The Ultimate Home Buying and Mortgage Guide

SUMMER 2023

MARTINIBUYERGUIDE

THINGS TO CONSIDER WHEN BUYING A HOME

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WHAT IS HAPPENING IN THE HOUSING MARKET

The recent shifts in the housing market likely have you questioning their implications on buying a home this summer. To help you, the Martini Mortgage Group has identified the top three factors you should consider closely.

1.THE SUPPLY OF HOMES FOR SALE IS STILL LOW

The availability of homes for sale this year remains significantly low. The housing inventory is determined by the number of homes currently on the market and is also evaluated in terms of months' supply, which reflects the estimated duration needed to sell all available homes based on the existing demand. In a well-balanced market, a typical supply would be approximately six months' worth of homes, yet presently we only possess around half of that quantity.

The scarcity of inventory has resulted in a resurgence of buyer competition, leading to the revival of multiple offers on a substantial number of properties. By collaborating with a mortgage strategist from the Martini Mortgage Group, you not only gain a competitive advantage in the current market conditions but also ensure a greater level of certainty throughout the process.

2.MORTGAGE RATES ARE LESS VOLATILE THAN LAST YEAR

Last year, the housing market experienced an extraordinary event as mortgage rates skyrocketed, more than doubling within a single calendar year. This abrupt and substantial surge in rates profoundly impacted potential buyers, prompting them to postpone their home purchasing plans. However, there has been a notable resurgence in buyer activity in the current year, thanks to the stabilization of interest rates within the range of approximately 6% to 7%.

Looking ahead, the future trajectory of mortgage rates remains uncertain, influenced by various factors, most notably inflation. Experts from the Mortgage Bankers Association (MBA) have forecasted a potential scenario where the 30-Year Fixed Rate Mortgage could be in the mid 4'% towards the end of 2023. However, it is essential to note that these projections are subject to change based on economic conditions and market fluctuations.

3.THE WORST HOME PRICE DECLINES ARE BEHIND US

Navigating the headlines concerning home prices can be a perplexing task.

It's worth noting that home price appreciation has moderated since reaching its apex last summer. Nevertheless, it's essential to recognize that price fluctuations can vary significantly depending on the specific area.

For those eagerly awaiting a decline in prices within their locality, it's crucial to understand that the scarcity of available homes will continue to place upward pressure on prices. Recent trends indicate a resurgence in prices, suggesting that the most substantial declines in home prices are now in the past.

"Just five months ago, prices were declining on a seasonally adjustedd month-over-month basis in 92% of all major U.S. markets. Fast forward to March, and the situation has done a literal 180, with prices now rising in 92% of markets from February."

Andy Walden, VP of Enterprise Research at Black Knight

MARTINI Bottom Line

Don't let market uncertainty delay your summer home-buying plans.

Connect with a Mortgage Strategist from the Martini Mortgage Group for expert guidance on the housing market and mortgages. By collaborating with a strategist, you can review your objectives and gain valuable insights into our local market. This knowledge will empower you to make confident and well-informed decisions.

Securing a suitable home loan is the crucial first step towards homeownership. With a Mortgage Strategist by your side, navigating the complexities of the loan process becomes more manageable. Take advantage of this opportunity for professional guidance and support on your homeownership journey.

Allow me to introduce myself, my name is Kevin Martini, and I have been an innovator in transforming how consumers view their mortgage lending relationship.

With the profound understanding that we are consistently involved in managing your most valuable financial asset, home, most substantial debt, and mortgage, I firmly believe in upholding a fiduciary-style responsibility. I provide proactive assistance in making informed decisions during the initial transaction, throughout the entire process, and beyond.

In addition to my commitment, the mission of the Martini Mortgage Group is to empower all the families we serve. Our goal is to foster the long-term growth of their wealth, enable the reduction of debt for a secure and debt-free retirement, and ensure prudent planning for their future.

THE 3 FACTORS AFFECTING HOME AFFORDABILITY TODAY

The dramatic increase in mortgage rates last year led many buyers to put their plans on hold. However, affordability is impacted by more than just mortgage rates. To understand affordability, you must look at three factors: Mortgage Rates, Home Prices, and Wages.

MORTGAGE RATE

Although current mortgage rates are higher than last year, they've mainly fluctuated between 6% and 7% throughout this year. There's been quite a bit of volatility within this range, leaving many wondering about their future trajectory. Predicting mortgage rates can be challenging, but several experts concur that a downward trend may start towards the year-end if inflation persists in slowing down and retracing. This volatility underscores the importance of relying on a Mortgage Strategist with the Martini Mortgage Group to keep abreast of the current trends to stay up-to-date.

HOME PRICES

In recent years, home prices have soared due to an unprecedentedly high demand from buyers, fuelled by the pandemic's record-low mortgage rates. This demand coincided with a record-low housing supply, contributing to the home price increase. Today, the demand for homes still outpaces the supply of homes available. However, the rate of home price appreciation is not uniform across all markets. Some regions are experiencing minor decreases, while others continue to see price hikes.

WAGES

Currently, the key element enhancing affordability is increasing income. Higher earnings boost affordability by decreasing the proportion of your income dedicated to your mortgage payments, as less of your monthly salary must be allocated to housing expenses

MARTINI Bottom Line

Understanding home affordability involves more than just assessing mortgage rates and home prices.

*If you're contemplating buying a house this summer, know that **the first step is the home loan, not the home**. This hierarchy clarifies the costs and offers you certainty so you don't fall in love with a home that you can afford but is outside of your budget or, worse, cannot qualify for. Regardless of your timing (i.e., now, next week, next month, or next year), consulting with a Mortgage Strategist from the Martini Mortgage Group is always a good idea.*

JUMPSTART YOUR HOMEOWNERSHIP JOURNEY WITH DOWN PAYMENT ASSISTANCE IN NORTH CAROLINA OFFERED BY THE MARTINI MORTGAGE GROUP

Are you a first-time homebuyer or planning an upgrade? Are you struggling to pull together that hefty down payment?
Say goodbye to your worries because the Martini Mortgage Group is here to help!

Together with the North Carolina Housing Finance Agency (NCHFA), the Martini Mortgage Group offers many mortgage products and down payment aid programs. We're determined to make your dream of owning a home in whatever county you are in North Carolina not just affordable but downright achievable.

DOWN PAYMENT AID YOUR HOMEOWNERSHIP DREAM BOOSTER!

NC Home Advantage Mortgage:
Offering up to 3% of the loan as down payment assistance to first-time and upgrade buyers.

NC 1st Home Advantage Down Payment:
An incredible $15,000 down payment aid for eligible first-time buyers and military veterans.

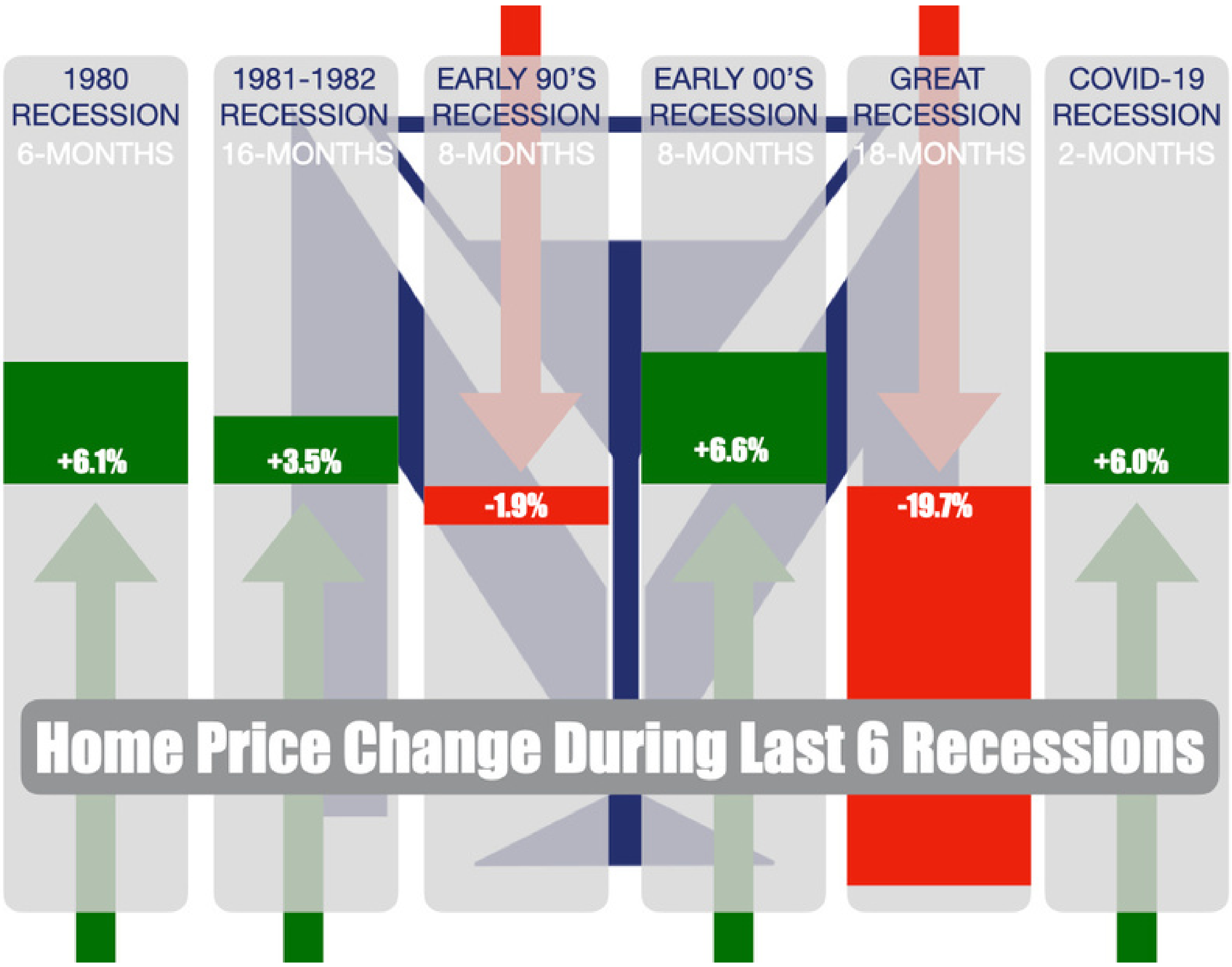
NC Home Advantage Tax Credit:
Save up to $2,000 in federal taxes annually. Before a home purchase, an approved Mortgage Credit Certificate (MCC) can seal this deal for you!

"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

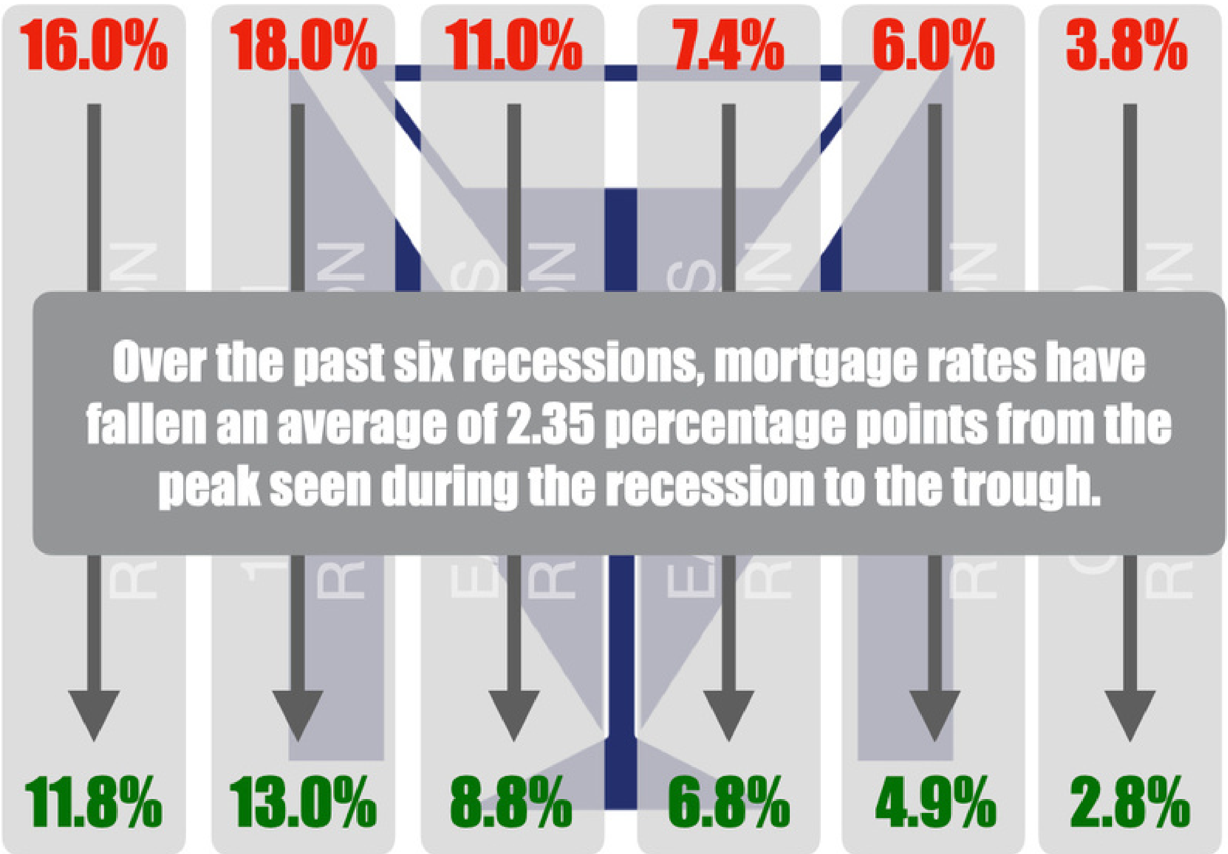
WHAT PAST RECESSIONS TELL US ABOUT THE HOUSING MARKET

Despite predictions suggesting a possible brief and mild recession in the housing market, you might be curious about its potential impact as recession discussions intensify this year. It's crucial to clarify that a recession doesn't equate to a housing crisis. Looking at past data can shed light on the real estate trends during previous economic downturns.



The 2008 housing crisis may cause many to associate a recession with plummeting home prices. However, the graph above illustrates that in four out of the last six recessions in our country, home prices appreciated. This historical perspective shows that an economic downturn doesn't necessarily result in a drop in home prices.

WHAT PAST RECESSIONS TELL US ABOUT MORTGAGE RATES



Recession means falling mortgage rates

Historical evidence suggests that home prices have risen in most recessions while mortgage rates have fallen. Suppose you're considering purchasing a home this summer. In that case, it's best to consult with a Mortgage Strategist from the Martini Mortgage Group to gain expert insight into the housing market trends and their implications for your home ownership aspirations.

THINGS TO AVOID AFTER APPLYING FOR A MORTGAGE

After you've secured your ideal home and applied for a mortgage, there are important considerations before finalizing the deal. While the excitement of personalizing your new home can be overwhelming, it's advisable to refrain from making significant purchases, shifting your money, or making any substantial life changes without consulting your Mortgage Strategist or Loan Manager at the Martini Mortgage Group. They can guide you on how your financial choices might influence your home loan.

Here's a list of actions to avoid after applying for a mortgage, crucial reminders that will help you navigate through the process successfully.

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

Your Mortgage Strategist needs to be able to trace the origin and quantify your annual income. During this period, it's advisable to avoid shifting from a salaried position to a commission-based role or starting a self-employment venture.

DON'T DEPOSIT CASH INTO YOUR BANK ACCOUNT

Tracing your funds is crucial during the mortgage process, and cash transactions are very difficult to document. Prior to depositing any cash into your accounts, it's recommended to consult with your Mortgage Strategist or Loan Manager at the Martini Mortgage Group about the appropriate method to record your transactions.

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

Accruing new debt introduces new monthly liabilities. These new commitments affect your financial credentials. Individuals with increased debt have higher debt-to-income ratios. Higher ratios lead to riskier loans, and consequently, borrowers who were once eligible may no longer qualify.

DON'T CO-SIGN OTHER LOANS FOR ANYONE

When you become a co-signer, you assume financial responsibility. As pointed out earlier, such obligations can increase your debt-to-income ratios. Whether you make the payments, the obligation will be factored into your financial profile.

DON'T CHANGE BANK ACCOUNTS

Remember that it's necessary to trace and monitor your assets during the mortgage process. This becomes considerably easier when there's uniformity in your accounts. Before you move any funds, consult with your Mortgage Strategist or Loan Manager at the Martini Mortgage Group.

DON'T APPLY FOR NEW CREDIT

Whether it's a new credit card or a new car, when multiple financial institutions (such as mortgage lenders or credit card companies) access your credit report, it could affect your credit score. Lower credit scores can influence your interest rate and potentially your qualification for approval.

DON'T CLOSE ANY CREDIT ACCOUNTS

Many clients mistakenly think having less available credit makes them less risky, increasing their chances of approval. However, this needs to be corrected! A significant part of your credit score is determined by the length and depth of your credit history, not just your payment history, and overall credit usage as a percentage of available credit. Closing accounts negatively affects both of these factors contributing to your score.

UNDERSTANDING THE “MARRY THE HOUSE, DATE THE RATE” STRATEGY

An intriguing cliche in the real estate world has become a powerful strategy known as “**marry the house, date the rate.**” But what does it mean, and is it an excellent approach to consider when buying a home in Raleigh, North Carolina, or any city in the U.S.?

The adage “marry the house, date the rate” emphasizes that you can change your mortgage rate while remaining in the same house. Many people believe it’s best to postpone purchasing a home when Raleigh mortgage rates are high, assuming that waiting for rates to drop is the more financially sound decision. However, this thinking may cause you to miss out on the perfect home you want to make your own.

Instead of waiting indefinitely for interest rates to decrease, it might be wiser to take action now. Interest rates constantly fluctuate, and although your initial rate might be higher than desired, you can “date” your interest rate and “flirt” with another home loan rate when the market represents a more attractive option. This means that when interest rates eventually come back down, you can refinance to a lower rate and improve your financial situation.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MEDIAN HOME PRICE IN THE U.S. BY DECADE

1950s = $11,900

1960s = $17,000

1970s = $24,000

1980s = $47,200

1990s = $79,100

2000s = $119,600

2010s = $226,700

2020s = $336,900

NOW = $436,800

As you can see, the median home price has increased significantly over time. The median home price is expected to continue to increase in the coming years. This is due to several factors, including continued population growth, rising incomes, and interest rates.

NOTE: the median home price is the middle price of all homes sold.

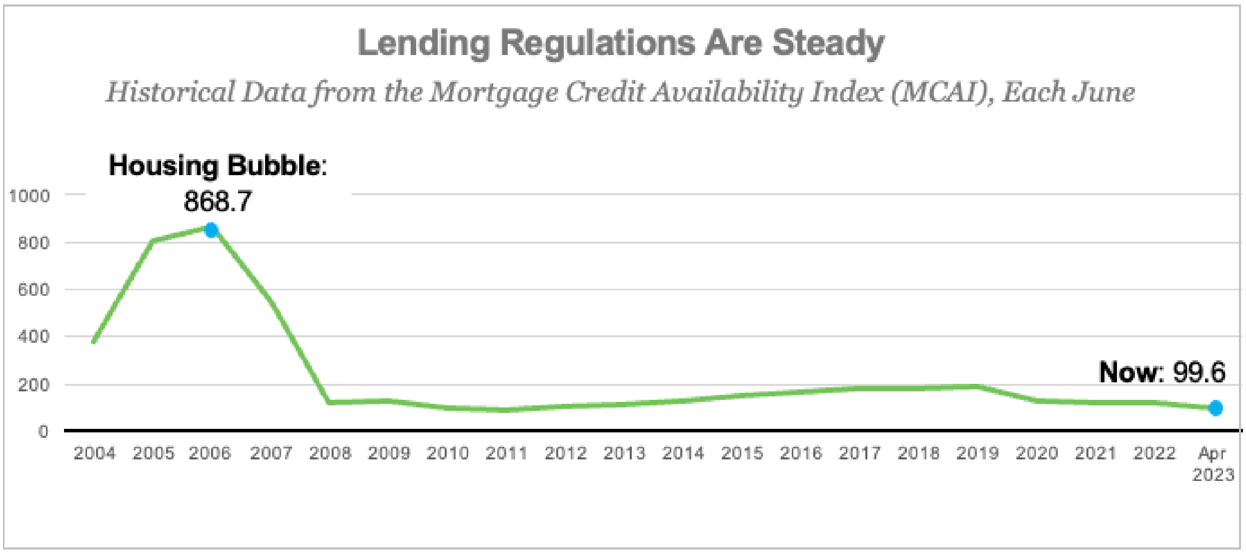
WHY TODAY'S HOUSING MARKET IS NOT ABOUT TO CRASH

There has been recent apprehension about a potential housing market crash. However, the data indicates that today's market differs from the pre-2008 housing crash scenario. Here are the reasons why.

IT'S HARDER TO GET A LOAN NOW

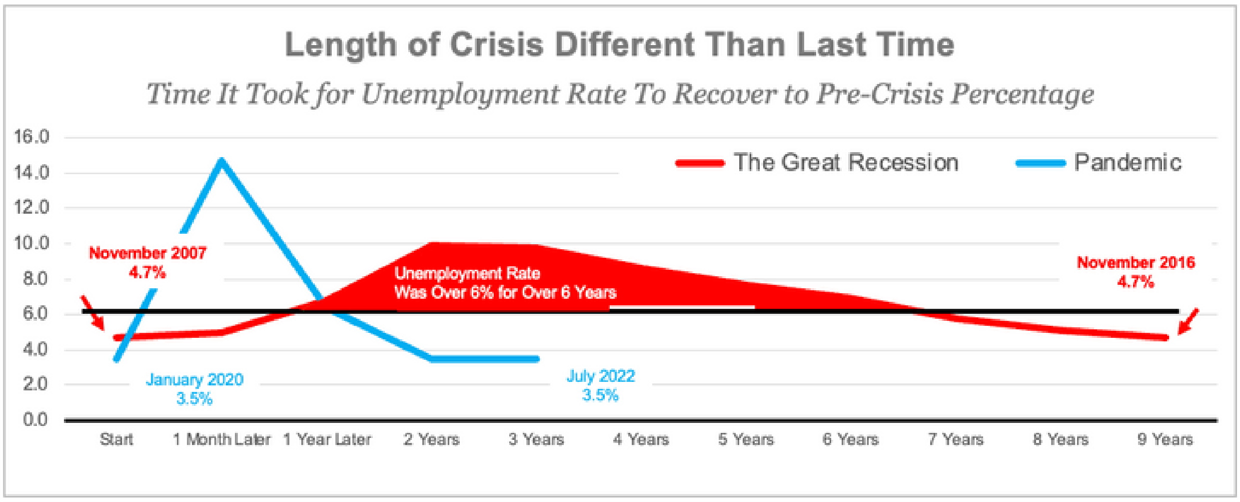
Obtaining a home loan before the 2008 housing crisis was much easier than it is today. Banks had more relaxed lending standards then, allowing nearly anyone to qualify for a home loan or refinance an existing one. This led to banks assuming significantly more risk in terms of the borrower and the mortgage products provided. This resulted in many defaults, foreclosures, and declining prices.

Today's scenario is different, with buyers facing stricter standards from mortgage companies. The graph below illustrates this change using data from the Mortgage Bankers Association (MBA). A lower number indicates a more challenging mortgage acquisition process, while a higher number implies an easier one.



UNEMPLOYMENT RECOVERED FASTER THIS TIME

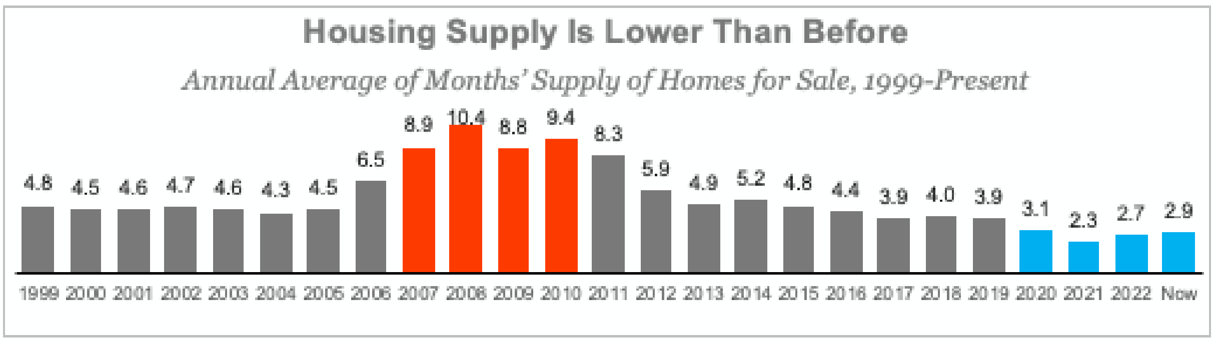
The pandemic led to a sharp increase in unemployment over the past few years, but the unemployment rate has since bounced back to pre-pandemic levels, as depicted by the blue line in the graph below. This contrasts with the Great Recession, during which a significant number of people remained jobless for an extended period, as represented by the red line in the graph below:



Here's how the swift job recovery this time supports the housing market. As more individuals are employed today, the risk of homeowners encountering financial difficulties and defaulting on their loans is reduced. This fortifies the current housing market and diminishes the risk of a foreclosure surge.

THERE ARE FAR FEWER HOMES FOR SALE TODAY

During the housing crisis, there was an excess of homes on the market (many were short sales and foreclosures), leading to a significant price drop. However, available inventory is scarce today, primarily due to years of underproduction of homes. The graph below, using data from the National Association of Realtors (NAR) and the Federal Reserve, illustrates how the current supply of homes compares to the crash period. With only a 2.9-months supply of unsold inventory, there isn't enough stock in the market for home prices to plummet as they did in 2008.



OUTSMART SAVVY AND UNETHICAL MARKETERS

Unbeknownst to many, when you seek financing or apply for a mortgage, your credit check triggers a chain reaction. The credit repositories Equifax, Experian, and TransUnion readily sell your public and even private data to both cunning and unscrupulous entities in the open market.

SHIELD YOUR PRIVACY WITH 3 BATTLE-TESTED TACTICS:
OPT-OUT, DO NOT CALL, AND FREEZE IT

OPT-OUT

DO NOT CALL

FREEZE IT

OPT-OUT: You have the right to "Opt-Out", which stops Consumer Credit Reporting Companies from sharing your credit file information with others.

DO NOT CALL: You have the right to halt undesired phone calls.

FREEZE IT: You have the right to access the most powerful tool in your arsenal against the fastest-growing crime in the nation: Identity Theft (a.k.a. Identity Fraud)

LET'S CHAT...

Undoubtedly, you must have questions about obtaining the most suitable mortgage with the lowest borrowing cost and understanding process.

We'd be delighted to discuss the content of the Summer 2023 Edition of the Martini Buyer Guide with you and assist you on your journey to purchasing your new home. You can reach us at (919) 238-4934. We're looking forward to helping you.

MARTINI MORTGAGE GROUP

Gold Star Mortgage Financial Group

LOGAN MARTINI

Senior Mortgage Strategist
NMLS 1591485

KEVIN MARTINI

Certified Mortgage Advisor
NMLS 143962

(919) 238-4934

Martini Mortgage Group at Gold Star Mortgage Financial Group, Corporation | NMLS # 3446
507 N Blount St, Raleigh, NC 27604 | (919) 238-4934 | www.MartiniMortgageGroup.com
Equal Housing Lender