there's a bank failure, it shakes consumer confidence and leads to ripple effects throughout the broader economy. While that appears to be settling a bit, it also often leaves consumers wondering how bank failures affect them on an individual basis.

For example, if you have a mortgage and the bank collapses, can you just not pay your mortgage? It was a question being floated, and the answer is that you still have to pay your home loan, but the situation can be more complicated for you if your lender goes bankrupt.

What If Your Lender Goes Bankrupt Once You Close on a Loan?

Once your mortgage is closed on, if the lender goes bankrupt or collapses, it doesn't impact your loan or shouldn't. This includes if it's the company that originated the loan going under or a third party that bought it later. Borrowers usually don't even find out about the financial problems of a lender unless it's a high-profile situation like Silicon Valley Bank. If the situation jeopardizes the charter for the bank, the insurer or the regulatory agency takes over, and that will typically mean the FDIC will make another lender take the loans of the failing bank.

If another bank or lender takes over your mortgage, the loan servicing becomes the responsibility of that new lender, which is the owner of the loan. A servicer or institutional investor that services a loan isn't likely to go bankrupt, but if they do face any type of financial turbulence, they just sell your loan or the right to service it to someone else.

If there's a change in your loan servicer, you'll get a notification of the change from the previous company and the new servicer. Those notices should include details on where to send payments. Your balance stays the same, as does the amortization. Your responsibilities don't change because of a change in your servicer, so it's up to you to make sure you're paying on time, keeping your property insured, and keeping up on taxes.

What If You Haven't Closed on a Mortgage Yet?

If you're in a situation where you're preparing to close on a mortgage but haven't yet, and your lender is facing financial trouble, you might have concerns. However, if you've transferred any money to an escrow agent, that should still be secure, no matter the situation the prospective lender is in. You may, however, have to find a new lender for your mortgage.

Lenders will typically stop underwriting loans if they're near being insolvent. If your financing has already been approved, it shouldn't be too hard to get a new lender because underwriting standards and guidelines are standardized. Most loans now are usually underwritten by FHA, Fannie Mae, or Freddie Mac guidelines, so you can just shift an appraisal over to another lender but get the same type of loan.

Final Thoughts

The takeaway is that it doesn't matter if your mortgage lender collapses as far as paying your loan. You still have to pay your mortgage, and the loan will just be sold to another company. If you stop paying because the lender is having financial problems, you're putting yourself at risk of foreclosure.

When mortgage lenders file for bankruptcy or fail, nothing should change for you on a personal level, but you might need to make sure you're clear on who your new lender is and where payments should go.

Equal Housing Opportunity

Rob Cassam, ,CCIM BROKER MBA REALTOR
E-mail: rob@charlotteNCproperty.com
Website: http://www.charlotteNCproperty.com/residential
Toll Free: 800.587.4066
Office: 704.442.1774 ext.100
Fax: 704.442-8841

Carolina Realty Advisors
704-442-1774
1001 East Blvd. Suite B
Charlotte NC 28203