

Is It Time to “Move On Up”?

Three decades ago, Americans watched and laughed with George Jefferson, a character spun off from the hit TV show *All in the Family*, as he “moved on up to the eastside,” leaving working class Brooklyn and Archie Bunker behind. George and his wife Weezie traded in their row house for a “deluxe apartment in the sky.” It was a good time to move up in the world.

Now, flash forward 30 years and it seems pretty gloomy in the real estate and mortgage industries. Housing prices have dropped in several parts of the country, foreclosures are up, and some experts claim things might even get worse. Nothing but gloom and doom in the mortgage world, right?

Wrong.

Despite what you’ve heard and read and despite what others are telling you, now is one of the best times in history to be in the market for a home, especially if, like George Jefferson, you are interested in “moving on up,” or getting a more expensive home. The other two purchase scenarios offering the best buys in recent history are for first-time home buyers and investment buyers.



Let’s Start with First-Time Homebuyers

First-time home buyers are in the best possible situation because they don’t have to worry about selling a house in a down market. They just need to buy one, which is a very good thing.

With prices down, deals are available that would have seemed impossible just a few years ago. Really good deals, including substantially reduced prices and a bevy of incentives being offered by sellers and builders alike.

Consider this example: Your neighbor recently tried to sell his home and struggled to garner any interest at all in his asking price. After nearly a year, the house sold for almost 25 percent less than it would have gotten just a few years back. Now if you were a first-time homebuyer or someone just looking to move into a bigger house, we’d call that a very attractive bargain, right?

It’s pretty obvious to understand how those moving to a more expensive home can take advantage of today’s market. Some simple math can show how, even if you take a loss on selling your home, you can actually make a net gain in equity if you buy a more expensive home.

For example, suppose you have a \$100,000 house in an area that has, on average, lost 15% of its value. Your house is now worth about \$85,000. Now, let’s also suppose that you are interested in a home that was worth \$300,000 and now priced around \$255,000 (assuming it has also depreciated the same 15%). On paper, you may lose \$15,000 on your home when you sell, but you make \$45,000

on the home you buy, so you actually net \$30,000 in equity. Not a bad deal, George Jefferson!

Finally, real estate investors are in a good place today to spend less and get more than anytime in recent history. If you have the cash reserves or resources to invest, now is the time to consider doing it. Lower prices mean more property for the buck and those that can buy now and have renters to help them weather the storm until the market improves can do very well. If you’re considering investing, do your homework on the area you are interested in and you’ll have a good chance to get a great return on your investment dollars.

Opportunities to do well in today’s real estate market abound, especially for many purchase scenarios. If you are a first-time homebuyer, thinking about moving to a more expensive home, or interested in real estate investments, as the idiom goes “there is no time like the present.”

Feel free to contact our office today to learn more about how you might be able to “move on up.”

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Be Smart: Use a Real Estate Agent

At first, you may be able to convince yourself that you don't need a real estate agent to buy a home. But when you find yourself sifting through papers you don't understand, you may begin to reconsider. There are many reasons to use a real estate agent when house hunting — here are just a few:

1. No Direct Cost to You!

One misconception in real estate is that a home buyer pays commission. Not so!

The seller pays the commission, and if two agents are involved in the transaction, that same commission will be split between them. If it ever becomes an issue, keep in mind that you have the upper hand in all negotiations in today's buyer's market.

2. Multiple Listing Service

The Multiple Listing Service (or MLS) is a database which allows real estate agents to share information about houses for sale. Your real estate agent, who is licensed with the state, will have access to these listings. After learning of your criteria for your new home, your real estate agent will get to work by whittling down the long list of potential homes. Without a real estate agent, you'll be limited in your searches, which could make your home search difficult and tedious.

3. Negotiation

Your initial offer on any given property can significantly help or hurt your chances of acquiring that home. Rather than take on a new full-time job researching home values, an experienced real estate agent will have already done the work and will be able to negotiate the best possible purchase price for you. Real estate agents know when to stop and when to keep adjusting the purchase price in negotiations. The seller has a real estate agent representing them — you should too!

4. Legal Protection

When making an important financial transaction such as buying a home, it's important to know that you are legally protected in case things don't go as planned. When your real estate agent drafts a purchase agreement, they will include certain contingencies that protect you from issues, such as a loss of financing, failed inspection or unfulfilled promises. If the situation warrants, you may be able to recoup your earnest money deposit or void your offer completely.

5. Paperwork, paperwork, paperwork!

Scaling the mountains of paperwork associated with buying a home is your real estate agent's job! A real estate agent can prevent you from losing and forgetting paperwork or from signing on the wrong line. Without their help, you could miss things that may delay the process and push back your closing date.

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Cash-Out Refinance Versus a Home Equity Loan

Let's say you have a home that's worth \$150,000 and you owe \$100,000 on the mortgage. That means you have \$50,000 of equity in your home, which is like having \$50,000 in a savings account. A cash-out refinance allows you to access that equity. For instance, if you need \$10,000, you can refinance your mortgage so that you owe \$110,000 and the lender then gives you \$10,000 in cash at closing.

Since every homeowner's situation is different, your best option will depend on your specific circumstances. Your local Lender can



help you decide which mortgage option might be best for you. When you compare cash-out refinance loans further, there are a few things you should consider in order to determine what's best for you:

Which
Would Serve
You Better

THE SPEED

Need cash fast? Cash-out refinances can usually be done as quickly as two weeks.

THE RATE

A cash-out refinance loan typically has a lower rate than a home equity loan and can be done without taking out a second mortgage.

THE TERM

Cash-out refinances lump all your payments into one low payment instead of having multiple payments due each month.

Contact our office today to learn more about all the cash-out refinance loan options. With your own personal mortgage expert to guide you, you'll have no trouble determining if this type of loan is right for you. Call today to find out more.

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