THINGS TO CONSIDER WHEN

BUYING A HOME



FALL 2013
EDITION

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THE COST OF A HOME:
LAST YEAR, THIS YEAR & NEXT YEAR

The cost of a home is determined mainly by two components: price and mortgage rate. The monthly cost of purchasing a median priced home has changed over the last twelve months and will continue to change over the next twelve months based on these two factors.

For the first two examples, the *National Association of Realtors'* (NAR) **Existing Home Sales Report** was used to establish median price and *Freddie Mac's* **Primary Mortgage Market Survey** to establish mortgage rate. A 20% down payment was used in all examples.

LAST YEAR

The median priced home in the country was selling for $187,800. The 30-year fixed mortgage rate was at 3.5%. Here is what it cost to buy a home last year:

Price	Money Down	Mortgage	Interest Rate	Payment (P&I)
$187,800	$37,560	$150,240	3.5%	**$674.64**

TODAY

The median priced home in the country is selling for $213,500. The 30-year fixed mortgage rate is at 4.5%. Here is the cost to buy a home today:

Price	Money Down	Mortgage	Interest Rate	Payment (P&I)
$213,500	$42,700	$170,800	4.5%	**$865.42**

The monthly cost increased by: $190.78!

NEXT YEAR

Projecting into the future in real estate can be rather tricky. To establish future pricing, the **Home Price Expectation Survey**, which depends on the over 100 housing experts surveyed, who called for an approximate appreciation rate of 5% over the next twelve months. For the interest rate, we took the average of the projections from the *Mortgage Bankers' Association*, *Freddie Mac* and *Fannie Mae*. These experts project the approximate cost of a home a year from now to be:

Price	Money Down	Mortgage	Interest Rate	Payment (P&I)
$224,175	$44,835	$179,340	5%	**$962.74**

The monthly cost will increase by about: $97.32!

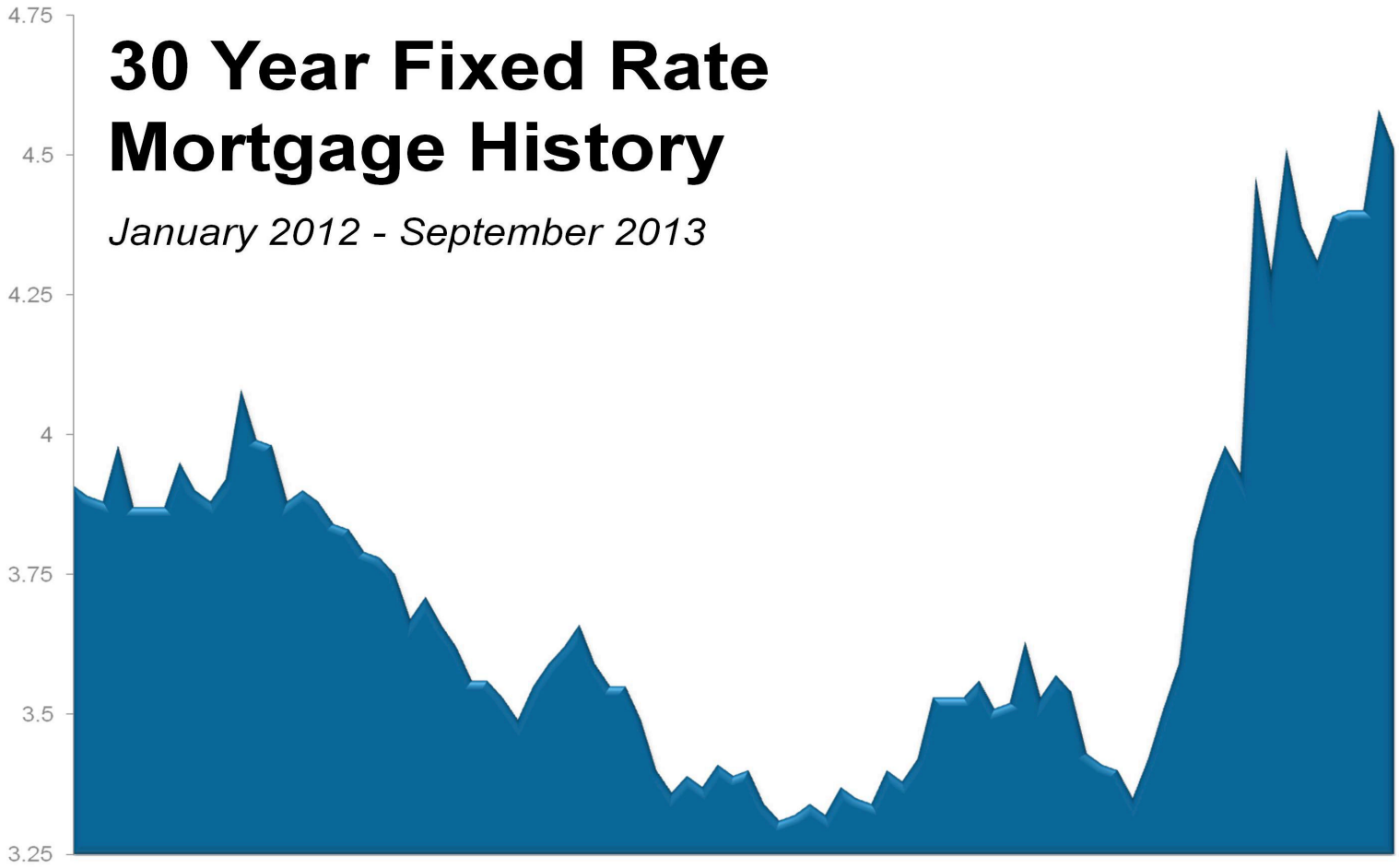
Bottom Line

From a financial perspective, why wait if you are thinking about buying?




HOME PRICES
over 30 years*
+7.9%
Jan 2000 –May 2007
+3.6%
1987-1999
+4.7%
2013-2017
projected
*Average ANNUAL APPRECIATION
Home Price Expectation Survey
KEEPING CURRENT MATTERS
-5.8% June 2007 –Oct 2011

SHOULD I WAIT FOR INTEREST RATES TO COME BACK DOWN?



Federal Reserve 9/2013

Above is a graph of the movement of the 30 year fixed mortgage rate since the beginning of 2012.

Some buyers are waiting to see if interest rates will come back down before making a decision about buying a home. Though no one can guarantee where rates will be in a few months, waiting does not seem to be a good strategy.

Most experts believe rates may actually move higher. *The Mortgage Bankers Association*, *Fannie Mae*, *Freddie Mac* and the *National Association of Realtors* are in unison projecting that rates will continue to climb.

With home prices increasing and interest rates projected to also increase, the cost of buying a home could quickly increase dramatically.

BUYING A HOME? WHERE ARE VALUES HEADED?

Today, many real estate conversations center on housing prices and where they may be headed. Some believe rapidly rising prices have created a new 'housing bubble'. Others believe that the sudden rise in interest rates will impact purchasing power to such a degree that it will force prices downward. There is no lack of opinions and there is absolutely no consensus.

Every quarter, *Pulsenomics* puts out their **Home Price Expectation Survey**, which polls a nationwide panel of over one hundred economists, real estate experts and investment & market strategists about where prices are headed over the next five years. They then ***average the projections*** of all 100+ experts into a single number.

The latest survey was recently released. Here are the results:

- Home values will appreciate by 6.7% in 2013.
- The average annual appreciation will be 4.7% over the next 5 years
- The cumulative appreciation will be 23.7% by 2017.
- Even the experts making up the most bearish quartile of the survey still are projecting a cumulative appreciation of over 13% by 2017.

Individual opinions make headlines. This survey is a fairer depiction of future values.





HOMEOWNERSHIP STILL THE AMERICAN DREAM

A big question facing the real estate industry over the last few years is how the housing crisis would impact the public's belief in homeownership as a major component of the American Dream. Many felt the tragedy experienced by so many families would force them to reconsider their desire to ever be a homeowner again.

A recent study by the Joint Center for Housing Studies at Harvard University addressed this question. Their paper, *Reexamining the Social Benefits of Homeownership after the Housing Crisis*, revealed some interesting findings:

Homeownership Still Preferred Over Renting

"Even after the dramatic loss of equity and the high foreclosure rates, the early evidence suggests that people seem to believe that, over the long run, owning is still preferable to renting… The long term cultural preference for owning seems to have weathered the recent housing crisis."

Americans Still Expect to be Homeowners

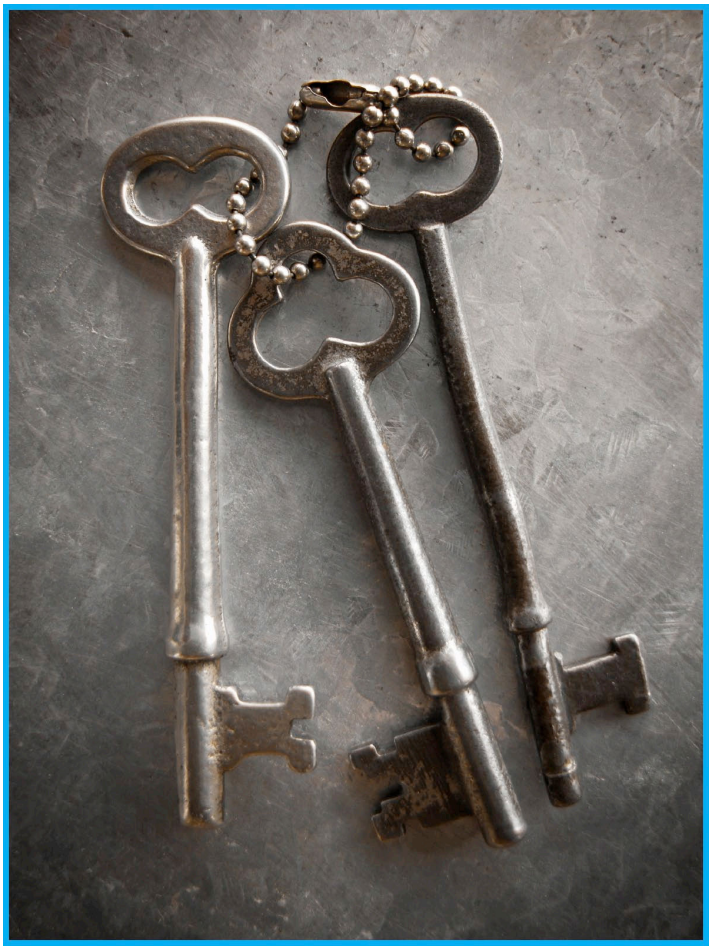
"The research on home-buying expectations supports the conclusion that very large percentages of Americans still expect to buy a home at some time in the future."

Younger Americans More Desirous of Homeownership

"Moreover, the finding that younger renters and owners are more likely than their older counterparts to expect to own bodes well for the future of the housing market."

Even after one of the most difficult decades in this country's real estate history, the American dream of homeownership still lives on.

3 REASONS TO BUY YOUR HOME NOW!



Here are three great reasons to consider buying a home today instead of waiting.

1. Prices Will Continue to Rise

The Home Price Expectation Survey polls a distinguished panel of over 100 economists, investment strategists, and housing market analysts. Their most recent report released recently projects appreciation in home values over the next five years to be between 12.3% (most pessimistic) and 32.8% (most optimistic).

The bottom in home prices has come and gone. Home values will continue to appreciate for years. Waiting no longer makes sense.

2. Mortgage Interest Rates Are Increasing

Although Freddie Mac's Primary Mortgage Market Survey shows that interest rates for a 30-year mortgage have softened recently, most experts predict that they will begin to rise later this year. The Mortgage Bankers Association, Fannie Mae, Freddie Mac and the National Association of Realtors are in unison projecting that rates will be up almost a full percentage point by this time next year.

An increase in rates will impact YOUR monthly mortgage payment. Whether you are moving up or moving down, your housing expense will be more a year from now if a mortgage is necessary to purchase your next home.

3. It's Time to Move On with Your Life

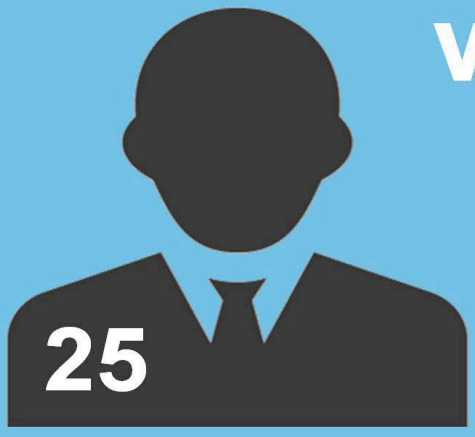
The 'cost' of a home is determined by two major components: the price of the home and the current mortgage rate. It appears that both are on the rise. But, what if they weren't? Would you wait?

Look at the actual reason you are buying and decide whether it is worth waiting. Whether you want to have a great place for your children to grow up, you want your family to be safer or you just want to have control over renovations, maybe it is time to buy.

If the right thing for you and your family is to purchase a home this year, buying sooner rather than later could lead to substantial savings.

What BUYERS are *willing to do* for the HOUSE THEY WANT

Number of buyers *out of 100* that are willing to offer…



1-5% OVER asking price



6-10% OVER asking price



10+% OVER asking price

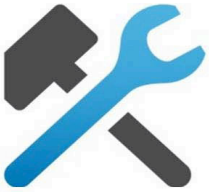
Other examples of what buyers are willing to do for the home they want…



25% pay sellers' closing costs



17% write a personal letter to seller



8% remove all contingencies



Percentage willing to borrow enough money from friends and family to make…



Trulia's American Dream Survey 7/2013