



smart MOVES

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NAR Profile of Home Buyers and Sellers 2008

By: Percy Montague, IV, Chairman & CEO, Montague, Miller & Company Realtors®

Annually, the National Association of REALTORS surveys home buyers and sellers to obtain demographic information, housing characteristics and consumer issues and experiences in the housing market. The report was prepared by Paul C. Resliop, Ph.D. and other members of the NAR Research Staff. It was published in October 2008 and the following excerpts are some of the more relevant highlights:

THE HOUSING ENVIRONMENT

Although the pace of activity in the housing market has been slowing since mid-2005, the past several months have proven even more challenging for homeowners as well as home buyers and sellers. Beginning in the fall of 2007, credit markets faltered and ultimately came to a near standstill following large losses on mortgage-related securities at financial institutions. As these losses cascaded throughout the financial system, lenders became increasingly reluctant to underwrite mortgages for all but the most creditworthy.

As credit market conditions tightened, the inventory of homes for sale rose markedly. Not only did those households compelled to sell their home for customary reasons such as job relocation place their home on the market, but rising foreclosures and sellers facing possible foreclosure added to the number of homes for sale. One consequence was a further decline in home prices as buyers bargained more aggressively while sellers had little recourse but to lower prices sufficiently to complete a sale. Despite a large selection of homes and lower prices in many areas, some potential buyers took a wait and see attitude and have remained sidelined.

As of fall 2008, the outlook for the economy and housing market is cloudy. Policymakers in the U.S. and abroad have taken actions aimed at restoring confidence in financial markets in order to forestall - to the extent possible - spill overs to the overall economy.

For home buyers and sellers, the current environment is more challenging than at any time in several years. Still, buyers and sellers are overcoming hurdles leading to the successful com-

-pletion of home sales transactions. Buyt, buyers and sellers are also making compromises and changing expectations along the way, most notably in the financing of their home. For example, buyers who completed their home purchase by the end of September 2007 more frequently financed 100 percent of the purchase price than buyers who completed a transaction since September (26 percent vs. 21 percent). This shift has also required buyers to depend on savings for a down payment more frequently since fall 2007. Furthermore, when asked about the timing of their home purchase, a greater share of buyers who purchased a home after September 2007 (16 percent) indicated the improved affordability of homes influenced when they made their home purchase compared with those that purchased before the onset of the turmoil in credit markets (6 percent).

With the increase in foreclosures, some home buyers have been more willing to consider such properties when searching for a home. Although still a small percentage, 6 percent of home buyers reported that they purchased a foreclosed property, up from 1 percent or less in recent years. When searching for a home, four in ten buyers considered properties in foreclosure, but noted that they could not find a property they liked or had concerns about the complexity of the purchase process.

While home buyers and sellers are right to consider current conditions, it is important to remember that housing is also a long-term investment with both financial and non-financial rewards. Over a period of several years - even in markets experiencing lower than average rates of appreciation - equity gains remain one of the chief sources of household wealth accumulation. In addition to the potential financial gains, buyers routinely point to other reasons for their home purchase. Chief among these is a desire to own a home to accommodate changing lifestyle considerations such as a growing family, retirement or job relocation.

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Q&A with Piedmont Insurance

By: Beth Towe Heck, Piedmont Insurance Services

Personal Insurance

Q. If I get a speeding ticket, will it affect my Auto insurance premium?

A. Yes, your driving record is what determines the rate the company will charge for the insurance, however they won't change your rate in the middle of the policy so you won't see any change until your next renewal.

Q. Why does my credit affect the rate I pay for insurance?

A. Most insurance companies have gone to insurance scoring and the credit is one criteria used. Statistics show that people who are responsible about paying their bills, will be responsible with their insurance – their homes and operating vehicles.

Q. Do I have hurricane coverage under my homeowners policy?

A. Yes, there is wind coverage under the standard Homeowners. However, in some states, when property is located on the coast, wind can be excluded from the policy and re-purchased through the Wind Pool. Keep in mind Flood is never included on a homeowners. That has to be purchased separately.

Q. If mice or other vermin get into my home or car and do harm am I covered?

A. If you carry Comprehensive coverage on your auto then it will cover damage from these little pests for your car. However, these same vermin are EXCLUDED under your homeowners so beware that it is your responsibility to watch for damage from insects, mice or squirrels.

If you have other Insurance related questions that you are curious about please feel free to send them to me at beth@piedmontinsuranceservices.com.

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Y'all Be Careful Out There!

By: Ron Critzer & Mary Ann Trice, Court Square Title

Remember the old TV series "Hill Street Blues"? When the sergeant was addressing his squad, the last thing he told them was, "Y'all be careful out there."

Now is a great time to buy real estate! There should be excellent deals when buying from a distressed seller, or from banks that have foreclosed on homeowners. Right? Well, yes, if you do it carefully. Speaking from a title insurance standpoint, as we always do, be careful that you are dealing with not only people that you trust, but also service providers that have the knowledge and experience to best assist you in this challenging market. Specifically, if you are purchasing real estate that has recently been the subject of a foreclosure, or from a seller that is distressed and negotiating a short sale with his lender, be certain to protect yourself with owner's title insurance.

Foreclosures:

First, foreclosures in today's market are being mass produced. Consequently, many mistakes are being made during the foreclosure process. We are seeing 1) deeds from Trustees with an incorrect legal description, 2) old unreleased deeds of trust which are still liens on the property, 3) judgments and financing statements that have not been paid or released. The list could go on and on. As a purchaser, you want to be sure that your settlement company or attorney has carefully reviewed the land records for prior liens and encumbrances that still appear of record, although they may have been paid off. Make sure that you purchase an owner's title insurance policy to protect yourself from hidden problems from the past that could come into question when you go to sell the property.

Short Sales:

"Short sales" are being negotiated now more than ever before. A short sale is when a lender agrees to take less money than they are owed to satisfy their mortgage. Often, a second mortgage company, a financing company and/or a judgment creditor will also have to agree to take less, or nothing at all, to release their lien(s). These negotiations are an agreement to take less money, but also an agreement to release the liens IN THE LAND RECORDS after closing. The "after closing" part is where the risk lies. It is normal for liens to be released "after closing". Just because they agree to make the release does not mean that it always happens, or happens effortlessly. If you are purchasing from a seller that is doing a short sale, you should buy owner's title insurance as protection against someone dropping the ball. Most motivation goes away after closing, especially if a party got "shorted" in the money they were owed.

Conclusion:

For both foreclosures and short sales, make sure the settlement service provider that you are using is committed to clearing up any title issues that are discovered. Title Insurance Companies will sometimes "insure over" a title problem in a policy, which may convince you to go ahead with your transaction, but consider that more than likely if the problem is just "insured over" you will have to deal with it again when you sell the property.

As said at the beginning:

Y'all be careful out there!

Court Square Title
OF CHARLOTTESVILLE, INC.

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CHARACTERISTICS OF HOME BUYERS

- 41 percent of recent home buyers were first time buyers.
- The typical first-time buyer was 30 years old, while the typical repeat buyer was 47.
- The 2007 median household income of buyers was \$74,900. The median income was \$60,600 among first time buyers and \$88,200 among repeat buyers.
- About 1/4 of first time buyers identified their race or ethnicity as non-white.
- 20 percent of recent home buyers were single females, and 10 percent were single males.
- For 2/3 of recent home buyers, the primary reason for the recent home purchase was a desire to own a home.

CHARACTERISTICS OF HOMES PURCHASED

- New home purchases were 21 percent of all recent home purchases, down somewhat from 23 percent one year before.
- The typical home purchased was 1,825 square feet in size.
- 78 percent of home buyers purchased a detached single-family home.
- The median price of homes purchased was \$218,000 in the Northeast, \$174,500 in the Midwest, \$185,000 in the South and \$267,000 in the West. (Area median for Central Virginia is \$268,000)
- When considering the purchase of a home, commuting costs were considered very or somewhat important by 80 percent of buyers.

THE HOME SEARCH PROCESS

- For 1/3 of home buyers, the first step in the home-buying process was looking online for properties.
- 87 percent of all home buyers and 94 percent of buyers agent 25 to 44 years used the internet to search for homes.
- Real estate agents were viewed as a very useful information source by 81 percent of buyers who used an agent while searching for a home.
- The typical home buyer searched for 10 weeks and viewed 10 homes.
- 6 percent of buyers purchased a home in foreclosure.

FINANCING THE HOME PURCHASE

- 93 percent of home buyers financed their recent home purchase.
- The percentage of first-time buyers who financed 100 percent of the purchase price with a mortgage dropped to 34 percent from 45 percent last year.
- Nearly half (46 percent) of home buyers reported they have made some sacrifices such as reducing spending on luxury items, entertainment or clothing in order to qualify for a mortgage.
- 1/4 of first time buyers reported that the mortgage application and approval process was somewhat more difficult than they expected and one-in-ten reported it was much more difficult than expected.

HOME SELLERS AND THEIR SELLING EXPERIENCE

- Slightly over 1/2 of home sellers traded up to a larger and higher priced home and slightly more than 1/5 traded down to a smaller and less expensive home.
- 84 percent of sellers were assisted by a real estate agent with selling their home.
- Recent sellers typically sold their homes for 96 percent of the listing price, and 60 percent reported they reduced the asking price at least once.
- 42 percent of sellers offered incentives to attract buyers, most often assistance with closing costs and home warranty policies.

There is Money Available to Purchase a New Home

By: Debbie Welch, Skyline Home Mortgage

If you listen to the news media you might think there is little or no money available to lend for a home purchase. That is just not the case. Purchasers of a principal residence have the following loan programs available to them:

- 95% LTV (Loan to Value) Conforming Conventional (97% for a special program)
- 97.75% LTV for FHA (county loan limits apply)
- 102% LTV Rural Development (income limitation and area eligibility apply)
- 100% LTV Veterans Administration

This is a fantastic time to buy. Interest rates are still below the 30 year average. It is a buyer's market with many wonderful homes just waiting for the right purchaser and the right offer.

FHA increased loan limits in many areas in 2008 and these limits are in effect through the end of the year. For example, in the Charlottesville, Albemarle area the top FHA limit is now \$425,000 and increasing to \$437,000 in 2009. The 2009 FHA county loan limits for the surrounding areas are still very attractive and provide many opportunities in the various counties and towns.

FHA asks the borrower to contribute as little as 3% to the purchase transaction to be used for down payment and/or closing costs. FHA will allow family members to "gift" this contribution needed for the loan. FHA has increased this contribution as of Jan. 1, 2009 and beyond to 3.5% of the Sales Price which must be used as a down payment.

The conventional loan program also allows a minimum of 3% for a down payment with special qualification requirements pertaining to income and job classification. This down payment may also be a "gift" if you meet certain criteria. Loans up to 95% are made without the special qualification requirements, but with the normal and customary conventional guidelines

Rural Development and the Veterans Administration have 100% LTV loans available to qualified applicants.

Granted, the market has changed. Lenders are more careful to make sure buyers are actually able to afford the new home and loan amount. This means buyers must document their income, assets and credit worthiness. Credit is a major factor in the approval process. A credit score of 740 will get most people a better rate, I recommend everyone get a free credit report on themselves and make sure errors are corrected before they apply for a home mortgage. Working with a mortgage consultant early is always a good idea.

These changes are not new. These are the same rules and guidelines that the lending institutions used up until about 8 years ago and loans were prevalent then. Bringing back these guidelines and asking people to fully verify their information is actually the prudent thing to do.

Money is available. All you have to do is ask. Call for an appointment with a mortgage consultant and get your pre approval started today.

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