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Rob Cassam

August 2023

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## 5 Tips to Protect Your Home From Flooding



**1. Know Your Risk Level:** Understanding your risk level is one of the most important things you can do to

protect your home and your family from potential flooding. FEMA has a Flood Map Service Center online where you can find more information about your home's risk and you can locate flood maps.

**2. Assess Your Insurance Coverage Regularly:** You want to make sure that even if you're in a low or moderate-risk flood zone, you're still insuring your home and belongings. A standard homeowner's insurance policy won't provide coverage for flood damage, and around 25% of all flood insurance claims are from properties not in a high-risk zone.

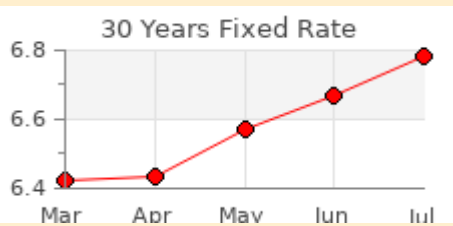
**3. Install a Sump Pump or Foundation Vents:** Foundation vents can flood-proof your house by letting water flow through it instead of pooling around it. This creates an outlet for floodwater and alleviates the pressure on your basement's walls and windows. A sump pump can also pump water out of a basement, which is the site of flooding in many cases.

**4. Maintain Your Drainage:** Take time to regularly clean your gutters, downspouts, and splash pads and maintain them so that rainwater from the roof can easily flow away from the structure of your house.

**5. Seal Your Basement and Foundation:** If your foundation has cracks, seal them with mortar and masonry caulk. You can also use hydraulic cement, which fills in gaps. Seal your basement walls as well to prevent seepage.

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

30 yr. fixed: 6.78%  
15 yr. fixed: 6.06%  
5/1 yr. adj: 6.22%



## Do You Need Title Insurance?



Title insurance can be a critical part of buying a home or property, as it protects buyers and mortgage lenders from losses or damages due to a bad title. A title insurance policy should cover all the major claims that can be filed against a title, including conflicting wills, taxes owed, or liens on the property. There are a lot of scenarios that can lead to a title problem, including code violations, as well as complications related to the law.

There is always the possibility, even with a title company, that there could be issues that don't arise with a title until later, making title insurance important and one of the best ways to give yourself peace of mind as a buyer. The premiums for title insurance can vary quite a bit price-wise, but if you're buying the existing owner's policy, the cost might be included in the property sale.

Having this coverage's a good idea because otherwise, you could be dealing with any situations like unpaid property taxes or fines for code violations. If this happens, you're financially on the hook as the homeowner.

## The Newest TikTok Trend is "Dopamine Décor"



TikTok is known as the birthplace of most trends that have become popular, and one of the newest

relates to home décor. It's called dopamine décor or decorating, meant to spark joy and boost your mood. So what exactly does dopamine décor entail?

Dopamine décor is about creating spaces that are joyful and fun and also full of color, even if they don't match or wouldn't traditionally be combined. Dopamine décor can break design rules because it's about how you feel individually in space. Key features of this design style include bright colors that fill every interior surface, wallpapers with bold patterns, vintage furniture, and, overall, lots of visual interest and excitement.

If it sounds a little wacky, it's worth considering how you feel when you walk into a room and feel it shift your energy. That might be a pleasant shift that you experience, but some environments can dampen our mood and energy, like bland, fluorescent-illuminated office spaces.

The concept of dopamine decorating rose to popularity in response to the pandemic. People were trying to escape and found that thinking outside the box with their design was helping them do that when they were at home, perhaps more than ever.

If you aren't sure where to begin with this trend, remember that your dopamine-creating décor doesn't have to be like anyone else's. If you have a collection of items that you love, showcase them. Use it in your home design if your favorite color is loud and out-of-the-ordinary. Have favorite patterns that you wouldn't necessarily think to use in your décor? Use them!



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## What to Know About Accessory Dwelling Units

*By Ashley Sutphin*

With the stubbornly high prices of homes and the limited inventory, people are getting more creative about their living spaces. With that can come the use of accessory dwelling units or ADUs. These additions create secondary housing on a single-family lot. An ADU can be a way to create multi-generational housing or a second income stream. Accessory dwelling units are also great for guest suites, in-law apartments, and home offices, but there are things to be aware of before you commit to adding one to your property.

### What Is an ADU?

The term accessory dwelling unit is regulatory and legal in that it describes a secondary house or apartment sharing the lot for a larger main home. These units can't be bought or sold independently, but as mentioned, they can be a source of additional income.

ADUs usually have their own living and kitchen areas and a separate entrance from the rest of the home. They can be standalone or attached to a garage or another part of the primary house but generally use the house's water and utility connections.

### ADUs and Zoning Laws

Following World War II, there was a major housing boom in the U.S. In response, most residential parts of the country were zoned, setting limits on the size and separation required for single-family homes and also limits on population density. In more recent years, there have been growing changes in zoning that allow for ADUs. The zoning laws for ADUs usually limit the style and size and also require the owner to live on the property.

If you're thinking about building an ADU, you have to find out if it's legal where you are. If you build an ADU and it's against any laws or regulations to do so, it can cause future problems if you want to refinance at any point. If you build an ADU without proper authorization, you might also face code enforcement actions. If you're a property owner, you should look at the zoning ordinances where you live, and it's not a bad idea to consult with an attorney as well.

### The Pros and Cons of an ADU

The pros of ADUs include that they can provide additional income if you rent them out, add value to your property, or give you more living space. The downsides of an ADU include that they cost money to build and then maintain on a monthly basis, they could take up space you might use for another purpose, and if it's used as a rental, it will require you to act as a landlord.

While one of the benefits of an ADU is that it has the potential to add value to your property, it depends a lot on the market. Knowing whether an ADU will be a good investment can be tough until you sell your property.

There are five types of ADUs, which include:

- Detached new construction, also called backyard cottages or granny pods. These give a lot of privacy because they're separated from your main house.
- An addition or attached ADU extends from your main residence.
- An above-garage ADU can be added to existing garages as part of a remodel, or you can add one to the plans for a new build.
- Garage conversion ADUs can change the garage's entire functionality from storage to an ADU.
- Basement conversions are similar to garage conversions in that the basement becomes an extra living space and often has a private entrance.

You will almost always be required to get a permit for an ADU, with specifics depending on your state and relevant local laws. Because of the demand for affordable housing, a lot of states have eased up on zoning laws to promote using ADUs to create more affordable housing. Depending on where you live, particular guidelines may determine the minimum lot size or how many ADUs you can put on one property. Some laws dictate the size, type, and design of an ADU, and you may face multiple sets of guidelines—for example, one set from your city and one from your HOA.

You can't sell an ADU as a separate residence because the term accessory means it's legally attached to your current single-family lot. Your location will have its own development standards. For example, in some towns, there's a limit on the square feet that an ADU can be. You should consult your local laws to determine what type of kitchen may be required.

Overall, ADUs are a way to deal with the housing affordability crisis. They can also be a way to have loved ones live with you so they don't have to go to assisted living or nursing homes while retaining a sense of privacy. They are guided by plenty of regulations, and you need the proper permits, but it's an interesting form of housing that's becoming increasingly in demand.

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## What Is Fannie Mae?

**By Ashley Sutphin**

You've probably heard of Fannie Mae quite a bit over the years without fully understanding it. Fannie Mae plays a big role in real estate and buying homes, so it's worth getting some background information to help you better understand the mortgage process.

The Federal National Mortgage Association is Fannie Mae. This government-sponsored enterprise, or GSE, was founded during the Great Depression by Congress as part of the New Deal. The goal of creating Fannie Mae was to stimulate the housing market by increasing mortgage availability to borrowers with low-to-moderate income.

Fannie Mae is not a provider or originator of mortgages directly to borrowers. Instead, it buys and guarantees mortgages through the secondary mortgage market.

Along with Freddie Mac, Fannie Mae is the biggest mortgage buyer on the secondary market.

At the start of the 1900s, it was difficult to get a mortgage, with most people being unable to obtain a down payment. The loans were frequently short-term, in contrast with the long-term amortization periods that loans have currently. Often when loans came due, they required large balloon payments. Then, if a homeowner couldn't make the payment or refinance their loan, they would face foreclosure.

During the Great Depression, foreclosure rates went up sharply, so the Congress of the U.S. responded with the creation of Fannie Mae. The objective was to create a funding stream for housing that would be available to everyone. The result was financing long-term fixed-rate mortgages, with the ability to refinance a loan at any time throughout the loan's life. Since Fannie Mae invests in the mortgage market, it delivers more liquidity to lenders so they can then underwrite more mortgages.

When Fannie Mae buys and guarantees a mortgage, there have to be strict lending criteria that are met. There are certain loan limits, and lenders are required to comply with the Statement on Subprime Lending to work with Fannie Mae. The federal government issued the statement, addressing risks that come with subprime loans, including low introductory rates followed by higher variable rates.

In 2020, Fannie Mae acquired \$1.4 million in single-family and multifamily loans, representing the largest amount of liquidity in the mortgage market ever in the history of Fannie Mae.

Once Fannie Mae buys mortgages from the secondary market, they're pooled to create mortgage-backed securities or MBS. Assets secured by mortgages back MBS. Then, institutions like insurance companies purchase the mortgage-backed securities that Fannie Mae creates. Fannie Mae guarantees payment on principal and interest for its mortgage-backed securities.

Fannie Mae also has a retained portfolio, investing in its own MBS and those from other institutions.

In 2008, the government took over Fannie Mae and Freddie Mac. The U.S. government stepped in with a promise of bailing out bad loans to stop some of the hemorrhaging from the housing market.

Now, Fannie Mae has different credit options for homeowners to help people who would otherwise have difficulty getting financing.

For example, there's the HomeReady Mortgage which is a product that lets homeowners buy a property with a low down payment. To qualify for a HomeReady Mortgage, borrowers should have a low to moderate income and a credit score below 620. If your score is above 620, you may qualify for better pricing. Another program is the 3% Down Payment option which helps homeowners who wouldn't otherwise have access to enough cash for a larger down payment.

The RefiNow program is available from Fannie Mae for low-income mortgage holders. The program requires that a homeowner's interest rate is reduced by a minimum of 50 basis points, with a monthly savings of at least \$50 on mortgage payments. Homeowners must earn at or below 80% of their area median income.

Fannie Mae has a long history in America, and it's regained its footing even following the 2008 housing crisis. Today Fannie Mae is the largest backer of 30-year fixed-rate mortgages, and it's a key player in promoting more homeownership.

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## Why Bank Statements Are Needed *By David Reed*

As part of the typical mortgage loan application process, you can bet that you'll be asked to provide a few things for your lender. For example, the lender wants to verify how much money you make each month to determine an affordability range. The application has a section on it that asks you how much you make each month but the lender needs to do more than just take your word for it, frankly.

Income verification is performed by looking at your most recent paycheck stubs covering a 30 day period. To make sure you have a solid employment history, you might also be asked to provide the last two years of W2 forms. Or, if you're self-employed, your last two years of personal and business tax returns. Your loan officer will provide you with a 'needs list' which identifies what you can expect to provide.

On the application you'll also be asked the types of credit obligations you have such as a car payment, student loan or credit cards. You will enter this information, to the best of your knowledge at this point. Again however, the lender needs to verify your debts by running a credit report which shows how much you owe, to whom and what your minimum monthly payments are.

Of course, buying and financing a home means shelling out a few funds for a down payment and closing costs. And again, the lender will need to verify how much you have available. Yes, you'll be asked how much you have in various accounts that belong to you but the third-party verification requirement remains. The statements will list a daily balance along with a balance listed at the end of the statement cycle. But there is some more information on bank statements lenders use other than just the balances.

Lenders like to match up your paycheck stubs with deposits in the same amount on regular dates. If you get paid on the 1st and 15th, the lender wants to see deposits on those dates that match your paycheck stub. The lender may also look for any other income that does not have any verified source. If, besides the 1st and 15th dates, another amount pops up on another date, the lender wants to know the source of those funds. If you can verify the source of those funds and you need to use those funds to close the transaction, your loan officer will guide you through this verification process.

Finally, for those that are self-employed, bank statements show business cash flow with regular deposits from standard commerce.



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## Preparing Your Home For Hurricane Season

*By Ashley Sutphin*

If you live somewhere impacted by hurricanes, we're now in the middle of the summer, meaning it's time to get your home and family prepared for the potential of a storm if you haven't already. Many homeowners felt how devastating hurricanes could be last year when Ian hit Florida in September 2022. Hurricane Ian led to hundreds of thousands of homeowners filing insurance claims related to the storm. Hundreds of thousands of homeowners filed insurance claims related to Hurricane Ian.

Hurricanes are notoriously devastating, and in the Atlantic region, their season goes from June through November. While there are certain things you have no control over when it comes to a hurricane, there are other things you can do to ensure you're prepared.

### Go Over Your Insurance Policy

One of the first things you should do every year to prepare for hurricane season is to check the details and fine print of your homeowner's insurance policy. Before filing a claim, you want to be clear on what's covered and what isn't as well. Homeowner's insurance policies typically have exclusions, and you may need a separate policy or to purchase endorsements to be fully covered. You might also have a separate hurricane deductible different from the one for a standard claim. Contact your insurer or agent directly to discuss your policy and identify any gaps in coverage.

Something to remember regarding insurance is that flooding is often not covered by standard homeowners insurance policies. If you're in a hurricane zone, flood insurance can be an investment that's well worth it. You can't buy flood insurance as a last-minute purchase, and there's often a 30-day waiting period before a policy will go into effect if you buy coverage through the National Flood Insurance Program (NFIP).

### Trim Your Trees

When a storm comes, whether it's a hurricane or not, hanging tree limbs can lead to significant damage. Trim all the trees and bushes around your house to ensure they don't become projectiles if there's a storm. If you have dead trees, these need to be removed. Otherwise, they're at a high risk of being uprooted if there's a storm.

### Have Your Roof Inspected

If you have roof damage, it's not necessarily always apparent. It's a good rule of thumb to inspect it by a professional once a year. This is one of the best ways to protect your home from water damage if there's a hurricane or another type of storm.

Roof damage is common during hurricanes because of the exposure to the wind and driving rain these storms bring with them. Water damage can damage your roof's structure, increasing the chances it will collapse.

You might also consider having your roof inspected to prepare your home for hurricane season and consider hurricane straps or truss tie-downs. These can be installed to strengthen your roof against high winds.

Other things to do related to your roof include checking your gable bracing and replacing loose or missing braces, and you should search for cracks in the areas at risk for leaks.

### Storm Shutter and Door Installation

Storm shutters and doors aren't cheap but can protect your home. While it is a big expense, you might also be able to offset the investment by having a lower rate on your homeowner's insurance premiums.

### What to Do if a Hurricane Is Imminent

Many of the tips above are things you can do at any point; the earlier you do them, the better. Then there are those things that you should do only if a hurricane is looking likely or imminent, including:

- Prepare for pressure changes if you're in a high-rise building. The wind pressure goes up with height.
- Put sandbags in front of your doors to keep some of the water out.
- Fill your bathtub with water because if you experience a power outage, your water pump will stop working too.

No one wants to deal with a hurricane, but being proactive in your preparations can reduce the damage to your home and the disruption to your life that you would otherwise experience.



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