REAL ESTATE UPDATE

Volume 18 Issue 10 October 2024

THIS NEWSLETTER IS BROUGHT TO YOU BY:

John Doe
Senior Loan Officer
Ajax Mortgage
111 Mortgage Way
Mortgagetown, MD, 11111
(301) 555-1212
(800) 555-5555
Ajaxmrtg.com

Specializing in

- ☑ Residential Purchases
- ☑ Residential Refinances
- ☑ Commercial Properties
- ☑ Home Equity Loans

The Home Stretch

It is the final quarter of the year. And quite a year it has already been. Mortgage rates moved back near all-time highs in the spring only to start falling in the summer. The National Association of Realtors signed a consent agreement which will change the way that real estate agents will go about their business. The war in Ukraine continued to rage while the Middle East again became a hot bed of tragic events. The real estate market continued to slow even as the listing shortage and housing price gains eased, but the price of homes continued to move upward.

On the political front, the last quarter of the year will be a whirlwind with only one month to go before we elect a new President. Adding to the uniqueness of 2024, we have already had an assassination attempt and the incumbent bowing out weeks before the convention. The balance of power in the House and Senate are also up for grabs in what has become a very divided electorate. Who knows what surprises the next month will bring.

Meanwhile, there is a slew of economic data to add into the 2024 equation before we call an end to a very exciting year. This month we will start

Continued on Page 3

Did You Know…

Consumer sentiment in the U.S. reached a four-month high, according to the latest reading from the University of Michigan. Consumers were more optimistic than at any time since May, buoyed by improved buying conditions for long-lasting goods and lower interest rates.

Selected Interest Rates

September 19, 2024

30 Year Mortgages	*6.09%*
2023 High (Oct 19)	*7.79%*
2023 Low (Jan 26)	*6.09%*
15 Year Mortgages	*5.15%*
10 Year Treasuries	*3.72%*

Sources—Fed Reserve, Freddie Mac
Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for

In This Issue

Homes More Affordable

Interest rate drops have made August the most affordable month since February, as home price growth cooled to 12-month low, according to the September 2024 ICE Mortgage Monitor Report. Declining mortgage rates have brought home affordability to its best level since February and boosted refinance incentive for many recent-vintage mortgages.

With 30-year conforming rates down 60 bps from just over 7% in May, the principal and interest payment on the average-priced home purchase is $145 less per month than just three months ago. The share of income needed to make payments on that home (34.3%) is still 10 pp above its 30-year average and ICE Market Trends data shows recent record highs in down payments and credit scores.

Spurred by rate declines, purchase loan demand had two of its best weeks since March, but remains noticeably below the levels seen earlier this year and in 2023 when rates were at comparable levels. The ICE Home Price Index for July showed the annual rate of home price growth slipping to +3.6% from +4.1% in June, marking the slowest pace in 12 months on rising inventory and still-soft demand...❑

Source: Morning Star

Time To Refinance?...

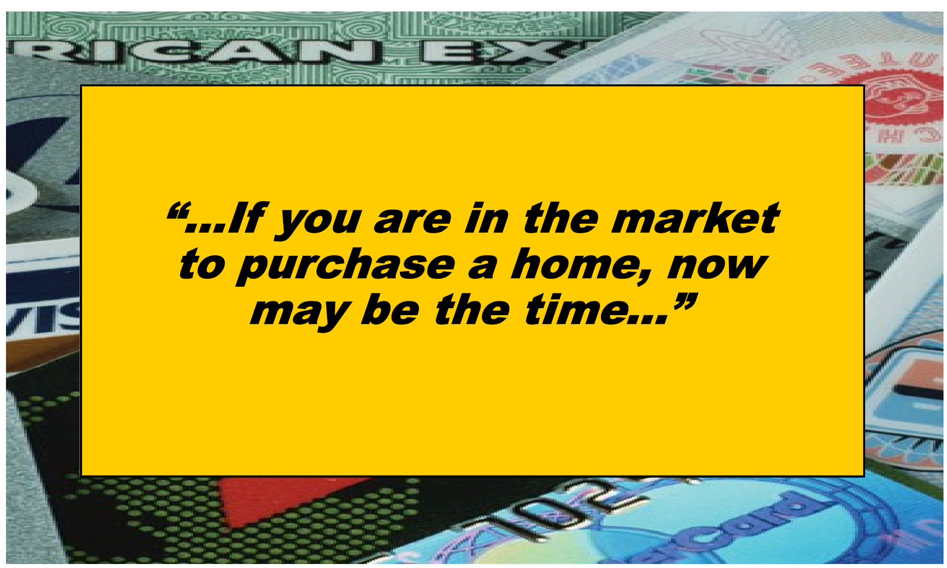
Mortgage rates moved to their lowest levels in a generation during the pandemic years but rose significantly during the pandemic's aftermath. Now rates have started to move lower again, though they are not likely to reach the lows seen during the pandemic. The question is—how can you take advantage of these lower rates?

If you are in the market to purchase a home, now may be the time. Home prices are not rising as fast in most areas of the country and rates getting lower. If you already have a home and don't want to move or purchase an investment property, serious consideration should be made to refinance your mortgage. Here are some of the goals you can achieve by refinancing:

You can lower your payment. Lower rates mean lower payments to many homeowners. A one percent drop in interest rate on a $300,000 mortgage can lower your payment approximately $250 monthly. Let's say the cost of a refinance is $5,000. This means that you will have paid back the cost in approximately 20 months and in 10 additional years, the "profit" would be approximately $24,000. It should also be noted that these costs do not have to come "out-of-pocket" for many, especially if they have equity in their home. It would be important to get with your mortgage advisor in order to determine the actual numbers for your situation.

You can pay off your mortgage more quickly. With houses not appreciating as fast during the previous housing boom, many have realized that the road to retirement can still start with their homes. However, instead of maximum leverage, you can build equity through an accelerated payoff of your mortgage. In the previous example, the homeowner was able to achieve a lower payment of $200. The homeowner could also choose to keep their payment the same or even raise it slightly but opt for a 15-year to 20-year mortgage. What would the savings be on a 20-year mortgage? Let's say hypothetically your payment is $2,000 for principal and interest. The savings would be $240,000 over the 10-year period you are not making payments. A home can be a forced savings account!

Take cash out for other purposes. Even with somewhat tighter lending guidelines in the sector, there are programs that will let you use the equity in your home, especially for those who have good credit. While it may make sense for some to use their home as a savings account to build-up equity,



"...If you are in the market to purchase a home, now may be the time..."

Here Are The Reasons...

others would benefit from using their equity for other purposes. For example:

•***You could fund your retirement plan.*** If you can't afford to make contributions to your retirement plan, you are missing out on the second most important tax advantage available to you, after ownership of a home.

•***You could consolidate debts.*** Your payment could be lowered even further by converting short-term debt into long-term mortgage debt. Let's say you have $50,000 of consumer debt that is costing you $1,200 per month. Adding $50,000 to your mortgage at these low rates may lower the payments to approximately $300 monthly. There may be further savings because this new debt could be tax-deductible. Of course, spreading out the debt means you are making the payments over a longer period of time. But you could still invoke the strategy of reducing the term of the mortgage and save money in the long-run as well as the short-run.

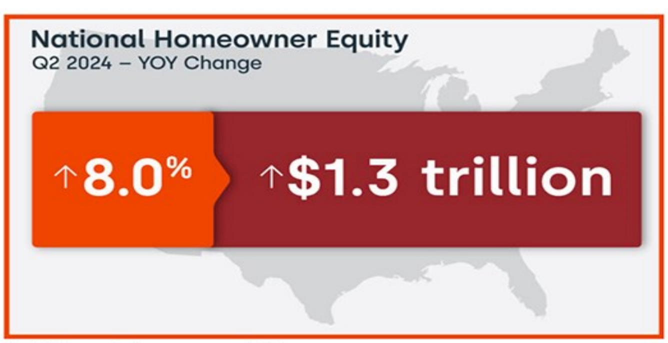
•***You could fund home improvements.*** Another way of building equity is improving the value of the home. You could add a room, finish a basement or remodel the kitchen.

•***You could invest the proceeds of the equity.*** Your financial advisor can help you decide that now is the time to make investments for your future – from investment properties to stocks or mutual funds.

•***You could move from an adjustable to a fixed rate.*** Adjustables can help you achieve lower payments in some eras, but they come at a risk of higher payments at other times. Lower rates represent the ideal time to convert adjustables into secure fixed rate mortgages. This is especially true if you feel you will be staying in your home for a long time or keeping the home as a rental property if and when you move.

There are plenty of reasons to refinance and lower rates make the timing right for many. You need to get with your mortgage advisor to determine if you qualify and for what rate based upon your credit score. Your advisor could even help you boost your score.

Keep in mind that you should be consulting with a tax advisor regarding the tax implications mentioned in this article. The numbers presented within the article are for illustrative purposes only and should not be considered a commitment to lend.……❑



The Home Stretch

Continued from Page 1

with the September jobs report—a particularly interesting data point at this juncture. The job market has led the economic recovery from the pandemic for the past four years. It was expected that the pace of job growth would slow down at some point. That point seems to have taken hold in the latter part of this year. This progression has helped facilitate progress on the inflation front. But we can't afford for the job market to slow too much if the economy is going to successfully experience a mostly soft landing...❑

"...the price of homes continued to move upward..."

My goal is to provide expert advice and direction for my clients with an overall goal of providing a real estate finance transaction that exceeds their goals and expectations.

-- John Doe
Senior Loan Officer

Homeowner Equity Growing

CoreLogic released its Home-owner Equity Insights report for the second quarter, finding that U.S. homeowners with mortgages saw their overall equity increase by 8% year-over-year. Overall, the equity for those homeowners has increased by a total of $1.3 trillion from Q2 2023. That brings total net homeowner equity to more than $17.6 trillion. “Persistent home price growth has continued to fuel home equity gains for existing homeowners who now average about $315,000 in equity and almost $129,000 more than at the onset of the pandemic.

The substantial accumulation of home equity for existing homeowners has served as an important financial buffer in times of uncertainty, as some homeowners are facing higher costs of homeowners’ insurance and taxes and have had to tap into their equity to prevent falling behind on their mortgages,” said Selma Hepp, Chief Economist for CoreLogic. “As a result, mortgage delinquency rates have remained at historical lows despite the inflationary pressures and higher costs of almost all non-mortgage, home-ownership-related expenses.”

The average U.S. homeowner gained approximately $25,000 in equity over the past year. The total number of mortgaged residential properties with negative equity fell by 4.2% from Q1, to about 960,000 homes total. That represents about 1.7% of all mortgaged properties. Year-over-year, national negative equity was down by 15%, or about 169,000 fewer homes...

Source: CoreLogic

In This Issue:

The Home Stretch

John Doe
Senior Loan Officer

Ajax Mortgage
111 Mortgage Way
Mortgagetown, MD, 11111
(301) 555-1212
(800) 555-5555
Ajaxmrtg.com

Address Correction Requested

Joe Customer
Joe’s Appliance Center
111 Center Way Drive
Suite 1005
Happyville, VA 20000