Your Broker:

Rob Cassam

August 2022

Real Estate Update™

CAROLINA REALTY ADVISORS

The right real estate advice makes ALL the difference!

3 Reasons This Isn't Like 2008

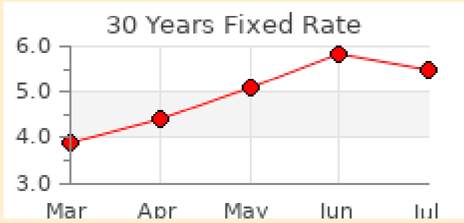
1. Homeowners Seem Okay: At the end of March, the mortgage balances in the U.S. that were 90-plus days past due hovered at 0.5%. That's a historic low. In 2010 delinquencies in single-family homes hit a 30-year high of 11.36%. In the first quarter of 2022, the rate was only 2.13%. The soaring home prices have also led to more equity for homeowners. Mortgage holders have around $2.8 trillion more equity than a year before.

2. Supply is Increasing a Bit: When there's a major issue in the housing market, it's almost always because of a problem with supply and demand. In 2008, the issue was one of too much supply. Foreclosures were going on everywhere, and panic led to a freeze in real estate. Now, there's more demand than supply, which can create problems. The Federal Reserve, however, to control interest rates, is helping to bring the housing market back into a sense of balance. There's slowing demand, and more inventory is coming on the market.

3. Lenders Have Changed: Before the Great Recession, deregulation had been going on for years, making it easy and profitable to give borrowers who probably shouldn't have qualified a loan for a home. In 2010, the Dodd-Frank Act was signed into law, which prevented a similar situation because of more required industry oversight. Lenders are much stricter about how they lend money to borrowers, and fewer borrowers are likely to end up in a sticky situation as a result. In the year's first quarter, the median credit score for newly originated mortgages was 776. Almost 70% of new mortgage holders have a credit score of 760 or more.

Mortgage Rates
U.S. averages as of August 2022:

30 yr. fixed: 5.5%
15 yr. fixed: 4.75%
5/1 yr. adj: 4.31%



Why FHA Loans Are So Popular

FHA loans are a popular choice for a lot of people, especially first time homebuyers. FHA loans require a low down payment, just 3.5% of the sales price. Down payments can also come in the form of a gift from a family member or qualified non-profit. FHA loans also more easily allow for a coborrower to help out. If someone is buying a home but the payments are a bit out of reach, FHA programs allow for a co-signer to help relax debt ratios to a qualifying level.

FHA loans in general are easier to qualify for as well. Debt to income ratios are relaxed, especially when compared to low down payment conventional programs. FHA loans are available from most every single mortgage company and mortgage broker, too.

There are also loan limits for FHA loans and these limits can vary based upon location. FHA loan limits are based as a percentage of the median home price for the area in which the property is located. However, for most first time homebuyers, FHA mortgages are the loan of choice. Low down payment, easier qualifying, relaxed debt ratios and credit make these programs ideal for many first time homebuyers.

5 Tips to Market Your Rental

1. Know Your Audience: Property owners should try and understand their targeted renters because this will help you build all your marketing and advertising around this audience.When you know your audience, you'll save money on marketing, you'll be able to make adjustments more efficiently if the rental market changes, and you'll fill your rental faster. You'll also be able to ensure you're not wasting your time or anyone else's.

2. Optimize Your Listings for SEO: You'll create listings that you'll share on social media and rental marketplace sites. You want to use search engine optimization in these, or SEO. That means you will be integrating the keywords your audience is most likely searching for. Try to localize your keywords as much as possible based on the name of your city or town.

3.Hire a Photographer: Professional photos will help you rent your property out faster and maybe get more money. It's a great way to set yourself apart from other rentals.

4. Create Valuable Content: If you can blog, create videos, or make infographics, it's a great part of your unpaid, organic marketing strategy. This positions yourself as a trusted authority as you build your social network. This can take longer to see results, but the benefit is that when someone is ready to rent, you might be top-of-mind for them.

5. Track Everything You Do: Finally, you want to know what works and doesn't with your marketing. Make sure that you're tracking the results you get everywhere so that you can refine your strategy.

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8 Ways to Lower Your Energy Bills This Summer
By Ashley Sutphin

We're officially in the midst of the summer, and it's looking like it's going to be hot. Most indicators point to a hotter-than-average summer in fact. This is paired with the fact that consumers in the U.S. are dealing with the highest inflation in 40 years. We're paying more for everything, including energy costs.

In May this year, energy costs were almost 35% higher than the previous year, with fuel oil and gas contributing the most to these increases. Energy service costs are 16% more yearly, and electricity is 12% higher. It's not going to be easy to stay cool this summer, so below are eight ways you can work on lowering your energy bills.

1. Get a Checkup for Your Air Conditioner

The better shape you're A/C is in, the more efficient it will be. For example, clearing out a clogged unit filter can save you 5-15% energy usage. Your unit will function better for longer, so you can save on a replacement by extending its lifespan. Call a professional to service your unit.

2. Use Fans

Fans use about 1/60th the energy of your air conditioner. If you have any ceiling fans in your house, turn them on. You can save up to 40% on your electricity costs. Fans don't cool the air like your A/C but pull body heat away from your skin. You can use your fans and your air conditioning to raise the thermostat a couple of degrees but still feel comfortable.

3. Check Your Laundry

Heating your water makes up around 18% of the energy you consume in your home. When you're doing laundry, first of all, make sure you're doing full loads. You can do laundry less often. When you do end up doing loads, use cold water. You can also hang dry once in a while and save on your energy bills.

4. Don't Use As Much Electricity During Peak Hours

Energy companies charge customers more for using electricity during what they define as peak hours. Peak hours are the times of day when demand is highest. You'll lower your monthly energy bills if you can schedule your energy use around these hours and use most of it during off-peak hours.

Off-peak hours are late night or early morning. If it's an especially hot day, usually when the temperature outside is more than 90 degrees, you might wait until after 6 p.m. to wash the dishes, cook or do laundry.

5. Shut Doors and Vents

If you're at home, close the doors to rooms you're not using. You should also close the A/C vents in those rooms, which will help your system operate more efficiently. If you're not wasting energy cooling those rooms no one's in, then it'll require less energy for you to stay comfortable.

6. Keep Your Blinds or Curtains Closed

During the day, when the sun is at its hottest and brightest, keep your blinds closed, particularly in parts of the home that get the most direct sunlight.

7. Use a Programmable Thermostat

Programmable thermostats are a great tool to make your home more energy-efficient and lower your bills. When you program your thermostat, you can set it for when you won't be home or when you'll be asleep. During those programmed times, it'll set the temperature accordingly, so you're not always having to make adjustments. The Nest is a popular option for programmable thermostats, and according to the company, it can reduce your electric bills by as much as 20%.

8. Use LED Bulbs

Finally, if you have any incandescent bulbs in your house, it's time to switch to LED. Incandescent bulbs are incredibly inefficient. Only around 10-15% of these bulbs' electricity is turned into light. The rest becomes wasted heat. LED lights, by contrast, use 75% less energy and last 25 times longer. They also run cooler.

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6 of the Most Popular Interior Design Styles
By Ashley Sutphin

There are so many different interior design styles that it can quickly become overwhelming to figure out what's right for you. Whether you're redesigning your current home or planning to buy a new one, how do you know what your style is? For some people, there isn't one particular design style that fits their lifestyle and aesthetic, but at least by understanding some of the basics, you're prepared to start designing your home. The following are six of the most popular and loved design styles for interiors right now.

1. Transitional

Transitional interior design is arguably the most popular because it brings together things people love about traditional and modern styles. It doesn't go too far in either direction. Transitional style can give a homeowner a sense of elegance that we tend to associate with traditional style, but you can also combine more modern, contemporary lines and textures.

The primary focus of transitional design is on the furniture itself and your textiles, rather than having a lot of accessories. There's also a good balance between masculine and feminine in transitional design.

2. Modern

Modern is not the same as contemporary. Modern design is a particular time period, but when we're talking about contemporary design, it's always evolving. Modern design first rose to significance in the mid-20th century. In modern design, the furnishings have clean lines, and the surfaces are smooth and sleek. The décor is minimal, and if you are going to accessorize, it's typically through art. For example, a bold piece of art might hang in an otherwise neutral room.

3. Contemporary

Contemporary design style is a term that can refer to anything that's current. As a result, this design style is very fluid, and it's always changing and evolving. Typically, in contemporary design, the spaces are simple and sleek. The rooms are light, and air and usually have neutral color palettes.

4. Mid-Century Modern

Mid-century interiors came from post-war America in the 1950s and 60s. The design industry was moving beyond the traditional at this time and forging ahead into a new modern era. The design style remains popular today.

Mid-century modern design focuses on flow and the use of rich natural woods like teak and walnut. Color palettes include greens and yellows in many cases. There's also seamlessness between indoor and outdoor living in the mid-century modern design we see today.

5. Modern Farmhouse

Joanna Gaines of Fixer Upper fame might be the person to credit with the massive popularity of the modern farmhouse style right now. Modern farmhouse style takes traditional farm style and mixes it with modern, unexpected elements. There's often a focus on using mixed metals, raw wood elements, and greenery. The color palettes are usually neutral, and when color is introduced, it's often inspired by nature. For example, you might see shades of navy or sage green in modern farmhouse designs.

6. Scandinavian

Finally, the Scandinavian design is airy, organic, and light. The wood tones are ashy, the spaces are relaxed and inviting, and fairly minimal. You feel cozy in a Scandinavian space, which is one of the things that can set it apart a bit from other modern or minimalist design concepts. The walls are often white, and the textiles and inviting. There's also the Danish concept of hygge that's important. That includes layered fabrics, clean lines, and, again, wonderful textures.

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Credit Inquiries Defined
By David Reed

It might seem obvious at first about what a credit inquiry is. Someone checks up on a credit report. When someone does indeed look up someone's credit, the request is listed on the report as an inquiry. Easy enough, right? But there are different types of credit inquiries. Credit inquiries can be listed as 'hard' or 'soft'. What's the difference?

A hard inquiry is when a consumer makes a new request for some type of loan. When someone applies for an automobile loan, that inquiry is then noted on the report. A soft credit inquiry is when a potential creditor looks into your credit report to see if you might be eligible for a new credit card or auto loan.

How do inquiries affect someone's credit score? It depends. If someone is looking around for the best auto loan, they will make multiple inquiries. When applying for the same type of loan over a limited period of time, there are no negative impacts. On the other hand, when making a request for a new credit card and then another credit card and then an automobile loan, you can expect credit scores to begin to fall. If the requests occur over a relatively short period of time, there will be no impact. If multiple credit requests are spread out over say six months, there can be an impact.

Multiple hard inquiries can signal to a lender the applicant might be falling on some hard times and multiple credit accounts are needed just in order to pay the bills. This will alert a potential creditor that certain new financial instances are occurring, giving the potential lender pause.

Consumers can also check the status of their personal credit scores by logging onto the annualcreditreport.com app. This is a free service provided by the three main credit reporting bureaus. This is considered an inquiry but not a hard one and won't affect credit scores.

Lenders will also ask a few questions about an inquiry when one is listed but no account taken out. Because most creditors report information once every 30 days, it's possible an inquiry will show up but the fact that the new auto loan is $600 won't show up until the reporting period. That's why lenders can ask for an explanation as to why an inquiry showed up on the report. This is for hard inquiries only. Again, softies won't matter.

Consumers shouldn't freak out if they make a new credit request and their scores will plummet. They won't. It's the repeated requests over a short period of time for different types of credit that will cause scores to fall. A car loan application and then a new credit card app won't be that big of a deal. Scores can be damaged however if multiple requests are made for various types of credit including department store cards, gas cards and others.

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How Does An Escrow Account Work?
By Ashley Sutphin

If you're in the process of getting a mortgage to buy a house, you will hear the term escrow quite a few times. An escrow is a legal arrangement. In this arrangement, a third party holds money or property until a certain condition is met. When we're talking about a mortgage, this could be fulfilling your purchase agreement. Within real estate, in particular, escrow protects buyers and sellers in the transaction. With the mortgage, the escrow account also holds the funds for homeowner's insurance and taxes.

There are two types of escrow accounts in real estate, as mentioned—the first is to protect your good faith deposit. That means the money goes to the right party based on the conditions of your sale. The second is to hold funds that will cover the property taxes and homeowner's insurance.

Escrow Accounts for Buying a House

When you buy a house, you'll sign a purchase agreement. That purchase agreement usually includes earnest money, also known as a good faith deposit. This is meant to show you're serious about buying the house. You might include a personal check of 1-2% of the purchase price when you make an offer on the house, although it can be more depending on the market.

If your contract falls through and it's your fault as the buyer, the seller will probably get to keep this money. If your offer is rejected, you get the money back. If the home purchase goes through, then the deposit gets applied to your down payment as the buyer.

An escrow account is set up to protect a buyer and a seller, and the deposit is held there. Your good faith deposit stays in this escrow account until you close, at which point your cash goes toward your down payment.The funds might be held in escrow beyond the sale of the home, which is an escrow holdback. An escrow holdback can happen for a number of reasons. For example, maybe when you did your final walkthrough, there was something wrong with the house.

If you buy a new house, the money might stay in the escrow account until you sign off on the work, and then when the conditions are met, the money is released.

Taxes and Insurance

After buying a house, your lender sets up an escrow account from which your insurance and taxes are paid. Once your closing is complete, the mortgage servicer takes part of your monthly mortgage payment, holding it in the escrow account until your insurance and tax payments are due.

The amount needed for escrow changes. Your tax bill and your insurance premiums can change yearly. Your servicer determines your escrow payments for the upcoming year based on what they paid the previous year. To ensure there's enough money in escrow, lenders usually require at least two months of additional payments to be held in the account.

Lenders will check an escrow account annually to ensure they aren't collecting too little or too much. If they determine when analyzing it that they've collected too much for your taxes and insurance, they'll give you an escrow refund. If they collected too little, you might need to cover the difference.

Who Manages These Accounts?

A third party manages an escrow account. This might include an escrow company or agent or a mortgage servicer. If you're buying a house, your escrow will probably be managed by a mortgage service company or maybe an agent. The agent or company may be the same as the title company.

The escrow company will manage the deposit you put down as a buyer, and they might also hold the deed and any other documents that relate to the sale of the home. Since the escrow company works for the buyer and the seller, the fee is often split between the two. Your mortgage servicer manages your mortgage from when you close until you pay it off. A mortgage servicer is responsible for collecting mortgage payments and maintaining the records of your payments, along with managing the escrow account.

Finally, an escrow account doesn't cover all homeownership expenses. For example, your lender or mortgage servicing company isn't going to collect the money to pay your HOA fees or utility bills. There are also supplemental taxes not covered by escrow accounts, and lenders don't know when you'll get one of these or how much it will be so account for this.

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