

SPRING 2023

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THINGS TO CONSIDER WHEN BUYING A HOME



MARTINI

MORTGAGE GROUP

The current real estate and mortgage market opportunities simply and effectively explained.

THINGS TO KNOW AND CONSIDER WHEN BUYING A HOME

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What's Happening in the Housing Market?

With so much recent change in the housing market, you probably have questions about what it all means for your homebuying plans this spring. Here are two things that are likely top of mind for you.

1

WHAT'S GOING ON WITH MORTGAGE RATES?

Last year, mortgage rates more than doubled within the calendar year. That's never happened before, and the rapid rise caused many buyers to put their plans on hold. Today, mortgage rates are still quite volatile. With experts projecting rates will stabilize this year, that could be great news for you if you're ready to buy a home. Any drop in interest rates helps boost your purchasing power by bringing your expected monthly mortgage payment down.

But you shouldn't expect rates to drop all the way down to the record lows we saw in 2021. Experts agree that isn't a range buyers should expect. Kevin Martini, Certified Mortgage Advisor, explains:

It is not 'if' but 'when' mortgage rates pull back however don't expect a pull back to 3% or less! The mortgage interest rates experienced in 2021 were a once in a generation event. The trigger for lower home loan rates is lower inflation. Lower inflation will happen and that is why the Mortgage Bankers Association is forecasting, mortgage rates in 2024 will start with a 4.

2

WHAT'S HAPPENING WITH HOME PRICES?

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

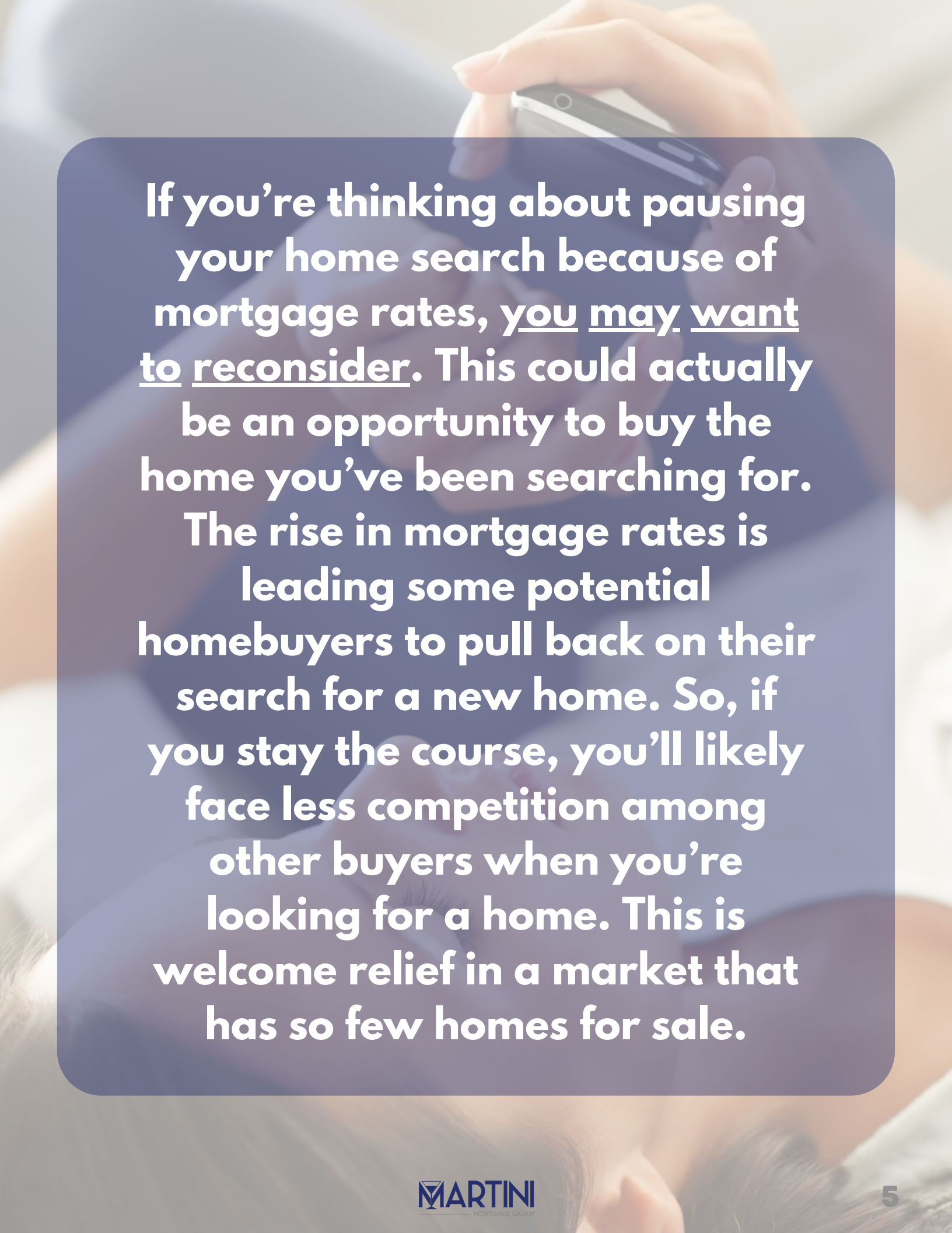
That may be why some experts say prices will decline slightly and others say they'll continue to climb, just more moderately than they did in the frenzy of the pandemic. The important thing is, overall, experts say price appreciation will be relatively neutral or flat this year.



DON'T LET MARKET UNCERTAINTY DELAY YOUR GOALS.

There is no quality asset like gold, stocks or even real estate, that will just go up in a straight line forever. From time-to-time real estate needs to retrace to recharge in order to make higher highs.

Connect with a Mortgage Strategist with the Martini Mortgage Group so you have an expert on your side to answer all your mortgage and 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 while being armed with price and cost clarity.



If you're thinking about pausing your home search because of mortgage rates, you may want to reconsider. This could actually be an opportunity to buy the home you've been searching for. The rise in mortgage rates is leading some potential homebuyers to pull back on their search for a new home. So, if you stay the course, you'll likely face less competition among other buyers when you're looking for a home. This is welcome relief in a market that has so few homes for sale.

Using the 4 Stages of Homebuyer Demand to YOUR Benefit.

If you're planning to buy a home it's important to understand the stages of buyer demand. These four stages are represented by a four-light stoplight. The red light represents weak buyer demand, orange represents limited buyer demand, light green represents good buyer demand, and the bright green light represents strong buyer demand.



Even when the current stage of buyer demand is in the red and orange zones, meaning there is a low to limited buyer demand due to slightly higher mortgage rates then have been seen in recent years. As a result, this is the perfect time for homebuyers to reduce competition and take advantage of a seller's willingness to participate, which could make the deal more attractive. This also protects the homebuyer from paying a higher premium for the same home later

Tune into episode 173 of the Martini Mortgage Podcast to learn how one can use the 4 stages of buyer demand to their advantage.

How the Supply of Homes For Sale is Changing

One of the biggest challenges in the housing market today is how few homes there are for sale. However, there are more options to choose from than there were at this time last year.

Here's what that means for you.

The Number of Homes for Sale Is Up from Last Year, but Below Pre-Pandemic Levels

During the pandemic, housing supply hit a historic 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.

Today, the supply of homes for sale has increased by 65.5% compared to this time last year. That's a welcome increase for buyers, but it's important to note that housing supply is still below where it was in the years leading up to the pandemic.

“While the number of homes for sale is increasing, it is still 43.2% lower than it was before the pandemic in 2017 to 2019. This means that there are still fewer homes available to buy on a typical day than there were a few years ago.”

realtor.com

What Does This Change Mean for You?

Here's the good news: an increase in the number of homes for sale means you have more options for your search. Not only do you have more options to choose from, but sellers may be more willing to negotiate with you than they were over the last couple of years.

Just keep in mind, while a rise in home inventory is welcome, inventory is still lower than a more normal year in the housing market. That means it's still important to lean on your expert advisor for advice on how to navigate your local market. This can include being flexible and open to negotiations, balancing your wants and needs in a home, and taking the right financial steps to be confident in your options.



Housing supply is still well below pre-pandemic norms, however, as buyer demand has slowed, inventory has started to grow. Connect with a Mortgage Strategist with the Martini Mortgage Group for the latest inventory and mortgage rate information.

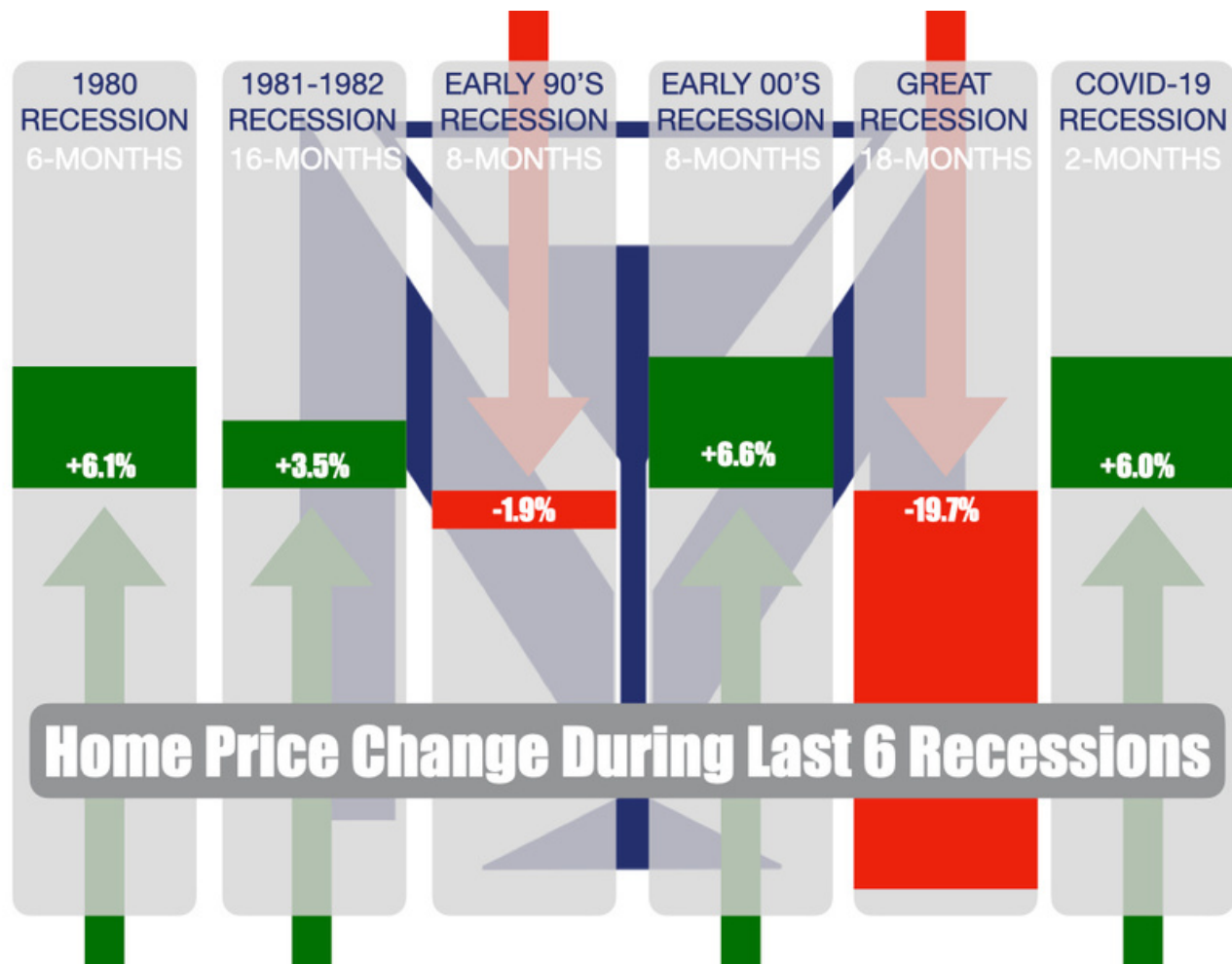
“In the current real estate market, when I see a real estate sign in the yard, to me, I am looking at a home that has a motivated seller.”

LOGAN MARTINI, SENIOR MORTGAGE STRATEGIST



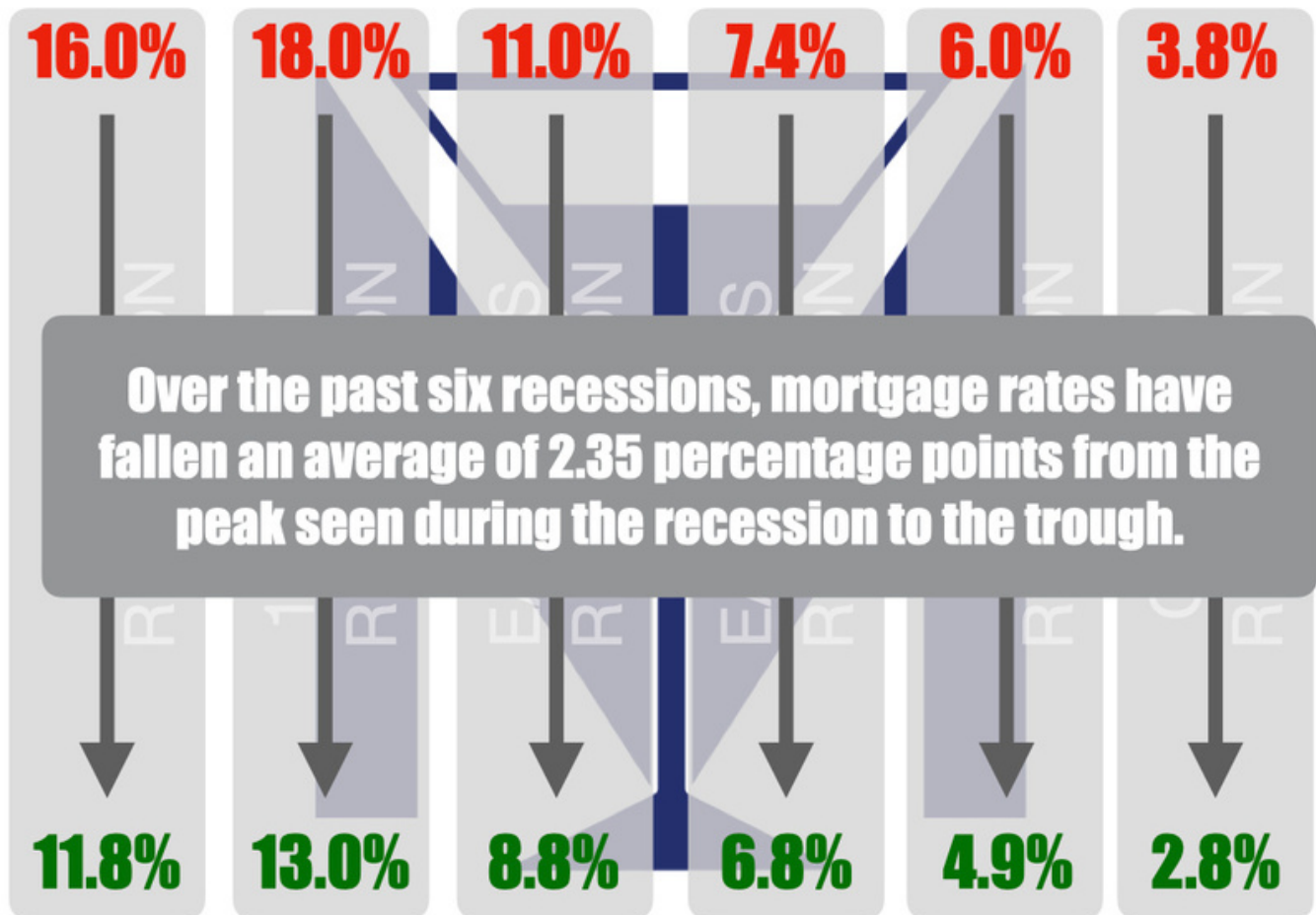
WHAT PAST RECESSIONS TELL US ABOUT THE HOUSING MARKET

Although experts project any recession for the housing market would be short and mild, as recession talk grows this year, you may be wondering what it could mean for the housing market. It is critical to highlight a recession does not mean housing crisis. Here's a look at the historical data that shows what's happened in real estate during previous recession mean housing crisis. Here's a look at the historical data that shows what's happened in real estate during previous recessions.



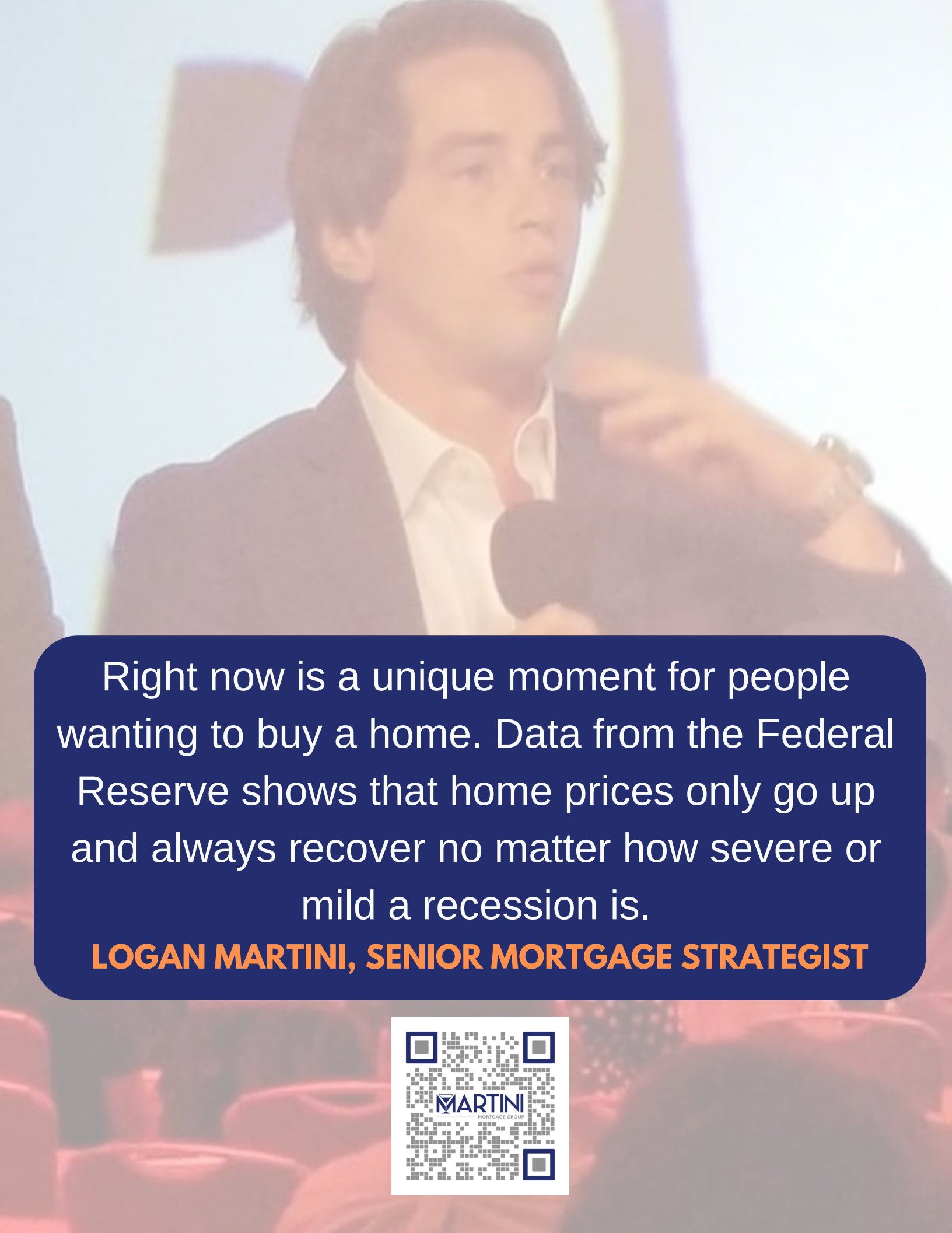
The 2008 housing crisis can lead many of us to connect a recession with home prices crashing. But as the graph below shows, home prices appreciated in four of the last six recessions in this country. So historically, when the economy slows, it doesn't always mean home prices will fall.

WHAT PAST RECESSIONS TELL US ABOUT MORTGAGE RATES



RECESSION MEANS FALLING MORTGAGE RATES

According to historical data, in most recessions, home values have appreciated, and mortgage rates have declined. If you're thinking about buying a home this spring, connect with a Mortgage Strategist with the Martini Mortgage Group so you have expert advice on what's happening in the housing market and what that means for your homeownership goals.

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.

Right now is a unique moment for people wanting to buy a home. Data from the Federal Reserve shows that home prices only go up and always recover no matter how severe or mild a recession is.

LOGAN MARTINI, SENIOR MORTGAGE STRATEGIST



Top Reasons To Own Your Home



Personal Expression



Accomplishment



Investment



Comfort



Family



Community



Privacy



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Stability

FIRST-TIME HOMEBUYER TAX CREDIT

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EPISODE 172



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.”

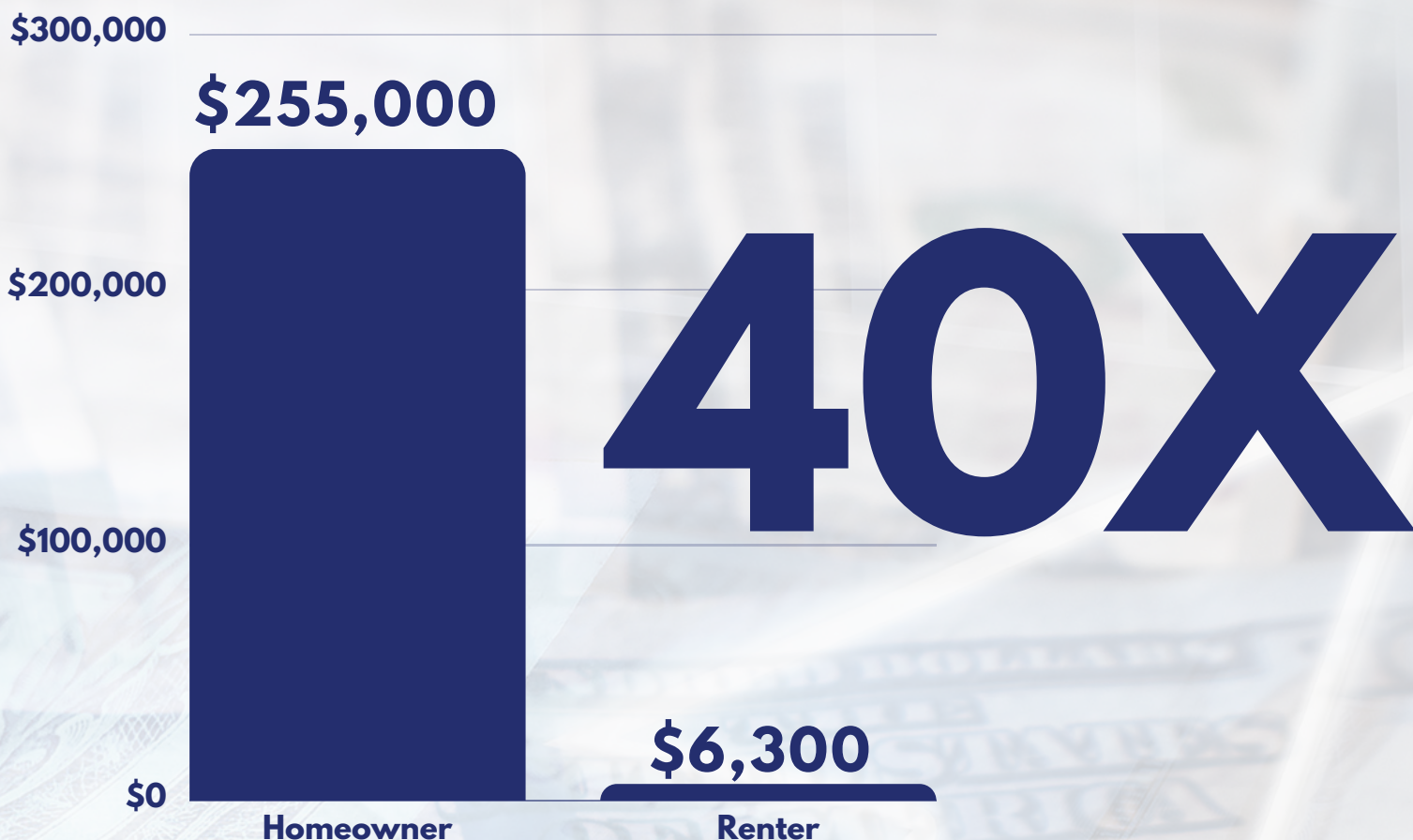
You're not taking care of a living space that belongs to someone else. The space is yours. As an added benefit, you may get a return on investment for any upgrades or repairs you make.

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!



The median net worth of U.S. homeowners is 40X higher than the median net worth of renters.

HOMEOWNERSHIP IS A POWERFUL WEALTH-BUILDING TOOL

When you own, you gain equity as home values appreciate and as you make your monthly payment. That's one of the reasons why homeowners have a higher net worth.



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 Strategist with the Martini Mortgage Group.

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.

Buydown Advantages

- **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**

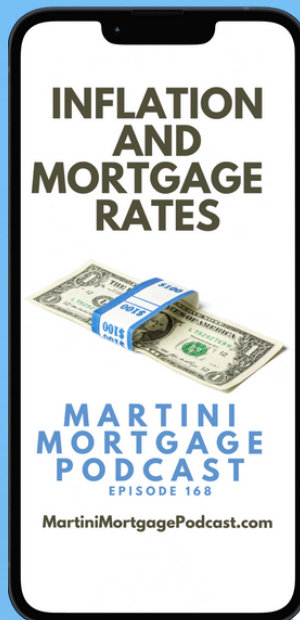
*To learn more scan about
all type of Buydowns*



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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.

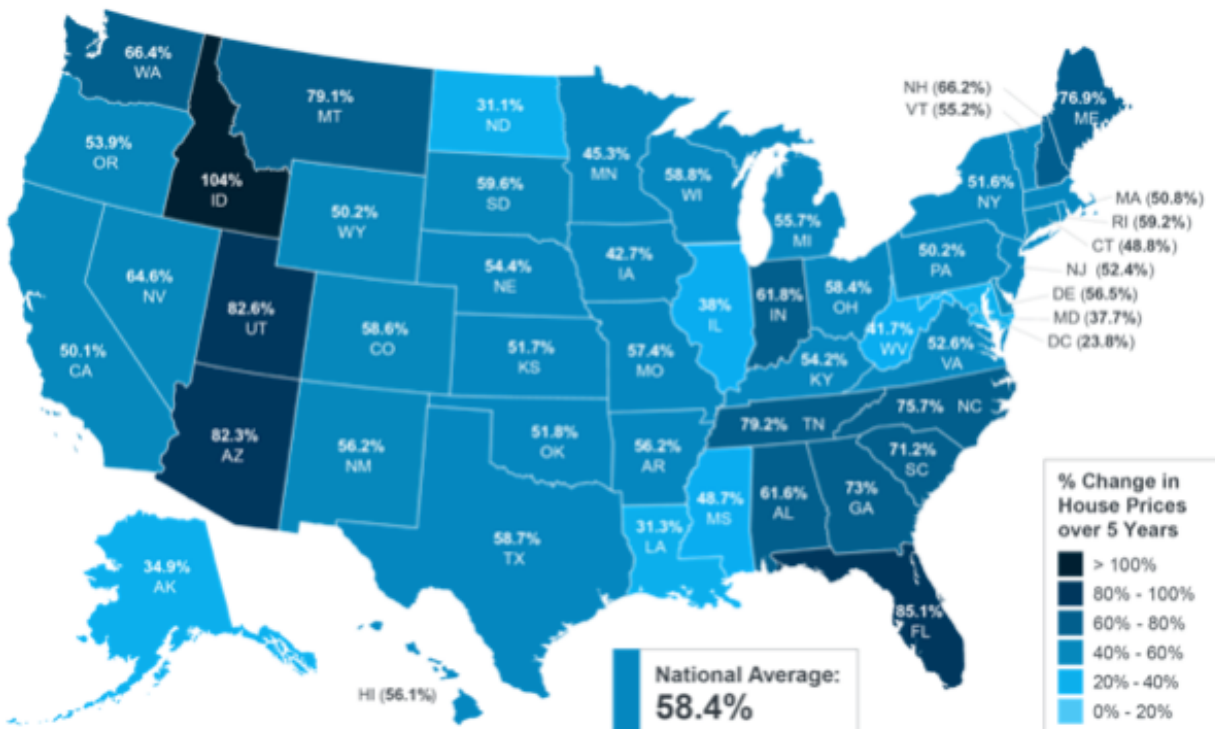
Homeownership WINS over Time

Do you know people who bought a home 5, 10, or even 30 years ago? If you do, then you know they most likely don't regret it. Why is that? The reason is homeowners gain equity and wealth as their home value grows over time.

HOME PRICE GROWTH OVER TIME

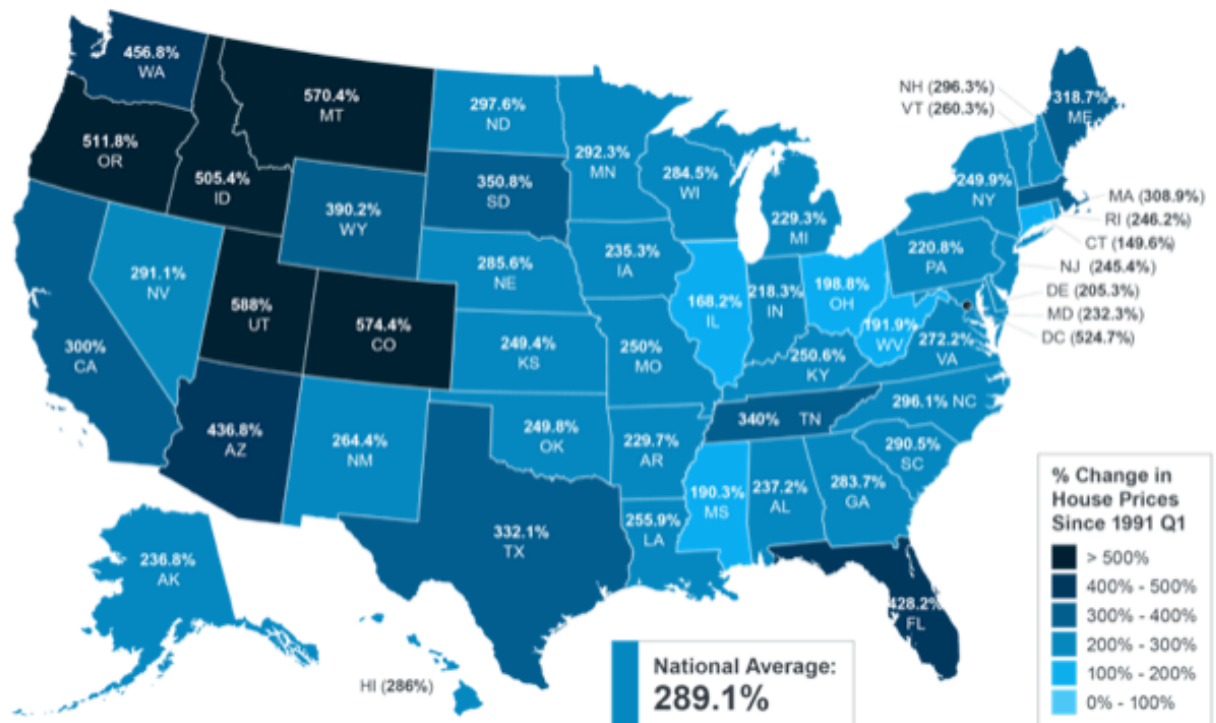
Over the past year, home price appreciation has slowed throughout the country, but having perspective on the longer-term look on home values is key. While the extent of recent price moderation varies by local market, going forward, experts project home price appreciation in 2023 to be roughly flat or neutral nationwide – **not a drastic decline**. There just aren't enough homes on the market for prices to crash.

And when we look at homeownership gains over time, it's important to see the bigger picture. The map below uses data from the Federal Housing Finance Agency (FHFA) to show just how noteworthy the cumulative gains have been over the last five years:



If you look at the percent change in home prices, you can see they grew, on average, by 58.4% nationwide over the last five years. So, while prices may go slightly up or slightly down over shorter periods of time, the long-term benefits are where homeowners truly win.

And if you expand that time frame even more, the benefits of homeownership become even clearer (see map below):



This map shows, nationwide, home prices appreciated by an average of almost 300% since 1991.

While home price growth always varies by state and local area, the nationwide average indicates 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. And while the past won't always dictate the future of home price appreciation, it can most certainly teach us quite a bit.

And don't forget – the alternative to buying a home is renting, and rental prices have been climbing for decades. So why rent and deal with annual lease increases and no long-term financial benefits? Instead, if you're ready, consider buying a home. It's an investment in your future that could set you up for significant long-term gains.



Data shows home values historically appreciate in the long run, which gives your net worth potential a nice boost. If you're ready to buy a home, connect with the Martini Mortgage Group.



Success in the homebuying journey depends on who your Mortgage Strategist is. Many can get qualified by an average loan officer and they will know what they can do however when approved by a Mortgage Strategist with the Martini Mortgage Group not only do the families we serve know what they can do but most importantly, they know why they should do it.

KEVIN MARTINI, CERTIFIED MORTGAGE ADVISOR

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 Spring 2023 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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