TOTH TEAM
WORLDWIDE NETWORK

THINGS TO CONSIDER WHEN BUYING A HOME

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TABLE OF CONTENTS

1 | 4 REASONS TO BUY YOUR HOME NOW

3 | YOU NEED A PROFESSIONAL WHEN BUYING A HOME

4 | HOMEOWNERSHIP STILL THE AMERICAN DREAM

5 | HOME PRICES OVER THE LAST YEAR

6 | WHERE ARE PRICES HEADED OVER THE NEXT 5 YEARS?

7 | BUYING A HOME? CONSIDER COST NOT JUST PRICE

8 | WHERE ARE MORTGAGE INTEREST RATES HEADED?

9 | GETTING A MORTGAGE: WHY SO MUCH PAPERWORK?

10 | HARVARD: 5 FINANCIAL REASONS TO BUY A HOME

12 | HOMEOWNERSHIP'S IMPACT ON NET WORTH

13 | 4 DEMANDS TO MAKE ON YOUR REAL ESTATE AGENT

15 | 5 REASONS TO HIRE A REAL ESTATE PROFESSIONAL

16 | GALLUP POLL: RE BEST LONG TERM INVESTMENT

4 REASONS TO BUY YOUR HOME NOW!

Here are four great reasons to consider buying a home today instead of waiting.

1. Prices Will Continue to Rise

The Home Price Expectation Survey polls a distinguished panel of over 100 economists, investment strategists, and housing market analysts. Their most recent report projects appreciation in home values over the next five years to be between 15.1% (most pessimistic) and 32.8% (most optimistic).

The bottom in home prices has come and gone. Home values will continue to appreciate for years. Waiting no longer makes sense.

2. Mortgage Interest Rates Are Projected to Increase

Although Freddie Mac's Primary Mortgage Market Survey shows that interest rates for a 30-year mortgage have softened recently, most experts predict that they will begin to rise over the next 12 months. The Mortgage Bankers Association, Fannie Mae, Freddie Mac & the National Association of Realtors are in unison projecting that rates will be up almost a full percentage point by the end of 2015.

An increase in rates will impact YOUR monthly mortgage payment. Your housing expense will be more a year from now if a mortgage is necessary to purchase your next home.

3. Either Way You are Paying a Mortgage

As a recent paper from the Joint Center for Housing Studies at Harvard University explains:

"Households must consume housing whether they own or rent. Not even accounting for more favorable tax treatment of owning, homeowners pay debt service to pay down their own principal while households that rent pay down the principal of a landlord plus a rate of return. That's yet another reason owning often does—as Americans intuit—end up making more financial sense than renting."

4. It's Time to Move On with Your Life

The 'cost' of a home is determined by two major components: the price of the home and the current mortgage rate. It appears that both are on the rise.

But, what if they weren't? Would you wait?

Look at the actual reason you are buying and decide whether it is worth waiting. Whether you want to have a great place for your children to grow up, you want your family to be safer or you just want to have control over renovations, maybe it is time to buy.

If the right thing for you and your family is to purchase a home this year, buying sooner rather than later could lead to substantial savings.

YOU NEED A PROFESSIONAL
WHEN BUYING A HOME

Many people wonder whether they should hire a real estate professional to assist them in buying their dream home or if they should first try to go it on their own. In today's market: you need an experienced professional!

You Need an Expert Guide if you are Traveling a Dangerous Path

The field of real estate is loaded with land mines. You need a true expert to guide you through the dangerous pitfalls that currently exist. Finding a home that is priced appropriately and ready for you to move in to can be tricky. An agent listens to your wants and needs, and can sift out the homes that do not fit within the parameters of your "dream home".

You Need a Skilled Negotiator

In today's market, hiring a talented negotiator could save you thousands, perhaps tens of thousands of dollars. Each step of the way – from the original offer, to the possible renegotiation of that offer after a home inspection, to the possible cancellation of the deal based on a troubled appraisal – you need someone who can keep the deal together until it closes.

Realize that when an agent is negotiating their commission with you, they are negotiating their own salary; the salary that keeps a roof over their family's head; the salary that puts food on their family's table. If they are quick to take less when negotiating for themselves and their families, what makes you think they will not act the same way when negotiating for you and your family? If they were Clark Kent when negotiating with you, they will not turn into Superman when negotiating with the buyer or seller in your deal.

Bottom Line

Famous sayings become famous because they are true. You get what you pay for. Just like a good accountant or a good attorney, a good agent will save you money...not cost you money.

HOMEOWNERSHIP STILL THE AMERICAN DREAM

A big question facing the real estate industry over the last few years is how the housing crisis would impact the public's belief in homeownership as a major component of the American Dream. Many felt the tragedy experienced by so many families would force them to reconsider their desire to ever be a homeowner again.

A study by the *Joint Center for Housing Studies* at *Harvard University* addressed this question. Their paper, **Re-examining the Social Benefits of Homeownership after the Housing Crisis**, revealed some interesting findings:

Homeownership Still Preferred Over Renting

"Even after the dramatic loss of equity and the high foreclosure rates, the early evidence suggests that people seem to believe that, over the long run, owning is still preferable to renting… The long term cultural preference for owning seems to have weathered the recent housing crisis."

Americans Still Expect to be Homeowners

"The research on home-buying expectations supports the conclusion that very large percentages of Americans still expect to buy a home at some time in the future."

Younger Americans More Desirous of Homeownership

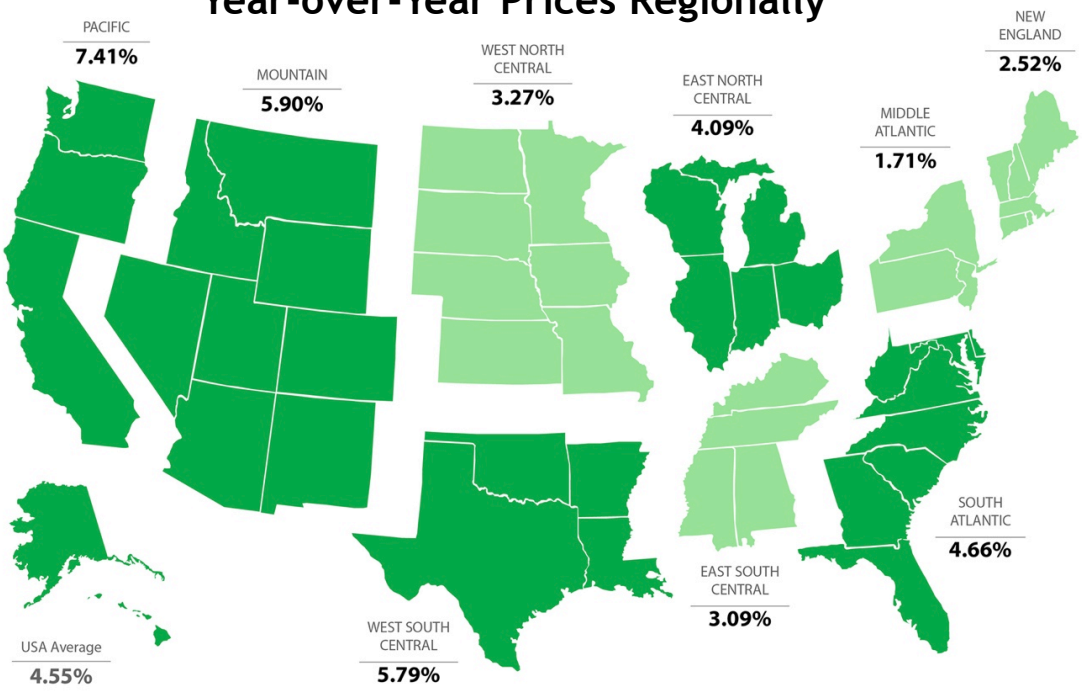
"Moreover, the finding that younger renters and owners are more likely than their older counterparts to expect to own bodes well for the future of the housing market."

Even after one of the most difficult decades in this country's real estate history, the American dream of homeownership still lives on.

HOME PRICES OVER THE LAST YEAR

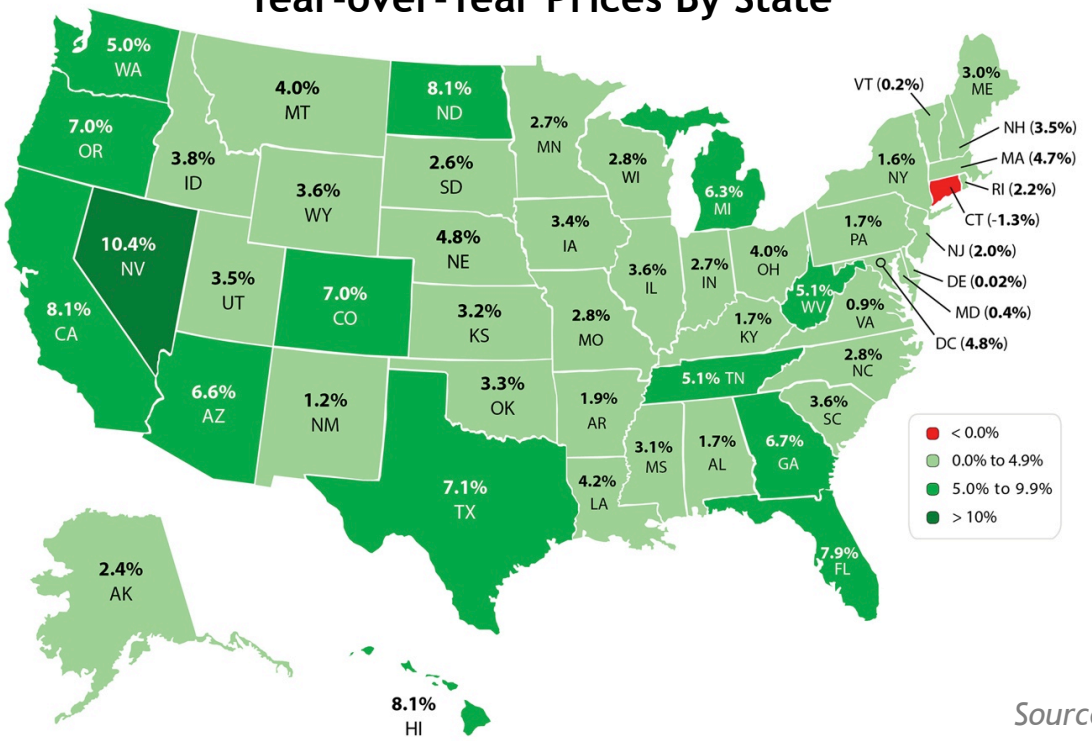
Every quarter, the Federal Housing Finance Agency (FHFA) reports on the Year-over-Year changes in home prices. Below you will see that prices are up, year-over-year broken down by region.

Year-over-Year Prices Regionally



Looking at the breakdown by state, you can see that each state is appreciating at different rates. This is important to know if you are planning on relocating to a different area of the country. Waiting to move may end up costing you more!

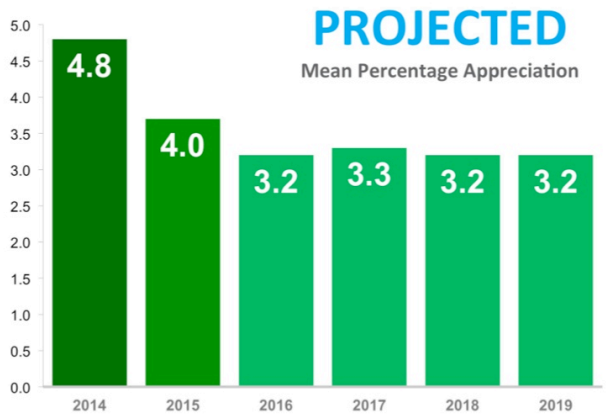
Year-over-Year Prices By State



Source: FHFA

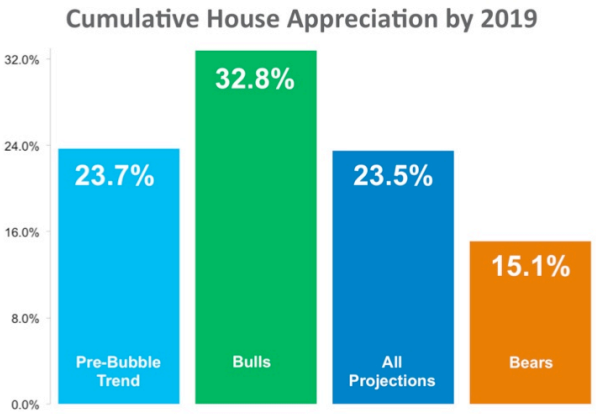
WHERE ARE PRICES HEADED OVER THE NEXT 5 YEARS?

Today, many real estate conversations center on housing prices and where they may be headed. That is why there is tremendous value in the **Home Price Expectation Survey**. Every quarter, *Pulsenomics* surveys a nationwide panel of more than 100 economists, real estate experts and investment & market strategists about where prices are headed over the next five years. They then average the projections of all 100+ experts into a single number.



The results of their latest survey:

- Values appreciated by **4.8%** in 2014
- Cumulative appreciation will be **23.5%** by 2019
- That means the average annual appreciation will be **3.6%** over the next 5 years.
- Even the experts making up the most bearish quartile of the survey still are projecting a cumulative appreciation of almost **15.1%** by 2019



Individual opinions make headlines. This survey is a fair depiction of future values.

BUYING A HOME?
CONSIDER COST NOT JUST PRICE

As a seller, you will be most concerned about 'short term price' – where home values are headed over the next six months. As a buyer, you must be concerned not about price but instead about the 'long term cost' of the home. Let us explain.

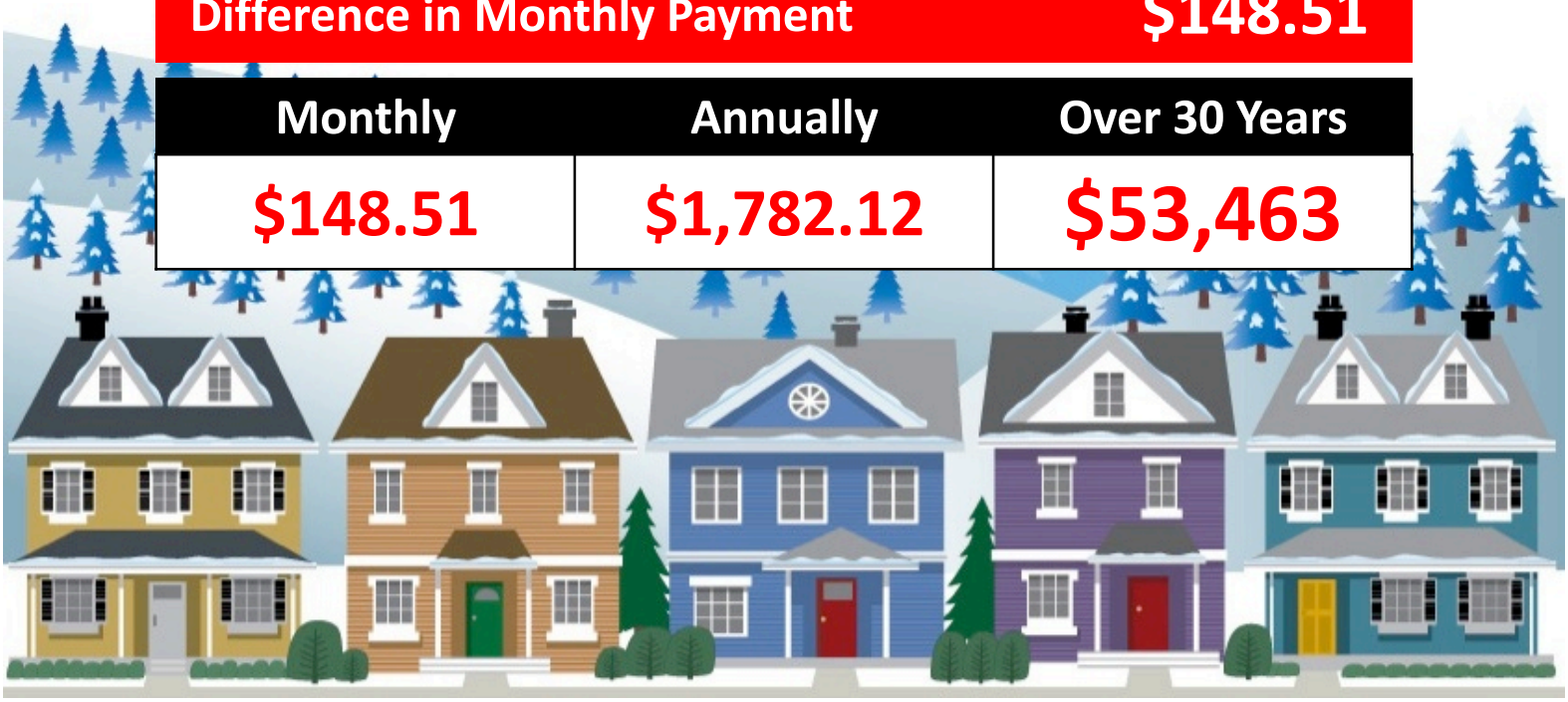
The Mortgage Bankers Association (MBA), the National Association of Realtors, Fannie Mae and Freddie Mac all projected that mortgage interest rates will increase by about **one full percentage over the next twelve months.** We also know that many experts are calling for home prices to also increase over the next year.

What Does This Mean as a Buyer?

Here is a simple demonstration of what impact an interest rate increase would have on the mortgage payment of a home selling for approximately $250,000 even if home prices remain the same:

	Mortgage	Interest Rate	Payment (P&I)
Today	$250,000	4.0%	**$1,193.54**
Next Year	$250,000	5.0%	**$1,342.05**

Difference in Monthly Payment		$148.51
Monthly	**Annually**	**Over 30 Years**
$148.51	**$1,782.12**	**$53,463**



WHERE ARE MORTGAGE INTEREST RATES HEADED?

"One thing seems certain: we aren't likely to see average 30-year fixed mortgage rates return to the historic lows experienced in 2012." *- Freddie Mac*

There are those that hope that 30-year mortgage interest rates will remain below 4%. Obviously, for any prospective home purchaser that would be great news. However, there is probably a better chance that interest rates will return to the higher than 6% rate of the last decade before they would return to the less than 3.5% rate of 2012.

Mortgage Rates by Decade

Decade	Average Rate
1970s	8.86%
1980s	12.7%
1990s	8.12%
2000s	6.29%

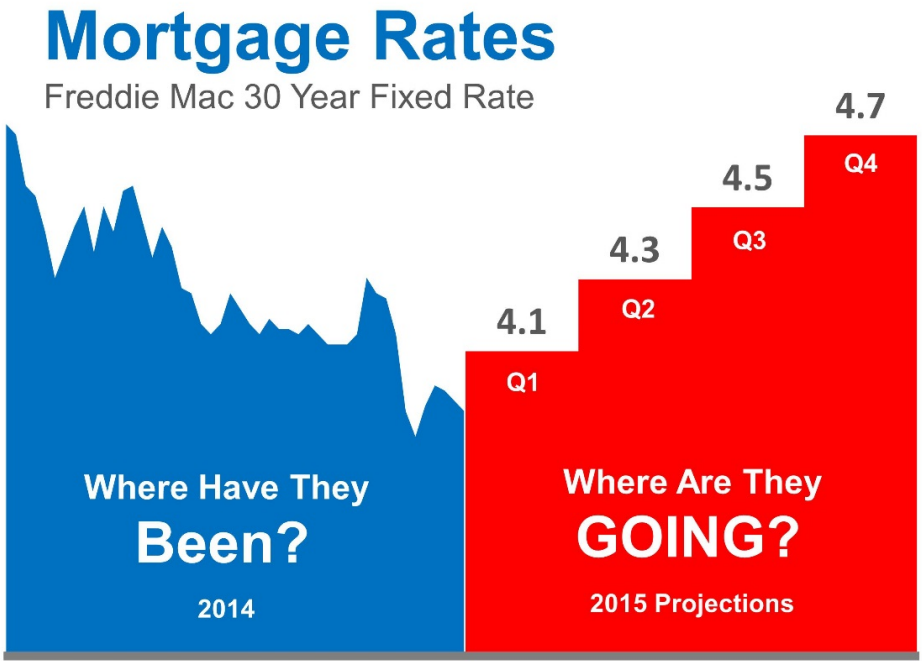
Freddie Mac

Freddie Mac, on their blog, explained that current rates are still extremely low compared to historic averages.

"The all-time record low - since Freddie Mac began tracking mortgage rates in 1971 - was 3.31% in November 2012. Conversely, the all-time record high occurred in October of 1981, hitting 18.63%. That's more than four times higher than today's average 30-year fixed rate."

And *Freddie Mac* projects mortgage rates will increase going forward.

If you are thinking of purchasing a home, waiting for a dramatic decrease in mortgage rates might not make sense.



GETTING A MORTGAGE: WHY SO MUCH PAPERWORK?

Why is there so much paperwork mandated by the bank for a mortgage loan application when buying a home today? It seems that the bank needs to know everything about us and requires three separate sources to validate each and every entry on the application form. Many buyers are being told by friends and family that the process was a hundred times easier when they bought their home ten to twenty years ago.

There are two very good reasons that the loan process is much more onerous on today's buyer than perhaps any time in history.

1. The government has set new guidelines that now demand that the bank prove beyond any doubt that you are indeed capable of paying the mortgage.

During the run-up in the housing market, many people 'qualified' for mortgages that they could never pay back. This led to millions of families losing their homes. The government wants to make sure this can't happen again.

2. The banks don't want to be in the real estate business.

Over the last seven years, banks were forced to take on the responsibility of liquidating millions of foreclosures and also negotiating another million+ short sales. Just like the government, they don't want more foreclosures. For that reason, they need to double (maybe even triple) check everything on the application.

However, there is some good news in the situation.

The housing crash that mandated that banks be extremely strict on paperwork requirements also allowed you to get a mortgage interest rate probably around 4%.

The friends and family who bought homes ten or twenty years ago experienced a simpler mortgage application process but also paid a higher interest rate (the average 30 year fixed rate mortgage was 8.12% in the 1990's and 6.29% in the 2000's).

If you went to the bank and offered to pay 7% instead of approximately 4%, they would probably bend over backwards to make the process much easier.

Bottom Line

Instead of concentrating on the additional paperwork required, let's be thankful that we are able to buy a home at historically low rates.

HARVARD: 5 FINANCIAL REASONS TO BUY A HOME

Eric Belsky is Managing Director of the Joint Center of Housing Studies at Harvard University. He authored a new paper on homeownership - *The Dream Lives On: the Future of Homeownership in America*. In his paper, Belsky reveals five financial reasons people should consider buying a home.

Here are the five reasons, each followed by an excerpt from the study:

1.) Housing is typically the one leveraged investment available.
"Few households are interested in borrowing money to buy stocks and bonds and few lenders are willing to lend them the money. As a result, homeownership allows households to amplify any appreciation on the value of their homes by a leverage factor. Even a hefty 20 percent down payment results in a leverage factor of five so that every percentage point rise in the value of the home is a 5 percent return on their equity. With many buyers putting 10 percent or less down, their leverage factor is 10 or more."

2.) You're paying for housing whether you own or rent.
"Homeowners pay debt service to pay down their own principal while households that rent pay down the principal of a landlord."

3.) Owning is usually a form of "forced savings".

"Since many people have trouble saving and have to make a housing payment one way or the other, owning a home can overcome people's tendency to defer savings to another day."

4. There are substantial tax benefits to owning.

"Homeowners are able to deduct mortgage interest and property taxes from income...On top of all this, capital gains up to $250,000 are excluded from income for single filers and up to $500,000 for married couples if they sell their homes for a gain."

5.) Owning is a hedge against inflation.

"Housing costs and rents have tended over most time periods to go up at or higher than the rate of inflation, making owning an attractive proposition."

Bottom Line

We realize that homeownership makes sense for many Americans for many social and family reasons. It also makes sense financially.

HOMEOWNERSHIP'S IMPACT ON NET WORTH

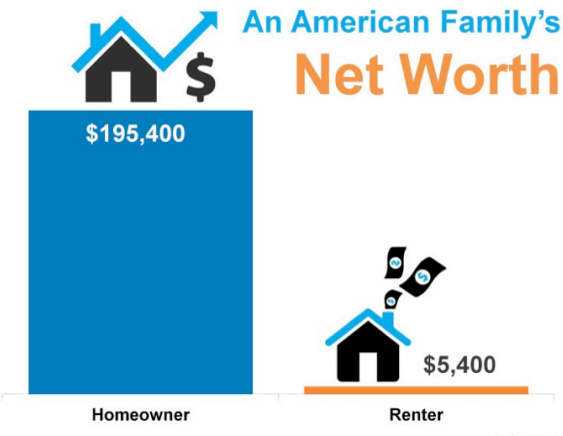
Over the last six years, homeownership has lost some of its allure as a financial investment. As homeowners suffered through the housing bust, more and more began to question whether owning a home was truly a good way to build wealth. A study by the Federal Reserve formally answered this question.

Two of the findings revealed in their report:

•A homeowner's net worth is over **thirty-six times** greater than that of a renter.
•The average homeowner has a net worth of **$195,400** while the average net worth of a renter is **$5,400**.

Bottom Line

The Fed study found that homeownership is still a great way for a family to build wealth in America.



4 DEMANDS TO MAKE ON YOUR REAL ESTATE AGENT

Are you thinking of buying a home? Are you dreading having to walk through strangers' houses? Are you concerned about getting the paperwork correct? Hiring a professional real estate agent can take away most of the challenges of buying. A great agent is always worth more than the commission they charge just like a great doctor or great accountant.

You want to deal with one of the best agents in your marketplace. To do this, you must be able to distinguish the average agent from the great one.

Here are the top 4 demands to make of your real estate agent when buying a home:

1. Tell the Truth About the Price

Too many agents just take your offer at any price and then try to 'work' both the seller and you while negotiating later. Demand that the agent prove to you that they have a belief in the price you are offering. Make them show you their plan to get both the seller - and the bank - to accept that price. Every house in today's market must be sold two times – first to you and then to your bank.

The second sale may be more difficult than the first. The residential appraisal process has gotten tougher. A recent survey showed that there was a challenge with the appraisal on 24% of all residential real estate transactions. It has become more difficult to get the banks to agree on the contract price. A red flag should be raised if your agent is not discussing this with you at the time of the original offer.

2. Understand the Timetable with which Your Family is Dealing

You will be moving your family into a new home. Whether the move revolves around the start of a new school year or a new job, you will be trying to put the move to a plan.

This can be very emotionally draining. Demand from your agent an appreciation for the timetables you are setting. Your agent cannot pick the exact date of your move, but they should exert any influence they can, to make it work.

3. Remove as Many of the Challenges as Possible

It is imperative that your agent knows how to handle the challenges that will arise. An agent's ability to negotiate is critical in this market.

Remember: If you have an agent who was weak negotiating with you on parts of the purchase offer, don't expect them to turn into a super hero when they are negotiating with the seller for you and your family.

4. Find the Right HOUSE!

There is a reason you are putting yourself and your family through the process of moving.

You are moving on with your life in some way. The reason is important or you wouldn't be dealing with the headaches and challenges that come along with purchasing. Do not allow your agent to forget these motivations. Constantly remind them that finding the right house is why you hired them. Make sure that they don't worry about your feelings more than they worry about your family. If they discover something needs to be done to attain your goal (i.e. rethinking price), insist they have the courage to inform you.

Good agents know how to deliver good news. Great agents know how to deliver tough news. In today's market, YOU NEED A GREAT AGENT!

5 Reasons to Hire a **Real Estate Professional**

They help with all disclosures and paperwork necessary in today's heavily regulated environment.

They are well educated in and experienced with the entire sales process.

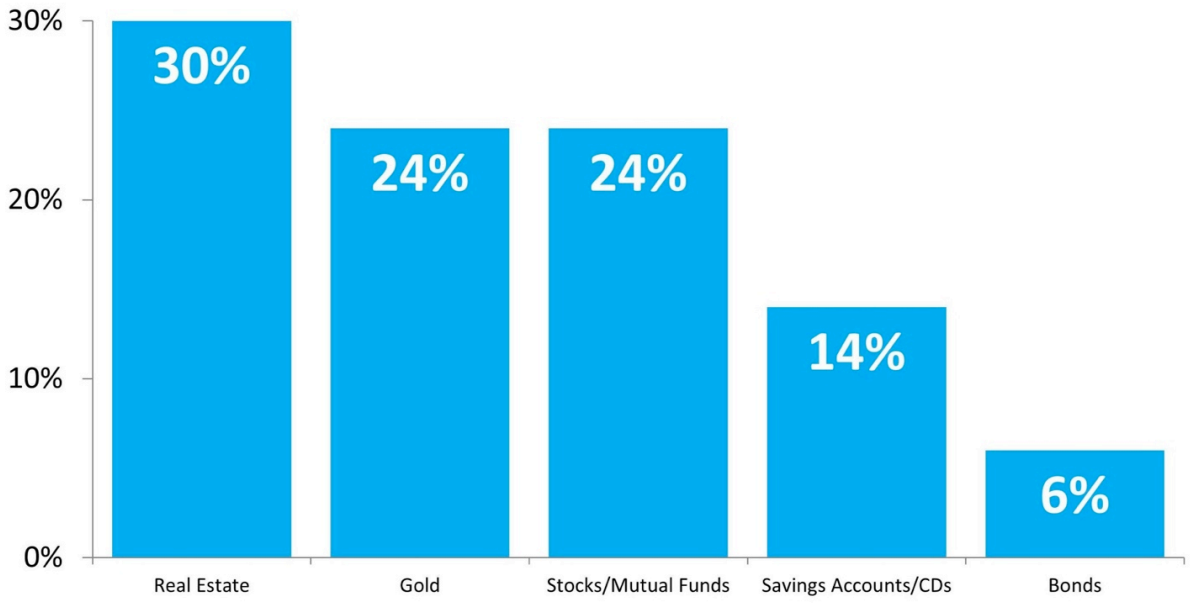
They act as a "buffer" in negotiations with all parties throughout the entire transaction.

They help understand today's real estate values when setting the price on a listing or on an offer to purchase.

They simply and effectively explain today's real estate headlines and decipher what they mean to you.

GALLUP POLL: RE BEST LONG TERM INVESTMENT

The Gallup organization released their Economy and Personal Finances Poll which asked Americans to choose the best option for long term investment. It was no surprise to us that real estate returned to the top position over other investment categories (gold, stocks/mutual funds, savings accounts/CDs and bonds).



Back in 2011, gold was the most popular long-term investment among Americans. However, with the housing market improving across the U.S. and home prices rising, more Americans now consider real estate the best option for long-term investments.

The poll also revealed that real estate was considered to be the best long term investment by all four subgroups by age and two out of three by income:

By Age Group	First Choice	Second Choice
18-29 years	Real Estate 25%	Stocks/Mutual Funds 24%
30-49 years	Real Estate 34%	Stocks/Mutual Funds 23%
50-64 years	Real Estate 30%	Gold 28%
65+ years	Real Estate 31%	Stocks/Mutual Funds 28%

By Income	First Choice	Second Choice
$75k and over	Real Estate 38%	Stocks/Mutual Funds 30%
$30k to $74,999	Real Estate 26%	Gold 26%
Less than $30k	Gold 31%	Real Estate 28%

CONTACT US TO TALK MORE

I'm sure you have questions and concerns…

We would love to talk with you more about what you read here, and help you on the path to buying a home. Our contact information is below. We look forward to hearing from you…

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