



THE TOP REASONS WHY AMERICANS BUY HOMES

The inaugural *"Homebuyer Insights Report"* released by *Bank of America*, reveals the reasons why consumers purchase homes and their feelings regarding homeownership.

Consumer Lending Executive, D. Steve Boland, explained:

"Homebuyers today are motivated by both emotional and practical reasons. Nearly all want more space, but a majority of homebuyers, especially those purchasing their first home, are also looking for a place to call their own, put down roots and make memories. They value the emotional benefits of owning a home as much as the financial ones." (top graph)

Boland went on to say:

"The path to homeownership is a journey and can be as overwhelming as it is exciting. For many people, this is the single most significant financial transaction they will ever make."

This was evidenced in the report when they asked today's homebuyers to define homeownership. Their answers tell the whole story and are on the right.

Bottom Line

Homeownership has always been a part of the American Dream and survey after survey confirms this will always be the case.

Emotional Factors

Want a place to call their own

52%

Always something they wanted to do

43%

Want to put down roots

31%

A place to make memories

28%

Financial Factors

Better than paying rent

37%

Saved enough money

26%

Have a steady job

21%

Good time to buy a home

15%

Security

60%

Family

58%

Responsibility

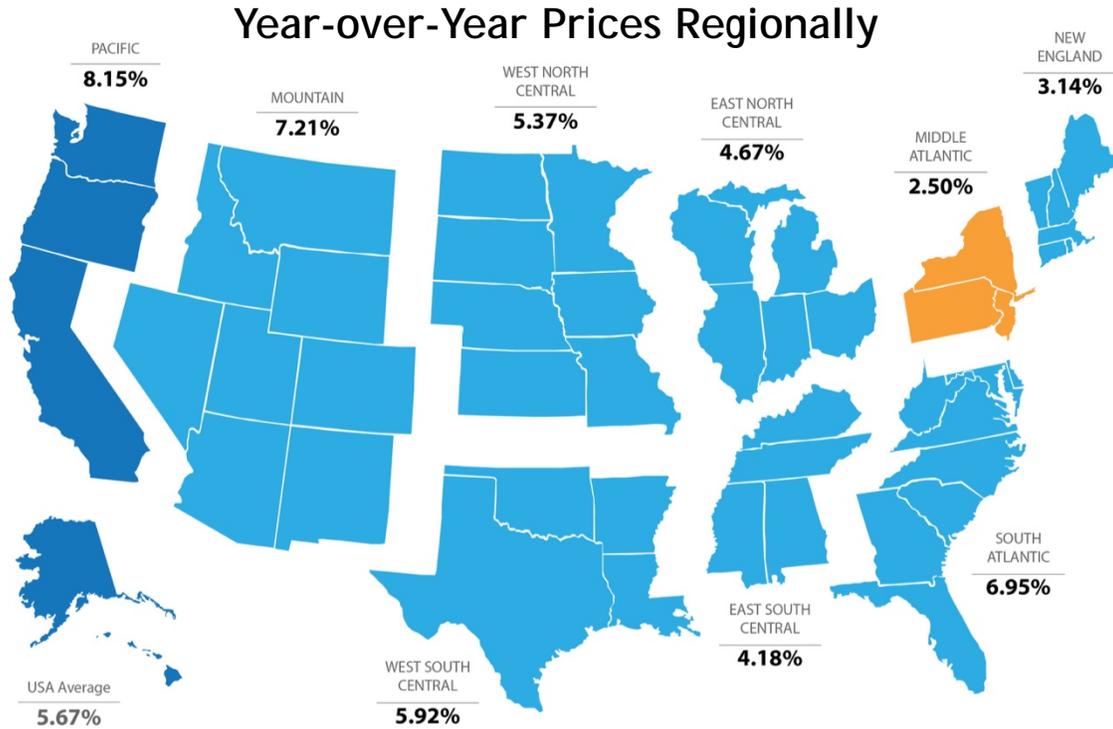
58%

Happiness

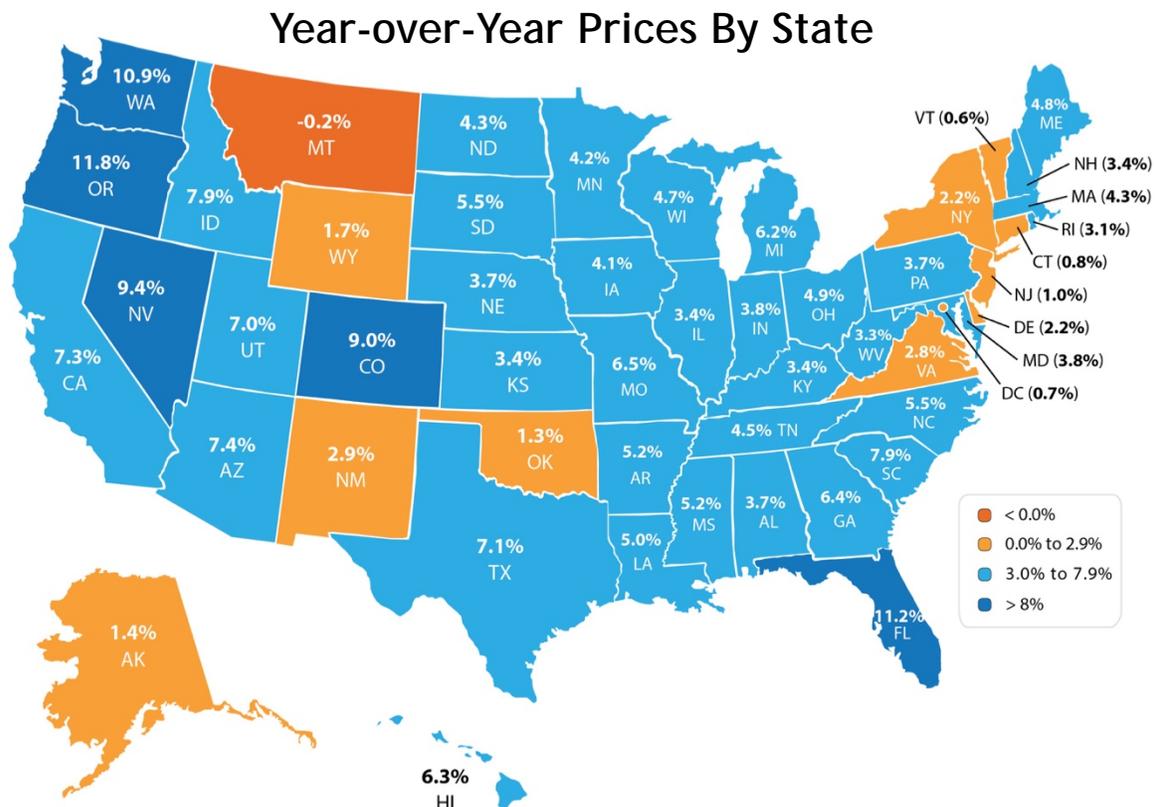
57%

HOME PRICES OVER THE LAST YEAR

Every quarter, the *Federal Housing Finance Agency (FHFA)* reports on the year-over-year changes in home prices. Below, you will see that prices are up year-over-year in every region.



Looking at the breakdown by state, you can see that each state is appreciating at a different rate. This is important to know if you are planning on relocating to a different area of the country. Waiting to move may end up costing you more!



BUYING A HOME?

CONSIDER COST NOT JUST PRICE

As a seller, you will be most concerned about 'short term price' - where home values are headed over the next six months. As a buyer, you must be concerned not about price but instead about the 'long term cost' of the home.

The *Mortgage Bankers Association (MBA)*, the *National Association of Realtors (NAR)*, and *Freddie Mac* all project that mortgage interest rates will increase by nearly a full percentage point by this time next year. According to *CoreLogic's* most recent *Home Price Index Report*, home prices will appreciate by 5.3% over the next 12 months.

What Does This Mean as a Buyer?

Here is a simple demonstration of what impact an interest rate increase would have on the mortgage payment of a home selling for approximately \$250,000 today if home prices appreciate by the 5.3% predicted by *CoreLogic* over the next twelve months:

	Mortgage	Interest Rate	Payment (P&I)
Today	\$250,000	3.64%	\$1,142.24
Q2 2017	\$263,250	4.6%	\$1,349.54

Difference in Monthly Payment

\$207.30

Monthly

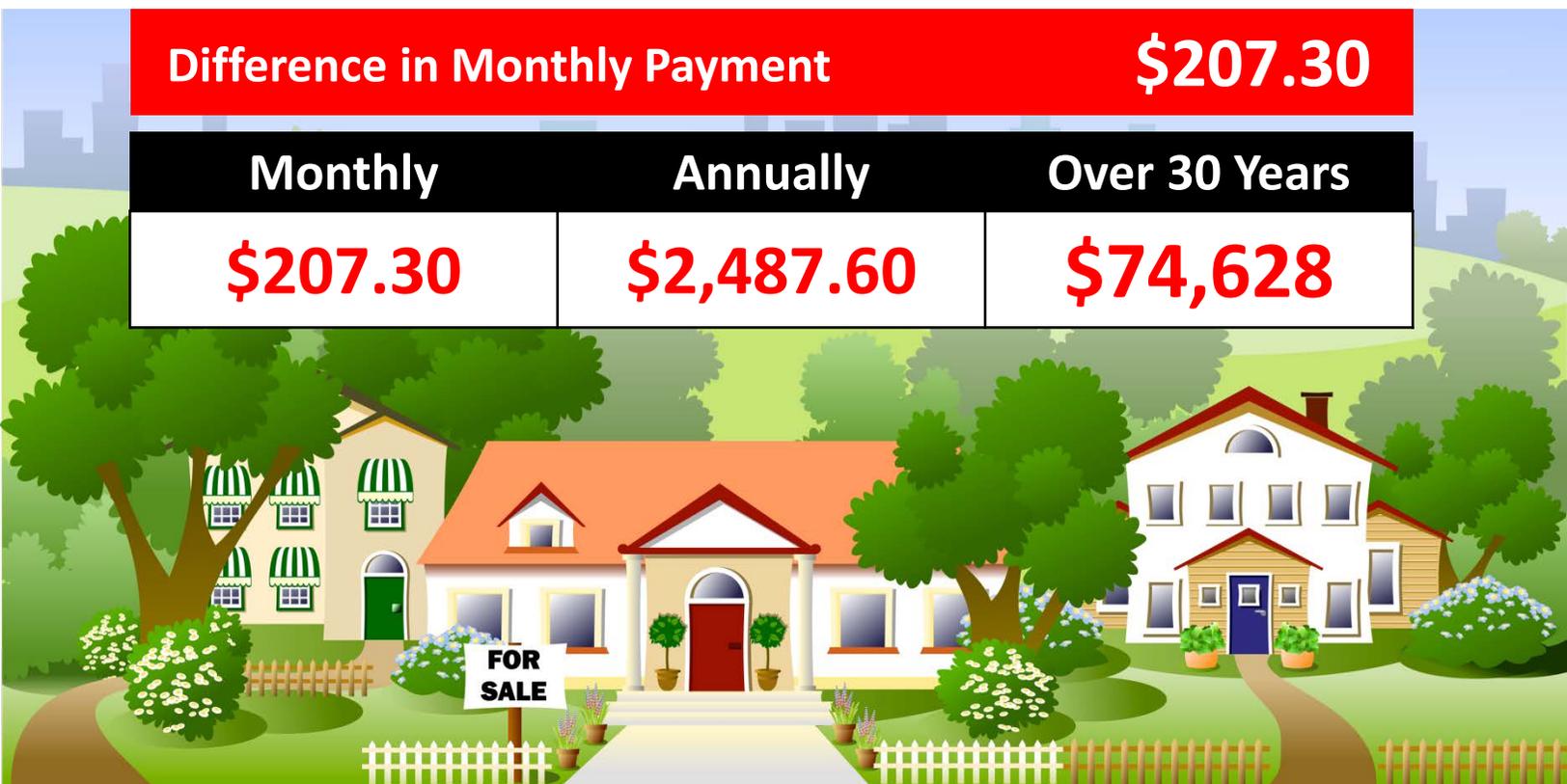
Annually

Over 30 Years

\$207.30

\$2,487.60

\$74,628





HARVARD: 5 FINANCIAL REASONS TO BUY A HOME

Eric Belsky is the Managing Director of the *Joint Center of Housing Studies (JCHS)* at *Harvard University*. He authored a paper on homeownership - *The Dream Lives On: the Future of Homeownership in America*. In his paper, Belsky reveals five financial reasons why people should consider buying a home.

Here are the five reasons, each followed by an excerpt from the study:

1. Housing is typically the one leveraged investment available.

"Few households are interested in borrowing money to buy stocks and bonds and few lenders are willing to lend them the money. As a result, homeownership allows households to amplify any appreciation on the value of their homes by a leverage factor. Even a hefty 20 percent down payment results in a leverage factor of five so that every percentage point rise in the value of the home is a 5 percent return on their equity. With many buyers putting 10 percent or less down, their leverage factor is 10 or more."

2. You're paying for housing whether you own or rent.

"Homeowners pay debt service to pay down their own principal while households that rent pay down the principal of a landlord."

3. Owning is usually a form of "forced savings."

"Since many people have trouble saving and have to make a housing payment one way or the other, owning a home can overcome people's tendency to defer savings to another day."

4. There are substantial tax benefits to owning.

"Homeowners are able to deduct mortgage interest and property taxes from income...On top of all this, capital gains up to \$250,000 are excluded from income for single filers and up to \$500,000 for married couples if they sell their homes for a gain."

5. Owning is a hedge against inflation.

"Housing costs and rents have tended over most time periods to go up at or higher than the rate of inflation, making owning an attractive proposition."

Bottom Line

We realize that homeownership makes sense for many Americans for many social and family reasons. It also makes sense financially.



BUILDING FAMILY WEALTH OVER THE NEXT 5 YEARS

As the economy continues to improve, more and more Americans are seeing their personal financial situations also improving. Instead of just getting by, many are now beginning to save and find other ways to build their net worth. One way to dramatically increase their family wealth is through the acquisition of real estate.

For example, let's assume a young couple purchased and closed on a \$250,000 home in January. What will that home be worth five years down the road?

Pulsenomics surveys a nationwide panel of over one hundred economists, real estate experts and investment & market strategists every quarter. They ask them to project how residential prices will appreciate over the next 5 years. According to their latest survey, here is how much value that \$250,000 home will gain in the coming years.

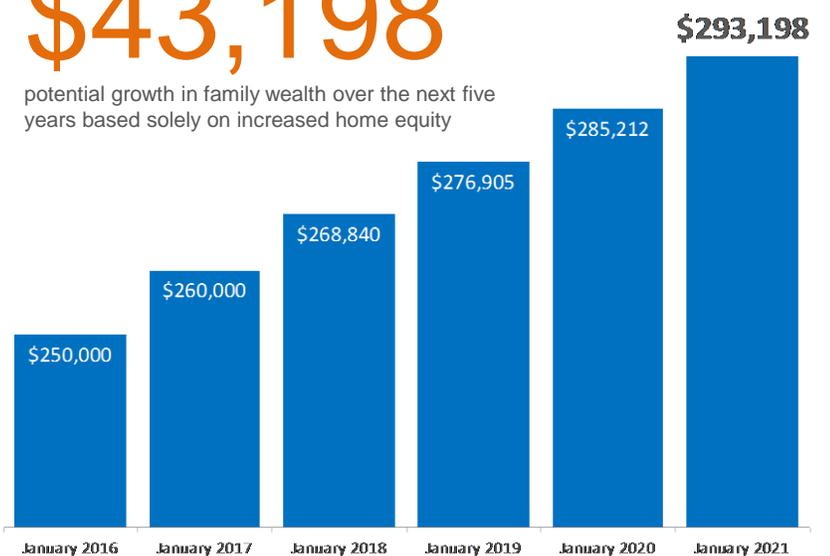
Over a five year period, that homeowner can build their home equity to over \$40,000. And, in many cases, home equity is a large portion of a family's overall net worth.

Bottom Line

If you are looking to better your family's long-term financial situation, buying your dream home might be a great option.

\$43,198

potential growth in family wealth over the next five years based solely on increased home equity



Increased home equity based on price appreciation projected by the Home Price Expectation Survey

What You Need to Know About The MORTGAGE PROCESS

What You'll Need to Qualify in Today's Market:

- ✓ **Downpayment:**
Generally between 5-20% of the purchase price (*40% of buyers are putting down less than 10% - with many putting down as little as 3%*)
- ✓ **Income Verification, Credit History & Asset Documentation**
- ✓ **Impartial Third-Party Appraisal:**
Your lender needs this to verify the value of the house you want to purchase.
- ✓ **Stable Income** ✓ **Good Credit History**



You will interact with various **professionals** during the home buying process, all of whom are **valuable resources** & perform **necessary roles**.

Steps To Take:



Find out your current credit history & score.
You don't want to start out with any surprises.



Start gathering all of your documentation:
Income Verification (W-2 forms, tax returns, employment), Credit History & Assets (such as bank statements to verify your savings)



Contact a professional to help you develop a spending plan & determine how much you can afford.



Consult with your lender to review your income, expenses & financial goals to determine the type and amount of mortgage you qualify for.



Talk to your lender about applying for a mortgage & getting a pre-approval letter. This letter provides an estimate of what you might be able to borrow (*provided your financial status doesn't change*) & demonstrates to home sellers that you are a serious buyer.



Bottom Line:

Do your research, reach out to the professionals, stick to your budget & be sure you are ready to take on the financial responsibilities of being a homeowner.

Source: Freddie Mac