REAL ESTATE UPDATE

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- ☑ **Residential Refinances**
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- ☑ **Home Equity Loans**

A Clearer Picture

We have had so many months of jobs gains that the monthly employment report has held little intrigue lately. As a matter of fact, the ancillary numbers such as wage inflation have garnered more attention than the number of jobs gained in some circles. For at least one month, this is no longer the case.

In October, the number of jobs added was a paltry 12,000, the lowest number by far since the pandemic-induced recession. The average monthly gain for the previous 12 months was 194,000 according to the Bureau of Labor Statistics.

Even though the pace of job growth was expected to slow from the torrid pace we have seen in the past three-plus years, few were expecting this paltry increase – even with temporary factors considered. These temporary factors included two major storms and two major labor strikes as well. Though the numbers again may be affected by some of these factors, the November report should give us a clearer picture as to how much the labor market is slowing. And the pace of wage inflation will still be an important component of the equation.

Continued on Page 3

Did You Know…

The number of renter households grew 2.7% in the third quarter year-over-year, to a record 45.6 million, Redfin reported. In the same period, there was a 0.9% increase in homeowner households, now at a total of 86.9 million

ATTOM released its October Foreclosure Market Report, finding that foreclosures were up 4% from September but down 11% from last October. ATTOM reported 30,784 properties with foreclosure filings–which include default notices, scheduled auctions or bank repossessions.

Selected Interest Rates

November 21, 2024

30 Year Mortgages——6.84%
2023 High (Oct 19)——7.79%
2023 Low (Jan 26)——6.09%
15 Year Mortgages——6.02%
10 Year Treasuries——4.43%

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

Housing: The Feminine Side

Female homebuyers who purchase homes on their own have emerged as a formidable housing force, with their growth trajectory as a share of the market rising faster than that of their male counterparts, according to software firm Maxwell. Even with the difficult real estate landscape of the past couple of years, female homebuyers who apply for mortgages on their own have grown to comprise 18% of market share, per Maxwell's numbers.

"The data on single women homebuyers is empowering," says Melissa Langdale, president and chief operating officer of The Mortgage Collaborative. "It clearly shows that women value homeownership and aren't waiting on a life event like marriage or the perfect economic conditions to purchase a home." Maxwell's Single Women Home Buyer Report dug into the demographics of the emergent cohort, revealing that 51% buy single-family homes and 40% buy because of high rent prices. Twenty percent buy properties to be deployed as long-term rentals. Over half (55%) of female borrowers who apply singly are 34 or younger, compared to just 40% of male borrowers. Notably, women who buy homes on their own aren't necessarily single; one-third have a partner or are married but buy alone, either because they're the breadwinner or have strong credit and savings... ❑

Source: Scotsman Guide

Parents: Do You Want To

Owning a home is a dream that is shared by millions and millions of Americans. Several years ago, the national home ownership rate reached a record high as almost 70% of all families owned their own home. This number has fallen somewhat during the last decade, however the dream of obtaining home ownership has remained a goal for many who are presently renting. During the pandemic, more Americans were able to reach their goal of home ownership because of low interest rates that made owning more affordable than ever. More recently, with higher home prices and interest rates, that dream is more difficult to achieve, especially for first-time buyers.

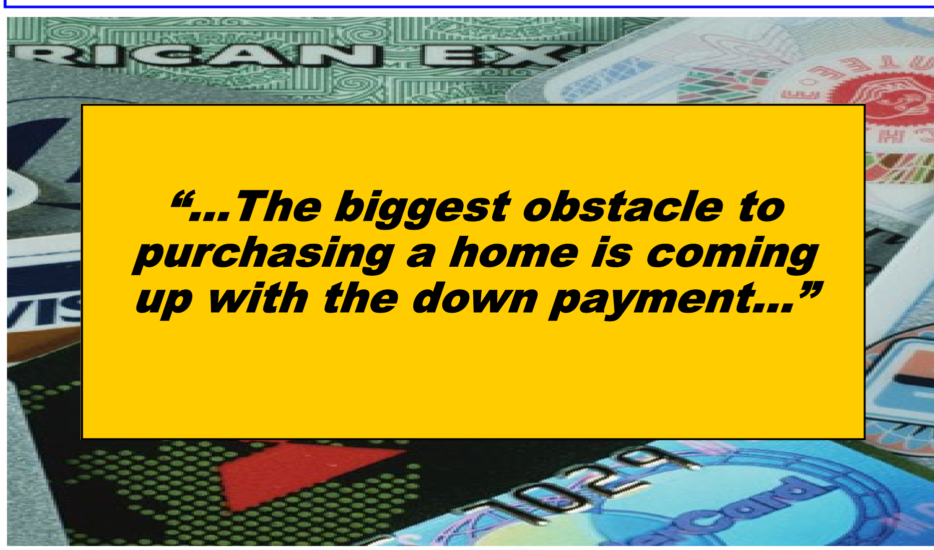
The biggest obstacle to purchasing a home is coming up with the down payment. Fortunately, there are programs which allow a down payment from 0% to 5% of the sales price, such as VA, FHA and Fannie Mae and Freddie Mac programs. Yet, even with these low-down payment alternatives, many first time home buyers need help when purchasing their first home.

When you are preparing to purchase a home, it makes sense to consider traditional sources of aid such as our families. Traditionally, American parents have been a significant source of help when their children decide to become part of the community of homeowners. Here are a few important ways in which parents can help their children purchase real estate:

Alleviating cash shortages through gifts. We have already mentioned that the number one obstacle to owning a home is a shortage of cash. Many of the mortgage programs that require small down payments in order to purchase a home also allow some or all of the liquid assets needed for the down payment and/or closing costs to be provided through a gift from an immediate relative such as one's parents. These programs include FHA and VA, as well as conventional programs.

For example, FHA is a very popular program for first-time buyers and it allows all of the capital necessary for the purchase to come from a gift. The capital required is typically 3.5% of the sales price for the down payment and any closing costs not paid by the seller or through a lender credit.

VA loans are for the benefit of active military and veterans of military service. The majority of VA loans require no down payment and therefore the use of gifts would typically be for those who need help with closing costs,



"...The biggest obstacle to purchasing a home is coming up with the down payment..."

….Help Your Children?

especially when sellers are not contributing towards such costs or a lender credit is not available.

Historically, conventional programs have tended to be less liberal with regard to the use of gifts, but conventional guidelines have been liberalized more recently, especially with regard to guidelines for low-to-moderate income purchasers. In some cases, conventional programs require at least 3.0% to 5.0% of the cash needed for purchase to come from the purchaser, unless the gift constitutes 20% of the total purchase price of the home. Other conventional programs allow gifts for 100% of the required down payment with minimum down.

Did you know that you can give a gift of equity to your child?

Many parents do not understand that most loan programs enable you to facilitate the transfer of a house to a child, by gifting part or all the equity in the home. For example, if you "sold" the property to your child for $400,000 and you had $200,000 in equity in the home, you could gift the child $100,000, which they could use as the down payment. You would then receive $100,000 which could help in retirement. This may be a way of keeping the home in the family, while you start the transfer of assets to an heir. It is highly suggested that you speak to a financial advisor regarding any tax and estate planning ramifications before structuring such a solution.

Purchasing together for income support. Purchasing a home with your children may enable those who do not have enough income to qualify for a mortgage to finance their home purchase. Once again, mortgage programs vary with regard to the allowance of co-borrowers and FHA and conventional low-to-moderate alternatives have the most liberal requirements. Under the FHA program, immediate family members can help a relative purchase without living in the home themselves. VA is the most stringent with regard to co-borrowers, as only the spouse or another veteran who will live in the home can co-sign. Conventional programs vary with regard to their requirements, but once again these have become more liberal with the growth of low-to-moderate income programs.

Purchasing together for credit support. One area in which a parent can help is for children who have a substandard credit history. It should be noted that adding a co-borrower with a clean credit history in no way erases the existence of a poor credit history. On the other hand, a strong co-borrower may be able to make the difference in cases where the credit history of the child is close, but not quite up to standards. It should also be noted that the credit score, which is used for a determination of the rate, would come from the child if it is lower than the parents' scores.

Cash, income and credit. The three major barriers to obtaining a mortgage and reaching the American dream of home ownership. Help for overcoming these obstacles may be no further away than going back to your roots.

The Federal Reserve Board has shown that homeowners have an average net worth of many times the net worth of renters. Therefore, helping a child enter the world of home ownership may be the most important assistance you can give your children in their lifetime – from both an economic and a social economic perspective....

A Clearer Picture

Continued from Page 1

Meanwhile, December is always an important month for the economy as the holiday shopping season will be going full throttle. This will occur without the uncertainty of who will occupy the Oval Office, but with plenty of uncertainty with regard to the upcoming transition. Throughout the past few years, the low unemployment rate and consumer spending has fueled economic growth. If consumers continue to open their wallets, the economy should end 2024 on a positive note. Especially if the Fed acts to lower rates again in December...

"...few were expecting this paltry increase..."

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

Housing Prices Still Rising

According to the NAR's most recent quarterly report, home prices increased in about 90% of metro markets (196 out of 226, or 87%) during Q3 of 2024. Compared to 13% in Q2, just 7% of the 226 metro regions under study saw double-digit price increases within the same time frame. "Home prices remain on solid ground as reflected by the vast number of markets experiencing gains," said Lawrence Yun, Chief Economist of NAR. "A typical homeowner accumulated $147,000 in housing wealth in the last five years. Even with the rapid price appreciation over the last few years, the likelihood of a market crash is minimal. Distressed property sales and the number of people defaulting on mortgage payments are both at historic lows."

The typical single-family existing-home price nationwide increased 3.1% to $418,700 from a year ago. The national median price rose 4.9% year-over-year in the previous quarter. With a 0.8% year-over-year price increase, the South had the highest percentage of single-family existing-home sales (45.1%) among the major U.S. regions in Q3. Additionally, prices rose 1.8% in the West, 4.3% in the Midwest, and 7.8% in the Northeast. Gains of at least 10.6% were recorded in the top 10 metro areas with the biggest year-over-year median price increases, which can be impacted by the kinds of properties sold during the quarter...

Source: The National Association of Realtors

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