

**THINGS TO KNOW AND CONSIDER
WHEN BUYING A HOME**

MARTINI BUYER GUIDE

Winter 2022 Edition

MartiniBuyerGuide.com

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What's Happening in the Housing Market?

With everything going on in the housing market right now, you may have a number of questions about what that means for you and your plans to buy a home. Here are three things that are likely top of mind for you.

1

WHY DID MORTGAGE RATES RISE SO MUCH IN 2022?

In 2022, inflation reached a high not seen in 40 years. As it did, you probably felt the pinch at the gas pump and in the grocery store. But inflation did more than increase the cost of goods and services, it also led to the rapid rise in mortgage rates. Certified Mortgage Advisor Kevin Martini explains:

“Mortgage rates are primarily driven by inflation. When inflation is high, mortgage rates swing higher. During periods of low inflation, mortgage rates gravitate lower.”

2

WHAT'S HAPPENING WITH HOME PRICES?

Headlines about home prices can be confusing. While home price appreciation has cooled, where home prices will go from here will vary based on supply and demand in our local market.

That may be why some experts say prices will decline slightly and others say they'll continue to climb, just more moderately than they have been.

3

SHOULD I BUY A HOME TODAY?

Even with higher mortgage rates and today's home prices, it can still make sense to buy a home today. That's because buying a home is so much more than just a financial decision. It's a lifestyle choice as well. As Freddie Mac, says:

"Deciding whether to rent or buy depends on your financial situation, future plans and lifestyle. Both options have benefits that you need to carefully consider before making your decision."

If your needs have changed or if you are looking for a space that's truly your own, there are still many compelling reasons to buy a home today. The sense of accomplishment, the wealth building opportunity, and the chance to stabilize your monthly payments can make it all worthwhile.



Don't let the uncertainty in the market put your dreams on hold.

Let's connect so you have an expert on your side to answer all your housing market questions. Together, we'll review your goals and what's happening in our market so you have the information you need to make a powerful and confident decision.

Expert Insights for Today's Homebuyers

If you want to buy a home today, here are a few things experts say you should know about what to expect and why homeownership is so important.

MICHAEL LANE, VP AND GENERAL MANAGER, SHOWINGTIME

"Buyers will continue to see less competition for homes and have more time to tour homes they like and consider their options."

MARK FLEMING, CHIEF ECONOMIST, FIRST AMERICAN

"While mortgage rates are expected to continue to drift higher over the coming months, much of the rapid increase in rates is likely behind us."

CNET

"Homeownership is still considered one of the most reliable ways to build wealth. When you make monthly mortgage payments, you're building equity in your home. . . . When you rent, you aren't investing in your financial future the same way you are when you're paying off a mortgage."

DANIELLE HALE, CHIEF ECONOMIST, REALTOR.COM

"The key to making a good decision in this challenging housing market is to be laser focused on what you need now and in the years ahead, so that you can stay in your home long enough that buying is a sound financial decision."

LOGAN MARTINI, SENIOR MORTGAGE STRATEGIST

"Sure, the best time to plant a tree was 20-years ago however the second best time to plant a tree is today. The opportunity to buy has not been missed, in fact the timing right now is perfect."

4 Trends That Are Good News For Homebuyers

As the market has cooled but still remains strong, some of the intensity buyers faced during the peak frenzy of the pandemic has cooled too! Here are just a few trends that may be beneficial when you go to buy a home today.

ONE | MORE HOMES TO CHOOSE FROM

During the pandemic, housing supply hit a record low at the same time buyer demand skyrocketed. This combination made it difficult to find a home because there just weren't enough homes available for sale to meet buyer demand.

According to realtor.com, the supply of homes for sale has increased by 46.8% compared to 2021. While supply is still lower than more normal years, you do have more to choose from in your home search today. That makes finding your dream home a bit less difficult.

TWO | BIDDING WARS HAVE EASED

One of the top stories in real estate headlines over the past two years was the intensity and frequency of bidding wars. But today, things are different. With more options, you'll also likely see less competition from other buyers looking for homes. According to the National Association of Realtors (NAR), the average number of offers on recently sold homes has declined. In October 2022, the average was 2.4 offers per sale. In contrast, in October 2021, the average was 3.7 offers per sale.

If you tried to buy a house over the past two years, you probably experienced the bidding war frenzy firsthand, and may have been outbid on several homes along the way. Now, you have a chance to jump back into the market and enjoy searching for a home with less competition.

"With more options to choose from and less intense bidding wars, homebuyers have a unique opportunity in front of them today."

Kevin Martini, Certified Mortgage Advisor

THREE | MORE NEGOTIATION POWER

When you have less competition, you also have more negotiating power as a buyer. During the frenzy of the past few years, more buyers were willing to skip important steps in the homebuying process, like the appraisal or inspection, to try to win a bidding war. But NAR shows the percentage of buyers waiving those contingencies is down year over year.

As a buyer, this is good news. The appraisal and the inspection give you important information about the value and condition of the home you're buying. And, if something turns up in the inspection, you have more power today to re-negotiate with the seller.

A survey from realtor.com confirms more sellers are accepting offers that include contingencies. According to that report, 95% of sellers said buyers requested a home inspection, and 67% negotiated with buyers on repairs as a result of the inspection findings.

FOUR | HIGHER LOAN LIMITS

The 2023 conforming loan limits set by the Federal Housing Finance Agency (FHFA) are available today and bring a \$79,000 increase in conforming loan limits for a one-unit property in Raleigh, North Carolina and surrounding areas. The new 2023 conforming loan limit is \$726,200 for a single-family home (a.k.a. One-Unit).

ONE-UNIT	\$726,200
TWO-UNIT	\$929,850
THREE-UNIT	\$1,123,900
FOUR-UNIT	\$1,396,800

Higher conforming loan limits benefit both homebuyers and homeowners too! For homebuyers, it opens more price points with lower down payments. For homeowners, they can access more equity.



While buyers still face challenges today, they're not necessarily the same ones you may have been up against just a year or so ago. If you've been outbid or had trouble finding a home in the past, now may be the moment you've been waiting for. Connect with the Martini Mortgage Group at Gold Star Mortgage Financial Group by dialing (919) 238-4934 to start the homebuying process today.

2/1 Buydown

During the past couple of years, the housing market has been red hot and buyers often had to pay well above the asking price to have their offer accepted. Additionally, the transaction was all on the seller's terms. And while the housing market is still strong today, it has cooled off, giving buyers the opportunity to negotiate better price and terms.

Although buyers have more negotiating power today, mortgage rates have risen. One way to navigate through this time is to use a program called a '**2/1 Buydown**', which offers lower interest rates for the first couple of years.

Instead of negotiating a lower price from the seller, you can request the seller to pay the cost of a 2/1 Buydown. This gives you the opportunity to get the home of your dreams at a payment that is much more affordable, with the opportunity to refinance in the future to a very attractive rate.

If you're thinking about purchasing a home or in the process of doing so, reach out to either Kevin Martini or Logan Martini with the Martini Mortgage Group today to learn more about the 2/1 Buydown.



- **a temporary reduction of interest rate which provides payment assistance to homebuyers for the first few years**
- **the potential opportunity to purchase a home less than list price**
- **the ability for a first time or repeat homebuyer to ease into a payment**

*To learn more scan about
all type of Buydowns*

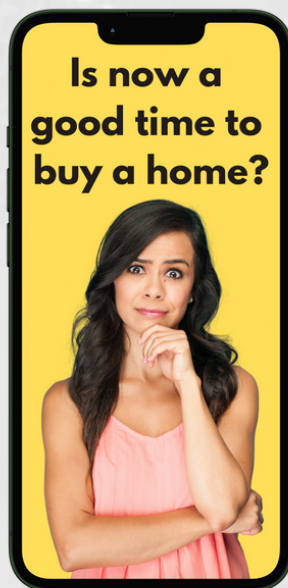





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MartiniMortgagePodcast.com

A man with dark, wavy hair, wearing a dark suit jacket over a light-colored shirt, is speaking into a black microphone. He is gesturing with his right hand. The background is blurred, showing what appears to be a stage or event setting with warm lighting.

In most markets in North Carolina, especially in the Triangle, homebuyers will find that sellers are more willing to negotiate on price or other terms more than they have been in recent years.

LOGAN MARTINI, SENIOR MORTGAGE STRATEGIST



A woman with long, wavy blonde hair and a surprised expression, looking towards the camera. She is wearing a light-colored, possibly grey, t-shirt. Her right hand is raised, palm facing forward, with fingers slightly spread. She is wearing a ring on her ring finger. The background is a solid, muted purple color.

5

Traps to Avoid When Buying a Home

Do not get trapped by these common mistakes!

1

HOME SHOPPING BEFORE A SOLID MORTGAGE APPROVAL.

Record-low housing inventory in today's market means that you'll likely be competing with multiple offers when you find a home. Getting a solid mortgage approval BEFORE you start house shopping allows you to make a stronger offer when you find a home you like. This places you in a much better negotiating position, and it's crucial in today's market.

2

NOT CONSIDERING THE COSTS OF SALE.

When you sell your house in the future, you will most likely need to sell the house for at least 8% - 10% more than what you paid for it just to break even and cover the real estate commissions and transfer taxes on the sale. If your house goes up in value by the long-term average of 3% per year, you would likely break even in 2-3 years. That's why it's important to make sure that buying this home is part of a longer-term strategy.

OVERLOOKING THE COSTS OF IMPROVEMENTS, UTILITIES, AND MAINTENANCE.

3

Have you considered the costs of improvements, utilities, and ongoing maintenance expenses? It's important to:

- GET YOUR HOME PROPERLY INSPECTED BEFORE THE CLOSING
- INVESTIGATE THE COST OF UTILITIES, AND MAKE SURE TO BUDGET FOR THEM
- BUDGET 1%-2% OF THE HOME'S VALUE FOR ANNUAL MAINTENANCE EXPENSES

USING THE WRONG DOWN PAYMENT STRATEGY.

4

A study was conducted by the Federal Reserve showing that **a home buyer's down payment strategy is eight times more impactful on housing affordability than the mortgage interest rate.** That's why it's important to consider your down payment options carefully..

5 SHOPPING FOR A MORTGAGE VS. SHOPPING FOR THE RIGHT MORTGAGE PROFESSIONAL.

As you can see, the right mortgage professional can help you consider things that you may otherwise overlook during the home buying process. This is what Logan Martini does with the Martini Mortgage Group. This is what Kevin Martini does with the Martini Mortgage Group.

It is critically important to work with a qualified mortgage professional with the Martini Mortgage Group when considering your options so you have not price and cost clarity but also certainty

Your mortgage is most likely your single largest debt, and your home is most likely your single largest investment. The best way to avoid traps is to work with a trusted mortgage professional with the Martini Mortgage Group.

Top Reasons To Own Your Home



Personal Expression



Accomplishment



Investment



Comfort



Family



Community



Privacy



MARTINI Gold Star
Mortgage Financial Group



Stability

The Non-Financial Benefits of Homeownership

While you could see less competition and more room for negotiation, you may be wondering if now's the best time to buy a home given mortgage rates are higher than they were last year. While the financial aspects are important to consider, there are also powerful non-financial reasons it may make sense to become a homeowner.

Homeowners Can Make Their Home Truly Their Own

Owning your home gives you a significant sense of freedom because it's a space you can customize to your heart's desire. That can bring you added happiness.

In fact, a report from the National Association of Realtors (NAR) shows making updates or remodeling your home can help you feel more at ease and comfortable in your living space. NAR measures this with a Joy Score that indicates how much happiness specific home upgrades bring:

"There were numerous interior projects that received a perfect Joy Score of 10: paint entire interior of home, paint one room of home, add a new home office, hardwood flooring refinish, new wood flooring, closet renovation, insulation upgrade, and attic conversion to living area."

And as a homeowner, unless there are specific homeowner's association requirements, you typically won't have to worry about the changes you can and can't make.

If you rent, you may not have the same freedom. And if you do make changes as a renter, there's a good chance you'll need to revert them back at the end of your lease based on your rental agreement. That can add additional costs when you move out.

Owning a Home Can Give You a Greater Sense of Achievement

There's no denying taking care of your home is a large responsibility, but it's one you'll take pride in as a homeowner. Freddie Mac explains:

“As the homeowner, you have the freedom to adopt a pet, paint the walls any color you choose, renovate your kitchen, and more. . . . Of course, along with the freedoms of homeownership come responsibilities, such as making your monthly mortgage payments on time and maintaining your home. But as the property owner, you'll be caring for your own investment.”

You're not taking care of a living space that belongs to someone else. The space is yours. As an added benefit, you may get a return on investment for any upgrades or repairs you make.

Homeownership Can Lead to Greater Community Engagement

That sense of ownership and your feelings of responsibility can even extend beyond the walls of your home. Your home also gives you a stake in your community. Because the average homeowner stays in their home for longer than just a few years, that can lead to having a stronger connection to our local area. NAR notes:

“Living in one place for a longer amount of time creates an obvious sense of community pride, which may lead to more investment in said community.”

If you're looking to put down roots, homeownership can help fuel a sense of connection to the area and those around you. Let's connect!



Americans Choose Real Estate as the Best Investment

According to a Gallup poll, real estate has been rated the best long-term investment for 9-years in a row.



Things to Avoid After Applying for a Mortgage

Once you've found the right home and applied for a mortgage, there are some key things to keep in mind before you close on your home. You're undoubtedly excited about the opportunity to decorate your new place, but before you make any large purchases, move your money around, or make any major life changes, consult your Mortgage Strategist or Loan Manager with the Martini Mortgage Group - they will be able to tell you how your financial decisions will impact your home loan.



BELOW IS A LIST OF THINGS YOU SHOULDN'T DO AFTER APPLYING FOR A MORTGAGE THAT ARE IMPORTANT TO KNOW - OR SIMPLY JUST GOOD REMINDERS - FOR THE PROCESS.

DON'T CHANGE JOBS OR THE WAY YOU'RE PAID AT YOUR JOB

Your Mortgage Strategist must be able to track the source and amount of your annual income. If possible, you'll want to avoid changing from salary to commission or becoming self-employed during this time as well.

DON'T DEPOSIT CASH INTO YOUR BANK ACCOUNT

During the mortgage process there is a need to source your money, and cash is not easily traceable. Before you deposit any amount of cash into your accounts, discuss the proper way to document your transactions with your Mortgage Strategist or Loan Manager with the Martini Mortgage Group.

DON'T MAKE ANY LARGE PURCHASES LIKE A NEW CAR OR FURNITURE

New debt comes with new monthly obligations. New obligations create new qualifications. People with new debt have higher debt to income ratios. Higher ratios make for riskier loans, and then sometimes qualified borrowers no longer qualify.

DON'T CO-SIGN OTHER LOANS FOR ANYONE

When you co-sign, you're obligated. As we mentioned, with that obligation comes higher ratios as well. Even if you swear you won't be the one making the payments, the payment will have to be counted against you.

DON'T CHANGE BANK ACCOUNTS

Remember, it is required during the mortgage process to source and track your assets. That task is significantly easier when there's consistency among your accounts. Before you transfer any money, speak with either your Mortgage Strategist or Loan Manager at the Martini Mortgage Group.

DON'T APPLY FOR NEW CREDIT

It doesn't matter whether it's a new credit card or a new car. When you have your credit report run by organizations in multiple financial channels (mortgage, credit card, etc.), your credit score may be impacted. Lower credit scores can impact your rate and maybe even your eligibility for approval.

DON'T CLOSE ANY CREDIT ACCOUNTS

Many clients erroneously believe that having less available credit makes them less risky and more likely to be approved. **WRONG!** A major component of your score is your length and depth of credit history (as opposed to just your payment history) and your total usage of credit as a percentage of available credit. Closing accounts has a negative impact on both of those determinants of your score.



Any blip in income, assets, or credit should be reviewed and executed in a way that ensures your home loan can still be approved. The best plan is to fully disclose and discuss your intentions with your Mortgage Strategist or Loan Manager with the Martini Mortgage Group before you do anything financial in nature.

Why Buying a Home Makes More Sense Than Renting.

If you are trying to decide whether to rent or buy a home, consider this:

A | BUYING A HOME CAN HELP YOU AND YOUR FAMILY ESCAPE THE CYCLE OF RISING RENTS.

Rents have been rising aggressively for decades. When rent rise, YOU PAY MORE, and that can make it harder to save to buy a home.

B | HOMEOWNERSHIP IS A POWERFUL WEALTH BUILDING TOOL.

When you own, you gain equity as home prices rise and as you make your monthly payment. This is why homeowners have a higher net worth. The average homeowner has a net worth of \$300,000 where a renter has a net worth of \$8,000.

C | HOMEOWNERSHIP IS A POWERFUL WEALTH BUILDING TOOL.

With inflation high, landlords may be even more likely to increase rent. 72% of landlords plan to raise the rent on one or more of their properties in the next year. When you are a homeowner you can lock in your housing costs with a fixed rate mortgage.

"If there is a time to rent, that time is not now."

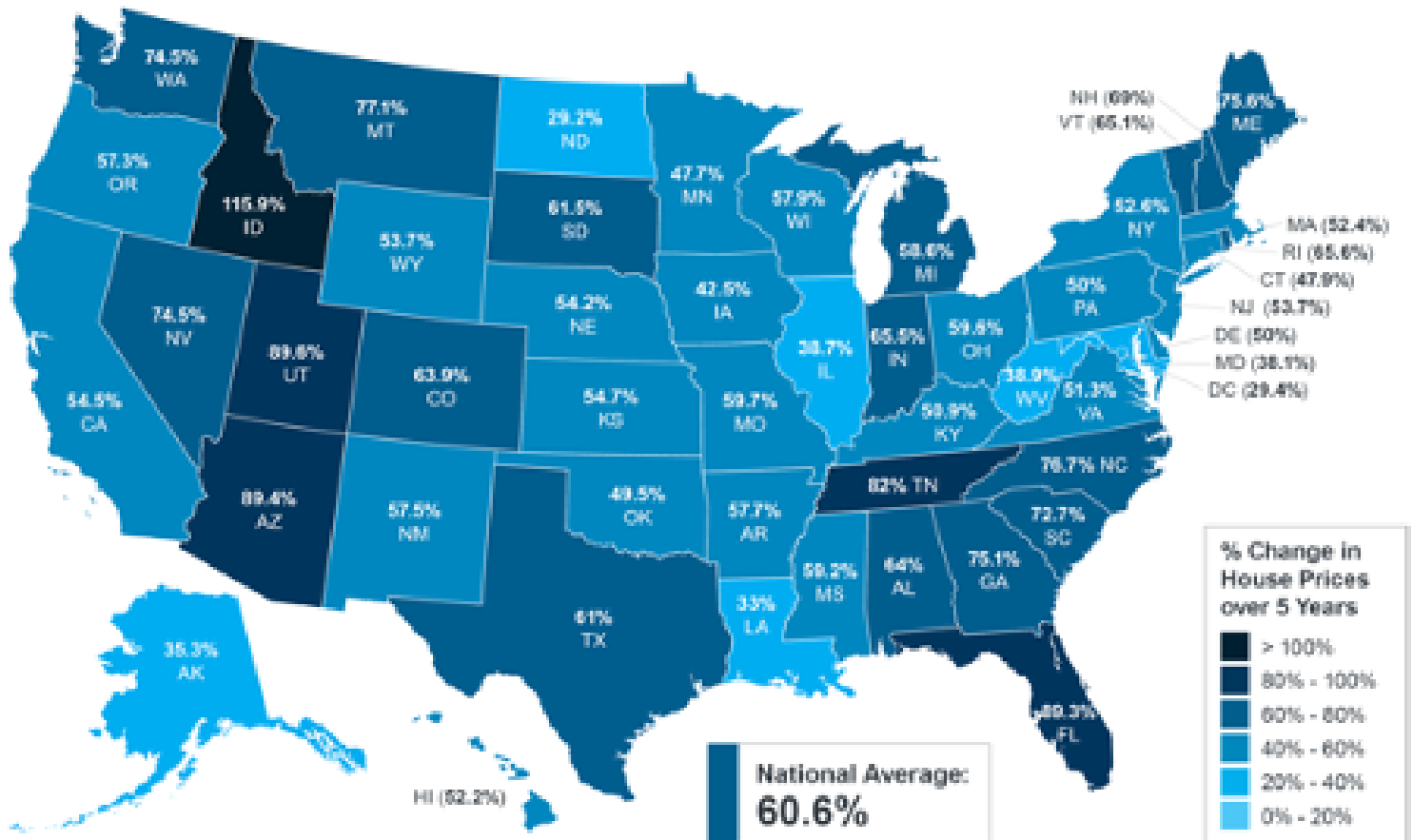
KEVIN MARTINI, CERTIFIED MORTGAGE ADVISOR

The Long-Term Benefit of Homeownership.

Consider this: if you know people who bought a home 5, 10, or even 30 years ago, you're probably going to have a hard time finding someone who regrets their decision. Why is that? The reason is tied to how you gain equity and wealth as home values grow with time.

HOME PRICE GROWTH OVER TIME

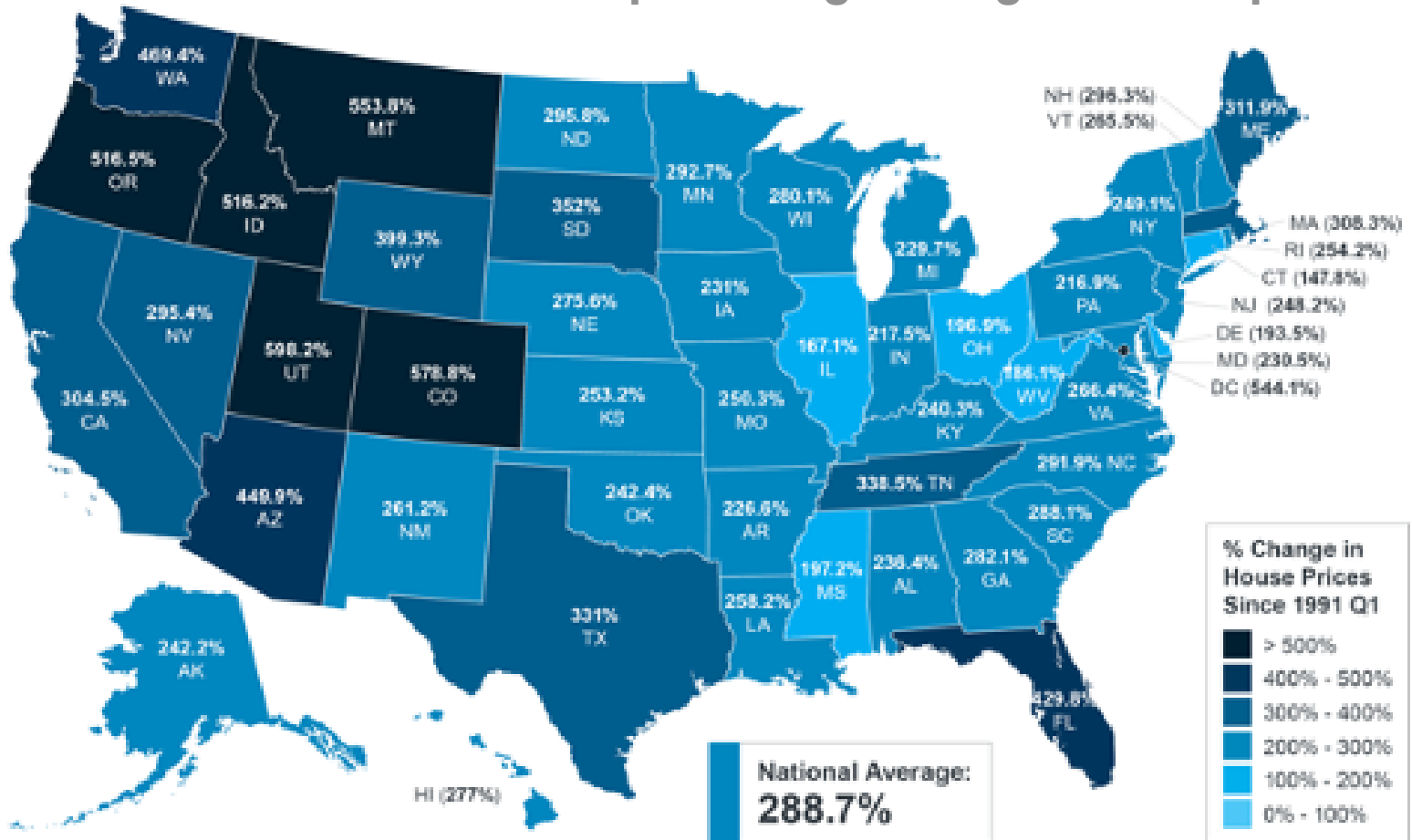
OVER 5-YEARS percentage change in home prices



If you look at the percent change in home prices, you can see prices grew on average by around 60% nationwide over the last five years. That means a home's value can increase substantially, even in a short period of time.

And if you expand that time frame even more, the benefit of homeownership and the drastic gains you stand to make become even clearer (see map below):

SINCE 1991 percentage change in home prices



The map above shows, nationwide, home prices appreciated by an average of nearly 290% in roughly a 30-year span.

While home price growth varies by state and local area, the nationwide average tells you the typical homeowner who bought a house 30 years ago saw their home increase significantly in value over that time. This is why homeowners who bought their homes years ago are still happy with their decision.

The alternative to buying a home is renting, and rental prices have been climbing for decades. So why rent and deal with annual lease hikes for no long-term financial benefit? Instead, if you're ready, consider buying a home. It's an investment in your future that could set you up for long-term gains.

Let's Chat...

I'm sure you have questions and thoughts about securing the proper mortgage with the lowest cost of borrowing and real estate process.

*We'd love to talk with you about what you've read in the Winter 2022 Edition of the Martini Buyer Guide and help you on the path to buying your new home. **Our number is (919) 238-4934** and we look forward to working with you.*



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