MODERN LIFE REALTY

Realtor Update December 2012

Hi Johnathan Ling here and welcome to Modern Life Realty's Realtor and Mortgage update. I will be discussing the recent trends in the Texas Real Estate Market and will be joined later by Jason Duffy with Guaranteed Rate to discuss mortgage market trends.

Gradual Shift to a Seller's Market (Low Inventory with Increasing Demand)

On average, in Dallas, since January 2012, there has been a gradual increase in the number of homes sold as well as the average sales price. There has also been a decrease in the number of homes available on the market. New Home Construction has also increased, but is only at approximately 50% of what is considered normal home production value. These trends in the housing market may indicate slow shift from a buyer's market to a seller's market.

Generation X and Y Buyers

Currently, Generation X and Y buyers are seen as the driving force of the housing market. They are characterized as well educated individuals who research the many aspects of the mortgage and housing market. They are more prone to saving and are willing to purchase a home when they have landed a secure job.

Seller Inventory (Shadow Inventory)

Also, I believe there is a significant supply of homes owned by seller's who are waiting for the market to go up.

Rental Market (Movement)

Potential homebuyers may be starting to rent in areas where they are interested in purchasing a home and ready homebuyers may become more motivated to purchase a home in areas they have already selected. Thanks for tuning in to Modern Life Realty's Update.

Special Thanks: Texas Real Estate Center
Steve Brown, The Dallas Morning News
Realtor Magazine

Mortgage Market Update December 2012

(Johnathan) Hey Jason, Welcome again to our mortgage market update. I really do appreciate your time. Would you like to take a moment to introduce yourself and your company?

(Jason) Sure thing, thanks Johnathan, pleasure to be here with you today. My name is Jason Duffy with Guaranteed Rate. We are a direct lender based out of Chicago. I moved to help open the Dallas branch office last February (2011) to help everyone with the market down here.

1. (Johnathan) When is it advantageous to have an Adjustable Rate Mortgage, "ARM loan" for short, and when it is not favorable to get an ARM loan?

(Jason) Well, in this market with the rates as low as they are, I typically don't suggest an ARM loan unless they are certain they will be out of a property within a certain period of time. An ARM loan will be fixed for a certain period of time, it could be 5, 7, or 10 years. During the initial period, the interest rate will be lower for you but afterwards, rates will be subject to adjustments according to market conditions. But with the 30 year fixed rate loan being around 3.5%, if you are sure you will be living in the home for a while, I would recommend staying with the 30 year fixed. With an ARM loan you would start in the high 2's (%) but it could adjust by 2 or more points during the loan period and you could possibly be facing a 5% loan rate at the end of the loan period so overall it might not end up working out for your best interest.

2. Condos and Townhomes tend to have HOA fees that should be considered into a homeowner's monthly budget. If these HOA fees were instead applied to the monthly mortgage payment, would they qualify for a significantly higher loan? If for example a buyer was looking at a $150,000 with a $150 HOA fee with 20% down, what amount can they be approved for if they instead applied $150 to their mortgage payment?

(Jason) Roughly if you were looking at that loan amount size you would be looking at around 25 to 30 thousand dollars give or take. So let's say you were looking at a condo or townhome with association dues of around $150 and are now looking at a single family home, you could roughly afford another 25 to 30 thousand dollars for the property.

(Johnathan) Ok, so you are able to possibly increase the loan amount by about $30,000 give or take depending on the terms of the loan.

(Jason) Correct, based on a 30 year fixed loan at 3.75%, it's roughly where they would be.

3. (Johnathan) When do you think it's a good time to consider re-financing home loans?

(Jason) It all depends on a person's situation, typically we look at the break even points so far as when we will be realizing a savings from the re-finance compared with the closing cost you will pay. A lot of times, with the rates as low as they are, I can sometimes do a no cost re-finance where you will be realizing the savings right away. So even with a 0.5% drop in the rate, you would be saving money immediately due to there being no closing costs to take care of. There is a common notion that there should be at least a 1% drop in interest rate to save money and that is not necessarily true especially when you get into the upper loan amounts where a half percentage point will be making a big difference, especially when you are not paying any closing costs.

5. (Johnathan) What are your predictions for the mortgage market in the next two years?

(Jason) It's tough to say, but I think that rates will stay low for another year with the government doing a "QE3" which is their bond buying program, it's short for Quantitative Easing – 3rd round and the bond buying program is just starting again. With Obama being elected again, it was actually good for rates. We saw the rates go down after Election Day. I see the rates staying low and from what I am hearing and you may know better than I do that prices for homes are slowly increasing and we have hit the bottom (of the market) but I think rates will stay low so people can afford homes and we can get this housing market rebounded completely.

6. (Johnathan) Would you mind letting our viewers know the best ways to contact you?

(Jason) You can contact me anytime.

Direct Office Line: (214) 845–4147

Cell: (773) 957-5242

Email: Jason.Duffy@Guaranteedrate.com

(Johnathan) Jason, Thanks again very much for taking the time to sit down for this interview and sharing with our viewers and I look forward to speaking with you again. Thanks for tuning in and Happy Holidays!