Your Broker:

Rob Cassam

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REAL ESTATE Update™

The right real estate advice makes ALL the difference!

Open Shelving in the Kitchen—Yay or Nay?

Watch any home improvement show from the last several years, and you'll see it: open shelving in the kitchen. But is this trend something you should embrace in your own space?

Light, airy, and open

That's what a lot of people are looking for when they make the decision to go with open shelving. And it works—sometimes too well. Getting rid of all the typical upper cabinets can sometimes make a space look too minimalist. "Open shelving can also look a bit… unfinished," said Apartment Therapy.

Highlighting a mess

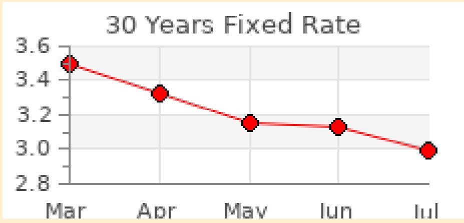
If you're seeking a way to get motivated to have a clean and orderly kitchen, this could help. "If you're looking for a built-in, training-wheel kitchen setup to help ensure that you stay organized, then open shelving might be a good idea," said HGTV. "The trick is: you have to commit to keeping things neat so you can avoid having your kitchen look like a hot-mess yard sale."

It's dusty in here

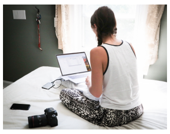
Regardless of what your dishes look like, they're likely to get dusty without the benefit of being behind closed doors. "While we love looking at neatly arranged dishware on an open shelf, the reality can be a bit frustrating. Namely, due to all the dust and grease that end up on the carefully-arranged plates, bowls, mugs and glassware," said House Beautiful. In fact, the site is so adamant about its stance on open shelving that the trend made it list of "9 Trendy Home Features That Are Secretly a Pain."

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

30 yr. fixed: 2.99%
15 yr. fixed: 2.51%
5/1 yr. adj: 2.94%



Creative Ways To Carve Out A Home Office In Your Place



If you don't have a dedicated space, these trending home office ideas might help give you focus.

Closet conversion

Have a closet that's filled with off-season clothes, giveaway stuff, and rarely-used items? Relocate it to the garage or attic and turn that space into a tidy home office. You'd be surprised how much usable space you can gain and how many ingenious ideas there are for converting a closet into a functional workspace.

Guest room double duty

You don't need to lose your guest room to incorporate a home office, you just need to be creative. Murphy beds can give you both a decked-out desk and a comfortable overnight space for visitors, without the typically cluttered look of a double-duty room.

Hideaway

You don't even have to have an entire room to dedicate to a home office. In fact, it's not even necessary to have enough room for a desk. If you're tight on space, consider a wall-mounted desk that folds down when you need it and disappears when you don't.

The Mortgage Secret That Could Save You Thousands

A little-known mortgage payment trick could save you thousands over the life of your loan. So what's the big secret? Paying your mortgage twice per month.

How does paying every two weeks cut down on your total amount and save you big time? When you pay monthly, you make 12 payments per year. Pay every two weeks, and you actually end up making 13 full payments. And that one extra payment is directed toward the loan's principal.

"Since the homeowner is reducing the amount of the loan balance quicker, they are also reducing the amount of interest charged over the life of the loan," said MortgageCalculator.org.

Before you start making that extra payment, you'll want to make sure it's allowed. Some lenders either don't facilitate the process or don't credit the payment more than one time per month. "Many lenders decide to hold partial payments in an account until the rest of it is received," said MortgageCalculator.org.

Other companies may allow bi-weekly payments but charge a fee. "Rarely, some lenders will charge you to make biweekly payments, since it's essentially twice as much work for them to process," said Magnify Money. "If your lender does this, it may be better to stick with your normal monthly payment plan. If you want to make biweekly payments, you can still do so manually for free by setting aside a portion of your paycheck on your own, paying your normal monthly payment, and then submitting an extra payment once per year."

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Preparing Your Home for Sale During the Pandemic
By Katie Conroy

Despite the ongoing coronavirus pandemic, the real estate market must go on. Homeowners still need to sell, house-hunters still need to buy, and real estate agents still need to make a living. But the typical home selling process involves frequent contact with strangers—which is not recommended during this time of social distancing.

By now, you're probably getting pretty good at making adjustments in your everyday life to protect the health and safety of yourself and those around you. Along the same lines, there are steps you can take to show your home to potential buyers without risking your health or hurting your chances of a sale. Here are some tips to prepare your home for sale in the coronavirus era!

Get Help with Staging

According to The Mortgage Reports, staged homes sell an average of 73% faster than non-staged homes. Staging involves eliminating clutter, incorporating decorative elements, and adjusting the layout of your furniture to improve the flow of your home. The overall goal is to make your home appear bigger, brighter, and more inviting to potential buyers. Fortunately, some staging steps are easy to tackle on your own, such as cleaning, decluttering, and depersonalizing. These steps will help buyers picture themselves living in your home instead of feeling like intruders in someone else's space.

When it comes to décor, however, it's best to hire a professional. An interior designer can help you stage your home to effectively show off key aesthetic elements as well as the features that make your space functional. You can easily find freelance interior designers on job boards like Upwork. To keep yourself and your designer safe, make sure they have adopted special procedures to conform with CDC recommendations for COVID-19.

Don't Neglect Your Curb Appeal

Don't let your home preparations stop at your front door! Even if buyers aren't visiting your home in person, they will still want to see your home exterior. In fact, a picture of your home exterior will likely serve as the bait that draws potential buyers to your online listing. Don't neglect your curb appeal!

Tool Review Lab recommends several ways to boost your curb appeal—even if you're on a tight budget. For example, you could power wash your front porch and siding, install a new mailbox, hang modern house numbers, and do some basic lawn maintenance.

When it comes to your front yard, make sure your lawn is lush, freshly mowed, and free of weeds and dead spots. Consider planting new flowers and remember to weed and mulch the beds to keep everything looking neat. You may even want to hire a professional to give the trees and shrubs around your yard a good trim.

Consider Safer Showing Alternatives

While it's clear that hosting an open house is off the table, you may also want to limit in-person showings. Offer your buyers no-contact alternatives! Shoot a video walkthrough of your home and upload it to your online listing so buyers can tour your home virtually. You could even schedule live video-chat showings with interested buyers so they can ask questions about your home or request specific shots of rooms or features.

Since buyers will form a first impression of your home based on your listing, make sure it does your home justice. Write a strong listing title, include a detailed and exciting description, and post plenty of high-quality photos. A great real estate agent can help you craft your listing so that it properly showcases your home's best features. Your real estate agent can also help you navigate virtual showings! Take the time to find a professional who is well-versed in using online tools to connect with buyers.

Selling a home in the age of the coronavirus is bound to be a bit of a challenge. Thankfully, the real estate industry has been quick to adopt virtual alternatives to open houses and buyers are happy to continue their housing hunt online. With some special attention to staging and a solid virtual presence, you'll have no problem closing a sale during the pandemic!

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Thinking of a Remodel? Here Are Your Financing Options
By David Reed

People are spending a lot more time at home. Whether it's because of a stay-at-home edict or just choosing to work remotely instead of heading toward the office, many are choosing the stay-at-home model and some employers have found the stay-home can be an option for the employee going forward. And spending more time at home might also lead to thinking of a few household projects. Is the kitchen looking a little dated after all? How about some new countertops and upgraded appliances? Is the living room carpet looking a bit threadbare? If so, you'll need to decide how to pay for those improvements.

The obvious way is to pay cash. It's quick, interest-free and you can tap into a checking or savings account pretty much anytime you need it. You get a bid, decide whether or not to move forward and write a check. On the flip-side however, pulling money out of an account can put a dent in the balance and in any interest-bearing account, money out no longer pays interest. The bigger the project, the more that's pulled out. And, once those funds are used to upgrade the kitchen, the asset is no longer liquid, it's in the cabinets, appliances and flooring.

You can get a home improvement loan to pay for a remodel. With a home improvement loan, your loan goes directly toward the improvements. Depending upon the size of the home improvement loan, the funds might be delivered straight to your bank account at your settlement or if you have a larger project in mind, the bank might deliver the funds in stages as the work is completed.

Say for example you'd like to add on a third bedroom instead of selling your home and buying an existing three bedroom house. This would be considered a major remodel while at the same time increasing the value of your home by adding a third bedroom. This entails hiring an architect and a builder and paying for inspections and final appraisal as part of the process. With such a loan, it is phased in like most any other construction loan. The bank reviews your plans and specs, comes to an appraised value based upon what the final three bedroom project would be worth once complete. When the third bedroom is added on and finished out, one final inspection is performed to confirm completion. At the end of the project, the construction loan becomes due and a permanent mortgage is needed to replace the temporary construction funds.

A home equity loan can also be a solution. A home equity loan is a loan taken out with some of the equity in your home as collateral. There are two basic types of equity loans, a standard equity loan and a home equity line of credit, or HELOC. A standard equity loan is issued as a lump sum payment. a HELOC acts much like a credit card. You're issued a line of credit based upon the as-completed value. If you want to pull out $10,000 for new appliances, you can do so but you also have the option of paying some or all of that $10,000 back based upon the terms of the loan, freeing up the equity to be used once again at some point in the future.

Another option is to utilize a cash-out refinance. During the process of refinancing an existing loan, homeowners may elect to pull out a little extra after paying off the outstanding principal balance and closing costs. If the loan balance is $200,000 and closing costs are $3,000, the new loan could also include some extra money in the bank account by tapping into the available equity in the home. However, exploring a cash-out refinance should only make sense if a non-cash out refinance lowers the interest rate on a low, changing loan terms, avoiding a balloon payment on its own, then pulling a little extra out in the form of cash might be an option for you.

All of these financing options have their advantages. Your loan officer can break down all the options, compare monthly payments, costs, etc. and help you choose the right financing tool for your individual project.

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Should You Refinance From An FHA Loan To A Conventional Loan?
By Jaymi Naciri

For many first-time buyers, a Federal Housing Administration (FHA) loan is the prudent—and often the only—choice for a mortgage. With the flexible credit and low down payment requirements, an FHA loan makes it easier to qualify than almost any loan out there.

However, the ongoing private mortgage insurance (PMI) you have to pay when you have an FHA loan makes your monthly payments more expensive. And, unlike a conventional loan, which allows you to remove your PMI at a certain point, you can never get rid of it with an FHA loan—even when you have tons of equity in your home. So, with rates at historic lows, should you refi out of your FHA loan to a conventional loan? We're looking at the pros and cons.

Pro: You can get rid of private mortgage insurance (PMI)

"FHA loans require certain provisions which sometimes place a heavy burden on a homeowner's budget, often in the form of premiums paid for mortgage insurance," said PennyMac.

That mortgage insurance on an FHA loan ranges from .45–1.05% of your home loan amount every year. On a $285,000 home, "families could be spending more like $3,420 per year on the insurance," said Investopedia. "That's as much as a small car payment!"

That money is literally insurance for the lender in case you default on your loan. And, unfortunately, they continue to collect that insurance regardless of how far you pay down your mortgage balance or how much your home appreciates.

"To stop paying PMI on an FHA loan you will need to refinance into a conventional mortgage," said The Lenders Network.

The solution: refinance to a conventional loan. Assuming you have enough equity in your home, you won't have to pay mortgage insurance on the new loan. Combined with a lower rate, your monthly payment will drop. "If you have paid down the loan to 78% of the value of the home you can refinance into a conventional mortgage without having to pay PMI."

Pro: Mortgage insurance for conventional loans may be less expensive

If you refi to a conventional loan and still have to pay mortgage insurance because you don't yet have enough equity in your home, you may be able to benefit from the lower payments.

"The mortgage insurance fee on a conventional loan is lower than it is with FHA. FHA MIP rates are 0.80% – 1.00%," said The Lenders Network. "Many conventional mortgages have an annual PMI fee of 0.50%. On a $200,000 home that is savings of almost $80 per month. While it is not a huge savings, the PMI will drop off once the LTV reaches 78%. After dropping PMI, the savings is almost $2,000 per year. You can generally refinance out of FHA into a conventional mortgage after 6 months."

Cons:

With any refi, you're going to pay closing costs. When you're refinancing out of an FHA loan into a conventional loan, you can count on those costs ranging from about 1.5% to as much as 3%. So, on a $300,000 mortgage, you're looking at about $9,000. There may be a few out-of-pocket costs involved in the process; Typically, you'll be responsible for paying for an appraisal. The rest of the closing costs will come from your equity.

When you're trying to decide whether or not to refinance, look at the cost to you, and determine how long it will take to recoup the money with your lower payment. If you won't break even for seven years and you're planning on moving in three, perhaps it's time to reconsider whether you should refinance at all.

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How Lenders Set Mortgage Rates

By David Reed

Ever wonder how mortgage lenders set interest rates for their loan programs each and every business day? Wonder why some lenders quote the exact same rate for the exact same program? Maybe why one lender is lower than others? Here's some insight on how mortgage lenders set their rates each day.

First, note that mortgage lenders set their rates on the same basic set of indices. There are some exceptions, primarily mortgage lenders who issue their own loan programs that intend to keep the loans internally and collect interest on the loan rather than selling the note.

Adjustable rate mortgages and fixed rate mortgages are priced a bit differently. An adjustable rate mortgage, or ARM, is tied to a specific, universally tradeable index, such as the 1-Year Constant Maturity Treasury. Each morning, the "secondary" departments of these mortgage companies look up the current price of an ARM index and then add a margin to it. If, for example, the index came in at 1.75% and the margin was set at 2.00%, the new rate for that specific program would come in at 3.75% and stay there until the next adjustment.

Fixed rate mortgages, at least for most of them, are set in another manner but also use a specific index. Currently, the index used for most fixed rate conforming loans is the Universal Mortgage Backed Security, or UMBS. This is the index lenders use when setting fixed mortgage rates scheduled to be sold to either Fannie Mae or Freddie Mac.

Okay, so if most lenders use the same index when setting fixed rates, why are they sometimes different? That can depend upon different factors. Lenders compete for mortgage business in different ways, but they all want to compete based upon a competitive rate. The rate doesn't always have to be the lowest rate but should be in the ballpark.

Maybe a customer has a long-lasting banking relationship with a bank and also has quite of bit of cash sitting in different checking and savings accounts. That customer might be offered an extremely competitive rate based upon loyalty of the customer as well as the amount of assets the bank holds. The rate in this instance doesn't have to be the lowest because the borrower is focused more on trust and relationships than the rock-bottom rate.

On the flip side, for mortgage companies that don't have such an established relationship, rates take on a more serious note. A mortgage company with less media exposure compared to established banks might need to entice a potential borrower with some very competitive mortgage rates. But again, they set their prices on the same set of indices.

Sometimes a mortgage lender has taken an aggressive approach and priced their loans very low and suddenly their pipeline is full. They're overbooked and overworked. Their marketing campaign is working but now their loan processing times have slowed to a crawl. It's not unheard of for a mortgage company to raise rates temporarily to turn off the spigot. It happens. Lenders certainly want to make a profit, otherwise the mortgage market would dry up, but they want to be smart about it.

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