

THINGS TO CONSIDER WHEN
SELLING YOUR HOUSE



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EDITION

LUVA
REAL ESTATE

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5 REASONS TO **SELL NOW**

Here are five reasons listing your home for sale now makes sense.

1. Demand is Strong

The latest Buyer Traffic Report from the National Association of Realtors shows that buyer demand remains very strong throughout the vast majority of the country. These buyers are ready, willing and able to purchase... and are in the market right now!

Take advantage of the buyer activity currently in the market.

2. There Is Less Competition Now

Housing supply is still under the 6 months' supply that is needed for a normal housing market. This means, in most areas, there are not enough homes for sale to satisfy the number of buyers in that market. This is good news for home prices. However, additional inventory is about to come to market.

There is a pent-up desire for many homeowners to move as they were unable to sell over the last few years because of a negative equity situation. Homeowners are now seeing a return to positive equity as real estate values have increased over the last two years. Many of these homes will be coming to the market this spring.

Also, new construction of single-family homes is projected to continue to increase over the next two years, reaching historic levels by 2017, as builders regain confidence in the market.

Put your house up for sale before this additional competition comes to market.

3. The Process Will Be Quicker

One of the biggest challenges of the housing market in recent times has been the length of time it takes from contract to closing. Banks are requiring more and more paperwork before approving a mortgage. There are less mortgages processed during the winter months so you will save time waiting for your buyer to be approved.

4. There Will Never Be a Better Time to Move-Up

If you are moving up to a larger, more expensive home, consider doing it now. Prices are projected to appreciate by 5.2% over the next year. If you are moving to a higher priced home, it will wind-up costing you more in raw dollars (both in down payment and mortgage payment) if you wait. You can also lock-in your 30 year housing expense with an interest rate near 4% right now. Rates are projected to increase by almost three-quarters of a percent in the next 12 months.

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

Look at the reason you decided to sell in the first place and determine whether it is worth waiting. Is money more important than being with family? Is money more important than your health? Is money more important than having the freedom to go on with your life the way you think you should?

Only you know the answers to the questions above. You have the power to take back control of the situation by putting your home on the market. Perhaps, the time has come for you and your family to move on and start living the life you desire.

That is what is truly important.



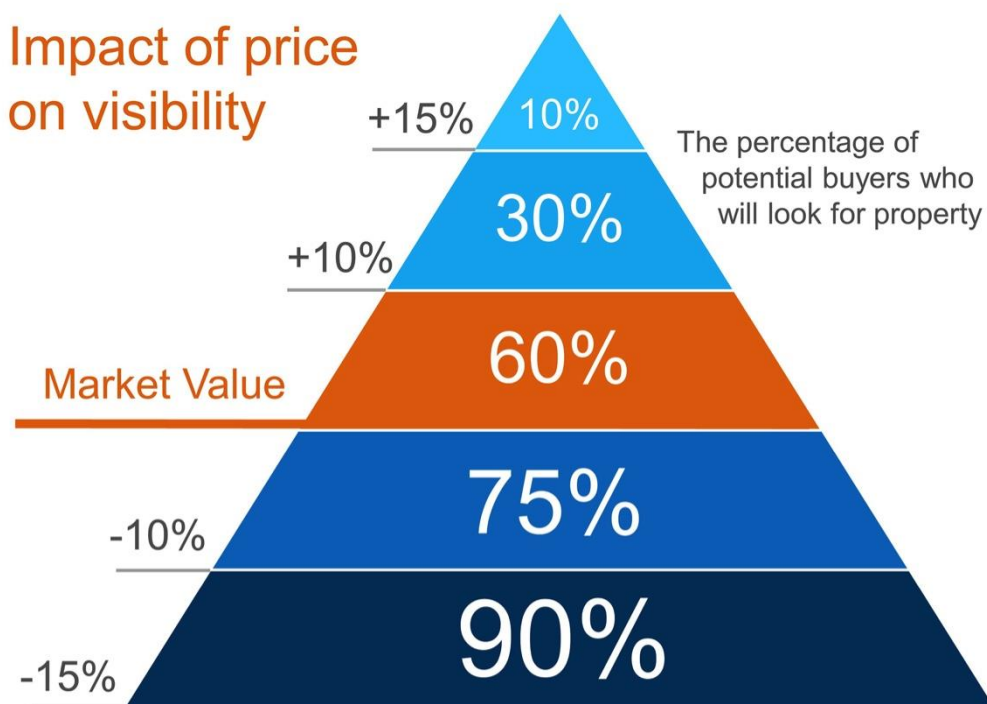


HOW TO GET THE MOST MONEY FROM THE SALE OF YOUR HOME

Every homeowner wants to make sure they maximize the financial reward when selling their home. But how do you guarantee that you receive maximum value for your house? Here are two keys to insuring you get the highest price possible.

1. Price it a LITTLE LOW

This may seem counter intuitive. However, let's look at this concept for a moment. Many homeowners think that pricing their home a little OVER market value will leave them room for negotiation. In actuality, this just dramatically lessens the demand for your house. (see chart below)



Instead of the seller trying to ‘win’ the negotiation with one buyer, they should price it so demand for the home is maximized. In that way, the seller will not be fighting with a buyer over the price but instead will have multiple buyers fighting with each other over the house.

In a recent article on *realtor.com*, they gave this advice:

“Aim to price your property at or just slightly below the going rate. Today’s buyers are highly informed, so if they sense they’re getting a deal, they’re likely to bid up a property that’s slightly underpriced, especially in areas with low inventory.”

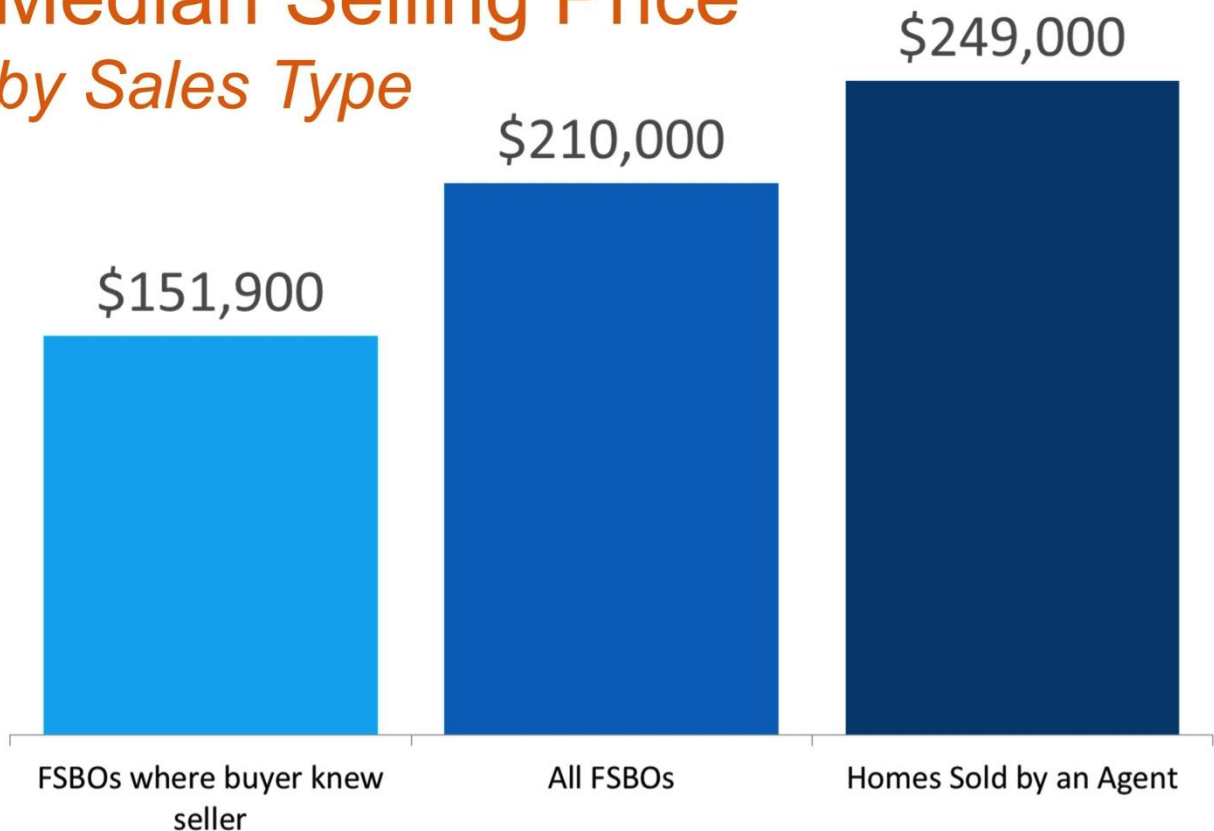
2. Use a Real Estate Professional

This too may seem counter intuitive. The seller may think they would net more money if they didn’t have to pay a real estate commission. Yet studies have shown that typically homes sell for more money when handled by a real estate professional.

Recent research posted by the *Economists’ Outlook Blog* revealed:

“The median selling price for all FSBO homes was \$210,000 last year. When the buyer knew the seller in FSBO sales, the number sinks to the median selling price of \$151,900. However, homes that were sold with the assistance of an agent had a median selling price of \$249,000 - nearly \$40,000 more for the typical home sale.”

Median Selling Price by Sales Type



Bottom Line

Price it at or slightly below the current market value and hire a professional. That will guarantee you maximize the price you get for your house.



DON'T WAIT! MOVE UP TO THE HOME YOUR FAMILY ALWAYS WANTED

Now that the housing market has stabilized, more and more homeowners are considering moving up to the home they have always dreamed of. Prices are still below those of a few years ago and interest rates are still near 4%.

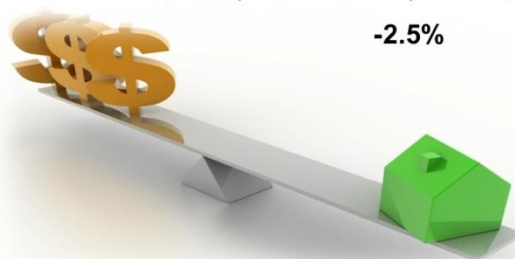
Sellers should realize that waiting to make the move while mortgage rates are increasing probably doesn't make sense. As rates increase, the price of the house you can buy will decrease if you plan to stay within a certain budget for your monthly housing costs.

The chart on the right details this point.

Buyer's Purchasing Power

With each quarter percent increase in interest rate, the value of the home you can afford decreases by 2.5%, (in this example, \$10,000). Experts predict that mortgage rates will be closer to 5% by this time next year.

RATE	5.25	\$ 2,208	\$ 2,154	\$ 2,098	\$ 2,044	\$ 1,988
	5.00	\$ 2,148	\$ 2,094	\$ 2,040	\$ 1,986	\$ 1,932
	4.75	\$ 2,086	\$ 2,034	\$ 1,982	\$ 1,930	\$ 1,878
	4.50	\$ 2,026	\$ 1,976	\$ 1,926	\$ 1,874	\$ 1,824
	4.25	\$ 1,968	\$ 1,919	\$ 1,869	\$ 1,820	\$ 1,771
	4.00	\$ 1,910	\$ 1,862	\$ 1,814	\$ 1,766	\$ 1,719
	3.75	\$ 1,852	\$ 1,806	\$ 1,760	\$ 1,714	\$ 1,667
		\$ 400,000	\$ 390,000	\$ 380,000	\$ 370,000	\$ 360,000
			-2.5%	-5%	-7.5%	-10%



Principal and Interest Payments rounded to the nearest dollar amount.

Act now to get the most house for your hard earned money.



THE IMPORTANCE OF USING AN AGENT WHEN SELLING YOUR HOME

When a homeowner decides to sell their house, they obviously want the best possible price with the least amount of hassles. However, for the vast majority of sellers, the most important result is to actually get the home sold.

In order to accomplish all three goals, a seller should realize the importance of using a real estate professional. We realize that technology has changed the purchaser's behavior during the home buying process. For the past three years, 92% of all buyers have used the internet in their home search according to the *National Association of Realtors'* latest *Profile of Home Buyers & Sellers*.

However, the report also revealed that **95% percent of buyers that used the internet when searching for a home purchased their home through either a real estate agent/broker or from a builder or builder's agent.** Only 2% purchased their home directly from a seller whom the buyer didn't know.

Buyers search for a home online but then depend on an agent to find the actual home they will buy (53%) or negotiate the terms of the sale & price (48%) or understand the process (60%).

The plethora of information now available has resulted in an increase in the percentage of buyers that reach out to real estate professionals to “*connect the dots*”. This is obvious as the percentage of overall buyers who used an agent to buy their home has steadily increased from 69% in 2001.

Bottom Line

If you are thinking of selling your home, don't underestimate the role a real estate professional can play in the process.



5 DEMANDS TO MAKE ON YOUR REAL ESTATE AGENT

Are you thinking of selling your house? Are you dreading having to deal with strangers walking through the house? Are you concerned about getting the paperwork correct? Hiring a professional real estate agent can take away most of the challenges of selling. A great agent is always worth more than the commission they charge just like a great doctor or great accountant.

You want to deal with one of the best agents in your marketplace. To do this, you must be able to distinguish the average agent from the great one.

Here are the top 5 demands to make of your Real Estate Agent when selling your house:

1. Tell The Truth About The Price

Too many agents just take the listing at any price and then try to the 'work the seller' for a price correction later. Demand that the agent prove to you that they have a belief in the price they are suggesting. Make them show you their plan to sell the house at that price - TWICE! Every house in today's market must be sold two times - first to a buyer and then to the bank.

The second sale may be more difficult than the first. The residential appraisal process has gotten tougher. A recent survey showed that there was a challenge with the appraisal on 24% of all residential real estate transactions. It has become more difficult to get the banks to agree on the contract price. A red flag should be raised if your agent is not discussing this with you at the time of the listing.

2. Understand The Timetable With Which Your Family Is Dealing

You will be moving your family to a new home. Whether the move revolves around the start of a new school year or the start of a new job, you will be trying to put the move to a plan.

This can be very emotionally draining. Demand from your agent an appreciation for the timetables you are setting. Your agent cannot pick the exact date of your move, but they should exert any influence they can, to make it work.

3. Remove As Many Of The Challenges As Possible

It is imperative that your agent knows how to handle the challenges that will arise. An agent's ability to negotiate is critical in this market.

Remember: If you have an agent who was weak negotiating with you on the parts of the listing contract that were most important to them and their family (commission, length, etc.), don't expect them to turn into a *super hero* when they are negotiating for you and your family with the buyer.

4. Help With Relocation

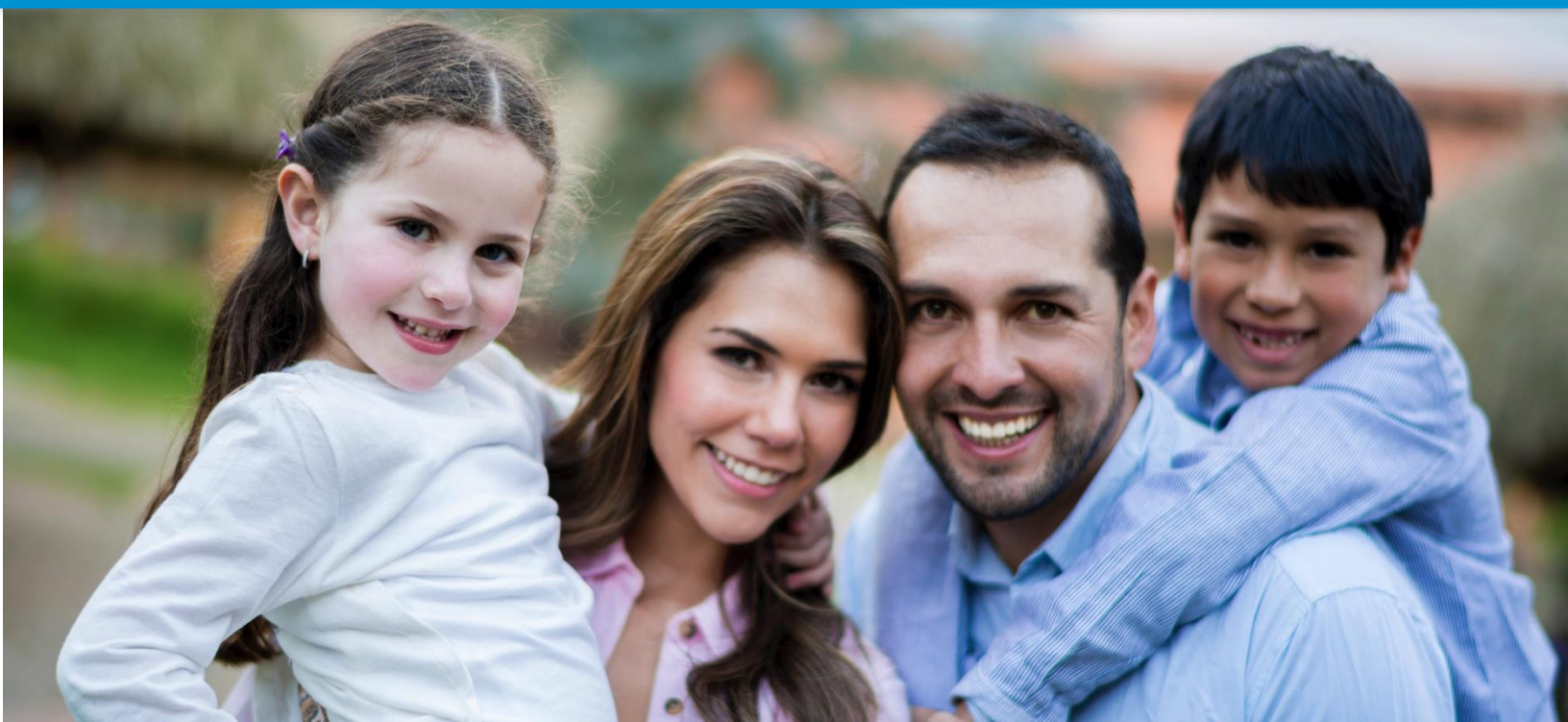
If you haven't yet picked your new home, make sure the agent is capable and willing to help you. The coordination of the move is crucial. You don't want to be without a roof over your head the night of the closing. Likewise, you don't want to end up paying two housing expenses (whether it is rent or mortgage). You should, in most cases, be able to close on your current home and immediately move into your new residence.

5. Get The House SOLD!

There is a reason you are putting yourself and your family through the process of moving.

You are moving on with your life in some way. The reason is important or you wouldn't be dealing with the headaches and challenges that come along with selling. Do not allow your agent to forget these motivations. Constantly remind them that selling the house is why you hired them. Make sure that they don't worry about your feelings more than they worry about your family. If they discover something needs to be done to attain your goal (i.e. price correction, repair, removing clutter), insist they have the courage to inform you.

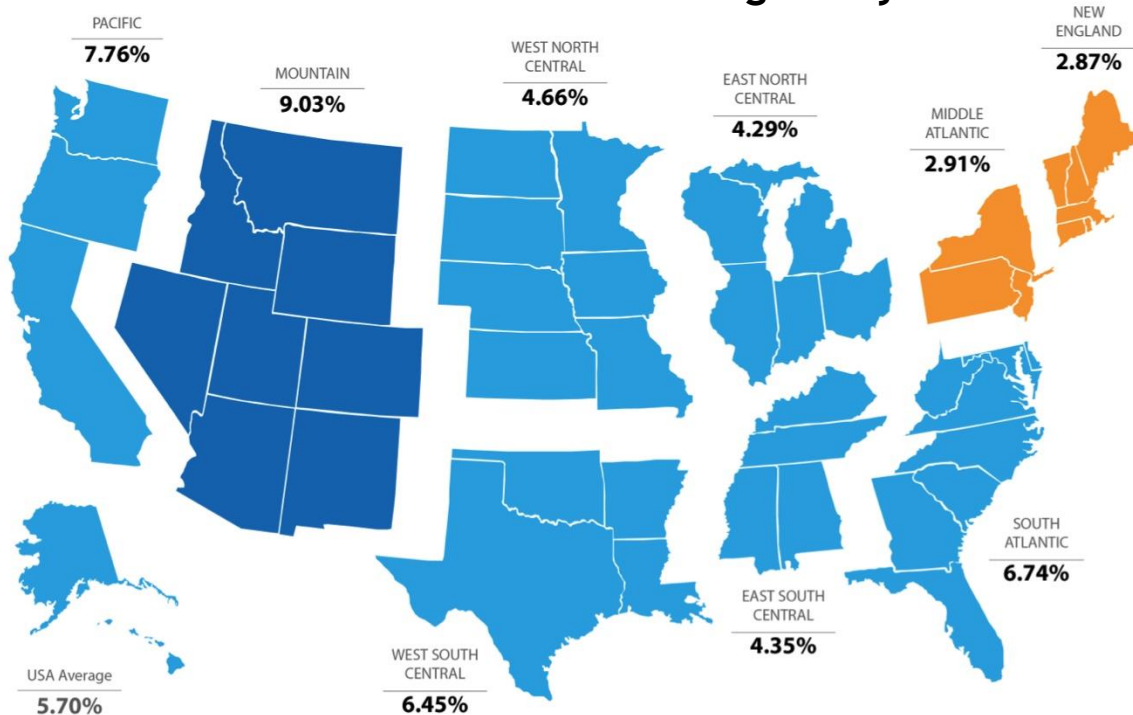
Good agents know how to deliver good news. Great agents know how to deliver tough news. In today's market, YOU NEED A GREAT AGENT!



HOME PRICES OVER THE LAST YEAR

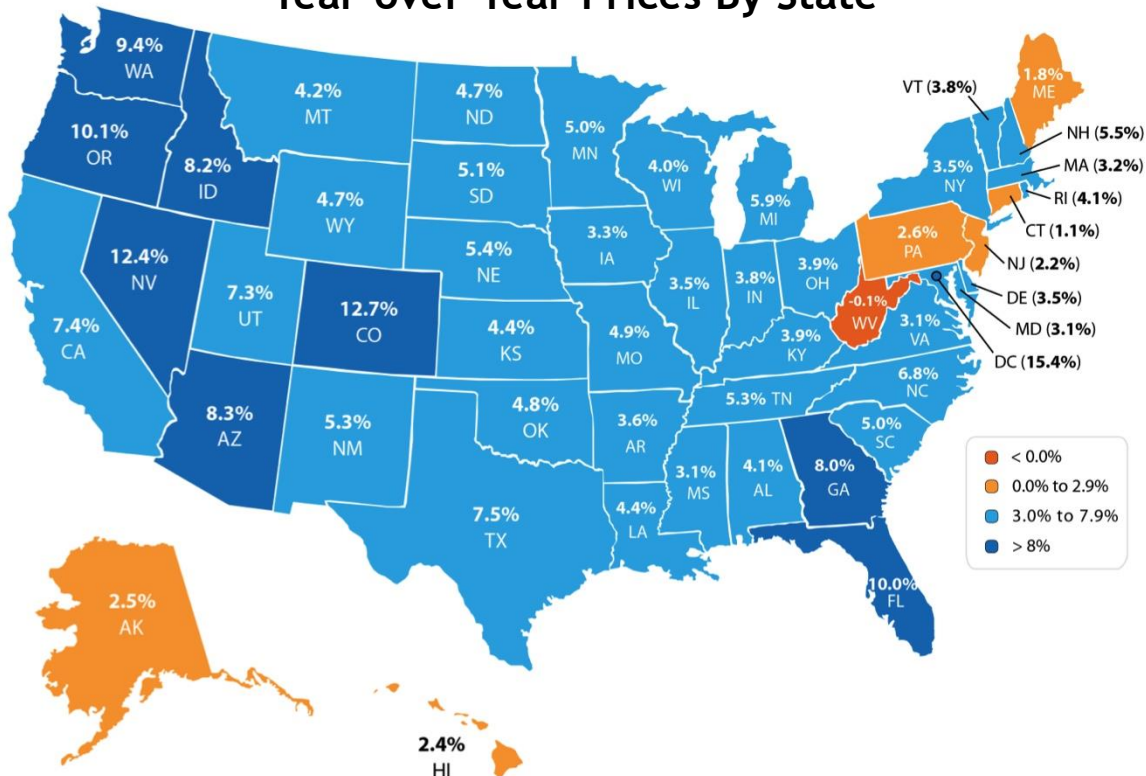
Every quarter, the Federal Housing Finance Agency (FHFA) reports on the Year-over-Year changes in home prices. Below, you will see that prices are up year-over-year in every region.

Year-over-Year Prices Regionally



Looking at the breakdown by state, you can see that each state is appreciating at different rates. 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!

Year-over-Year Prices By State

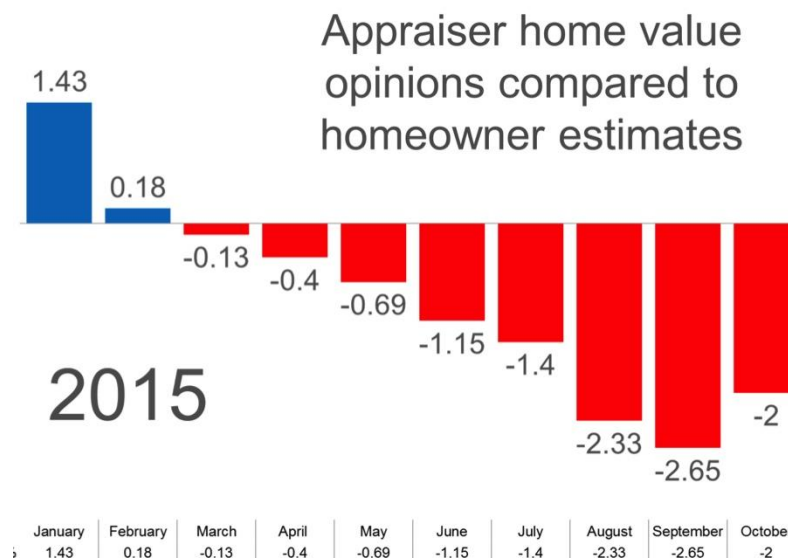




THE IMPACT OF RISING PRICES ON HOME APPRAISALS

The fact that residential home prices are increasing substantially in most regions of the country is music to the ears of homeowners. However, if you are in the process of selling your home, make sure you realize the major challenge a hot real estate market creates.

Each house must be sold twice; once to a buyer and a second time to an appraiser who represents the bank that will grant the purchaser a mortgage to buy the home (unless it is an “all cash” purchase). In a real estate market with escalating prices, the second sale may be the more difficult one. The *Quicken Loans Home Price Perception Index* reveals that the gap between what a homeowner believes is the value of their home compared to an appraiser is widening.



This could lead to an increase in the percentage of real estate transactions being challenged by a ‘short’ appraisal (where the appraiser value is less than the contracted price of the home).

Bottom Line

If you are planning on selling your home, you must be prepared for this possibility as it may result in a renegotiation of the price of the home.



5 REASONS YOU SHOULDN'T FOR SALE BY OWNER (FSBO)

Some homeowners consider trying to sell their home on their own, known in the industry as a For Sale by Owner (FSBO). There are several reasons this might not be a good idea for the vast majority of sellers.

Here are five reasons:

1. There Are Too Many People to Negotiate With

Here is a list of some of the people with whom you must be prepared to negotiate if you decide to FSBO.

- The buyer who wants the best deal possible
- The buyer's agent who solely represents the best interest of the buyer
- The buyer's attorney (in some parts of the country)
- The home inspection companies, which work for the buyer and will almost always find some problems with the house
- The appraiser if there is a question of value
- Your bank in the case of a short sale

2. Exposure to Prospective Purchasers

Recent studies have shown that **88%** of buyers search online for a home. That is in comparison to only **21%** looking at print newspaper ads. Most real estate agents have an internet strategy to promote the sale of your home. Do you?

3. Results Come from the Internet

Where do buyers find the home they actually purchased?

- **43%** on the internet
- **9%** from a yard sign
- **33%** from a Real Estate Agent
- **1%** from newspapers

The days of selling your house by just putting up a sign and putting it in the paper are long gone. Having a strong internet strategy is crucial.

4. FSBOing has Become More and More Difficult

The paperwork involved in selling and buying a home has increased dramatically as industry disclosures and regulations have become mandatory. This is one of the reasons that the percentage of people FSBOing has dropped from 19% to 8% over the last 20+ years.

5. You Net More Money when Using an Agent

Many homeowners believe that they will save the real estate commission by selling on their own. Realize that the main reason buyers look at FSBOs is because they also believe they can save the real estate agent's commission. The seller and buyer can't both save the commission.

Studies have shown that the typical house sold by the homeowner sells for \$210,000 while the typical house sold by an agent sells for \$249,000. This doesn't mean that an agent can get \$39,000 more for your home as studies have shown that people are more likely to FSBO in markets with lower price points. However, it does show that selling on your own might not make sense.

Bottom Line

Before you decide to take on the challenges of selling your house on your own, sit with a real estate professional in your marketplace and see what they have to offer.



HOME EQUITY: YOU MAY HAVE MORE THAN YOU THINK

CoreLogic recently released their latest *Equity Report* which revealed that 759,000 properties had regained equity in the last quarter. That means that 91% of all mortgaged properties (approximately 45.9 million) are now in a positive equity position. Anand Nallathambi, *President and CEO of CoreLogic*, reported:

“For much of the country, the negative equity epidemic is lifting. The biggest reason for this improvement has been the relentless rise in home prices over the past three years which reflects increasing money flows into housing and a lack of housing stock in many markets.”

Obviously, this is great news for the financial situation of many homeowners.

But do they realize their equity position has changed?

A recent study by *Fannie Mae* suggests that many homeowners are unaware that their equity position has changed...in some cases dramatically. For example, their study showed that 23% of Americans still believe their home is in a negative equity position when, in actuality, only 9% of homes are in that position.

The study also revealed that though 69% of homes had “*significant equity*” (greater than 20%), only 37% of Americans realize it.

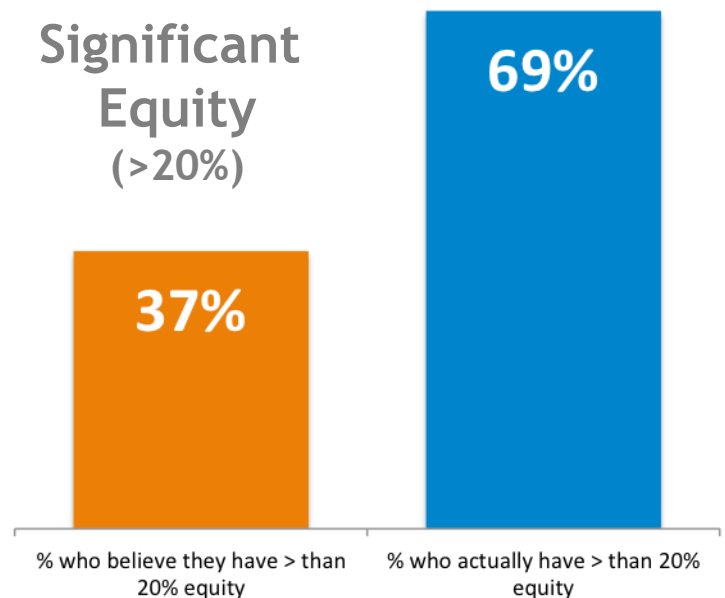
This means that 32% of Americans with a mortgage fail to realize the opportune situation they are in. With a sizeable equity position, many homeowners could easily move into a housing situation that better meets their current needs (*moving to a larger home or downsizing*).

Fannie Mae spoke out on this issue in their report:

“Homeowners who underestimate their homes’ values not only underestimate their home equity, they also likely underestimate 1) how large a down payment they could make with their home equity, 2) their chances of qualifying for mortgages, and, therefore, 3) their opportunities for selling their current homes and for buying different homes.”

Bottom Line

Every homeowner should be aware of the true equity in their house and also realize the opportunities that go along with it. If you are unsure of the savings you currently have built up in your home, contact a real estate professional to help ascertain that number. You may be surprised.





BABY BOOMERS FINDING FREEDOM IN RETIREMENT

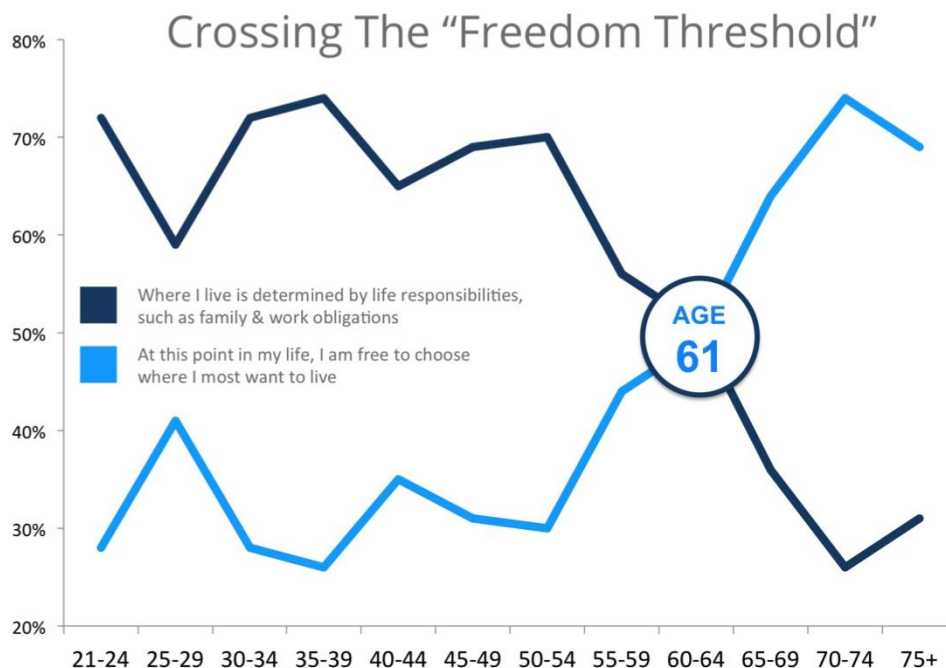
Within the next five years, Baby Boomers are projected to have the largest household growth of any other generation during that same time period, according to the *Joint Center for Housing Studies of Harvard*. Let's take a look at why...

In a recent *Merrill Lynch* study, "*Home in Retirement: More Freedom, New Choices*" they surveyed nearly 6,000 adults ages 21 and older about housing.

Crossing the "Freedom Threshold"

Throughout our lives, there are often responsibilities that dictate where we live. Whether being in the best school district for our children, being close to our jobs, or some other factor is preventing a move, the study found that there is a substantial shift that takes place at age 61.

The study refers to this change as "Crossing the Freedom Threshold" - when where you live is no longer determined by responsibilities, but rather a freedom to live wherever you like.



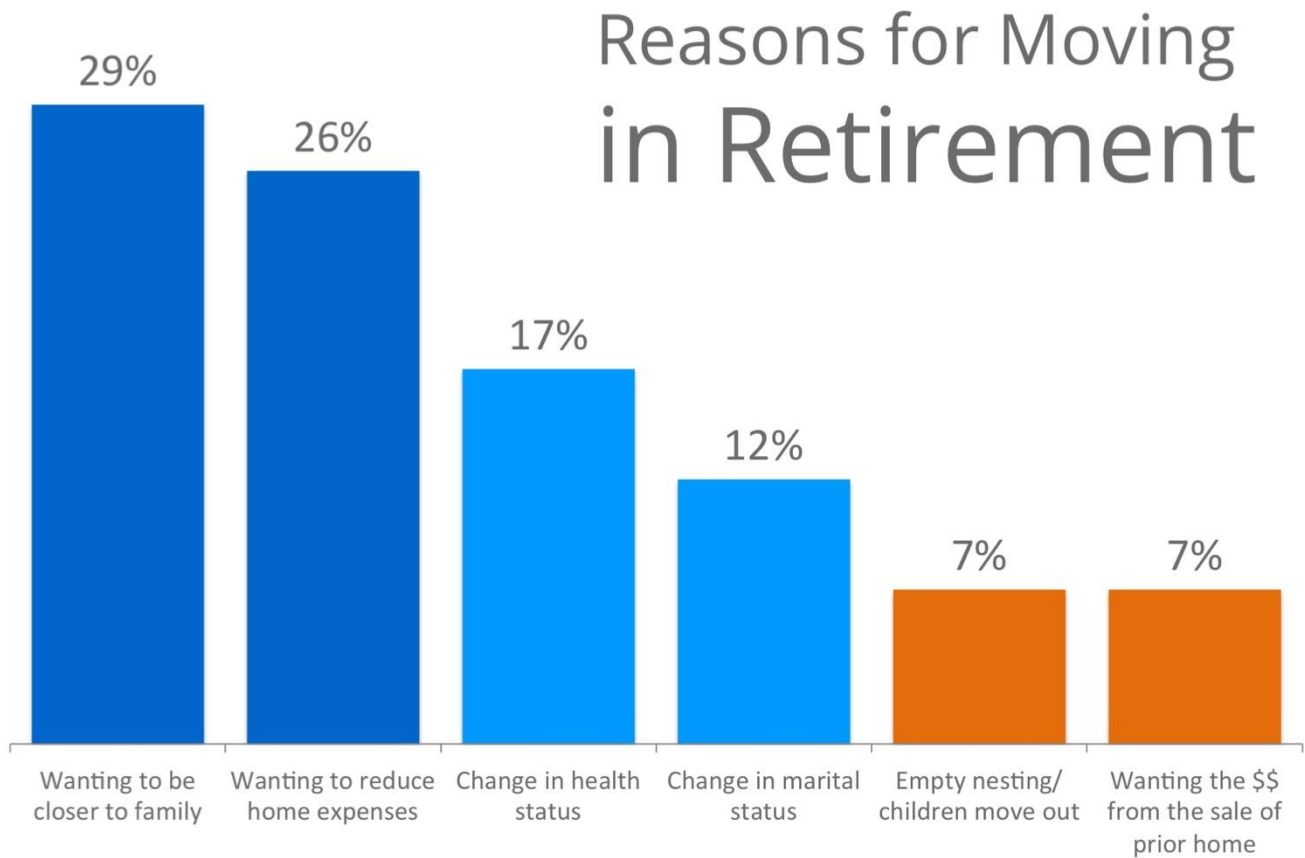
As one participant in the study stated:

“In retirement, you have the chance to live anywhere you want. Or you can just stay where you are. There hasn’t been another time in life when we’ve had that kind of freedom.”

On the Move

According to the study, “an estimated 4.2 million retirees moved into a new home last year alone.” Two-thirds of retirees say that they are likely to move at least once during retirement.

The top reason to relocate cited was “wanting to be closer to family” at 29%, a close second was “wanting to reduce home expenses.” See the chart below for the top 6 reasons.



Not Every Baby Boomer Downsizes

There is a common misconception that as retirees find themselves with fewer children at home, they will instantly desire a smaller home to maintain. While that may be the case for half of those surveyed, the study found that three in ten decide to actually up size to a larger home.

Some choose to buy a home in a desirable destination with extra space for large family vacations, reunions, extended visits, or to allow other family members to move in with them.

“Retirees often find their homes become places for family to come together and reconnect, Particularly during holidays or summer vacations.”

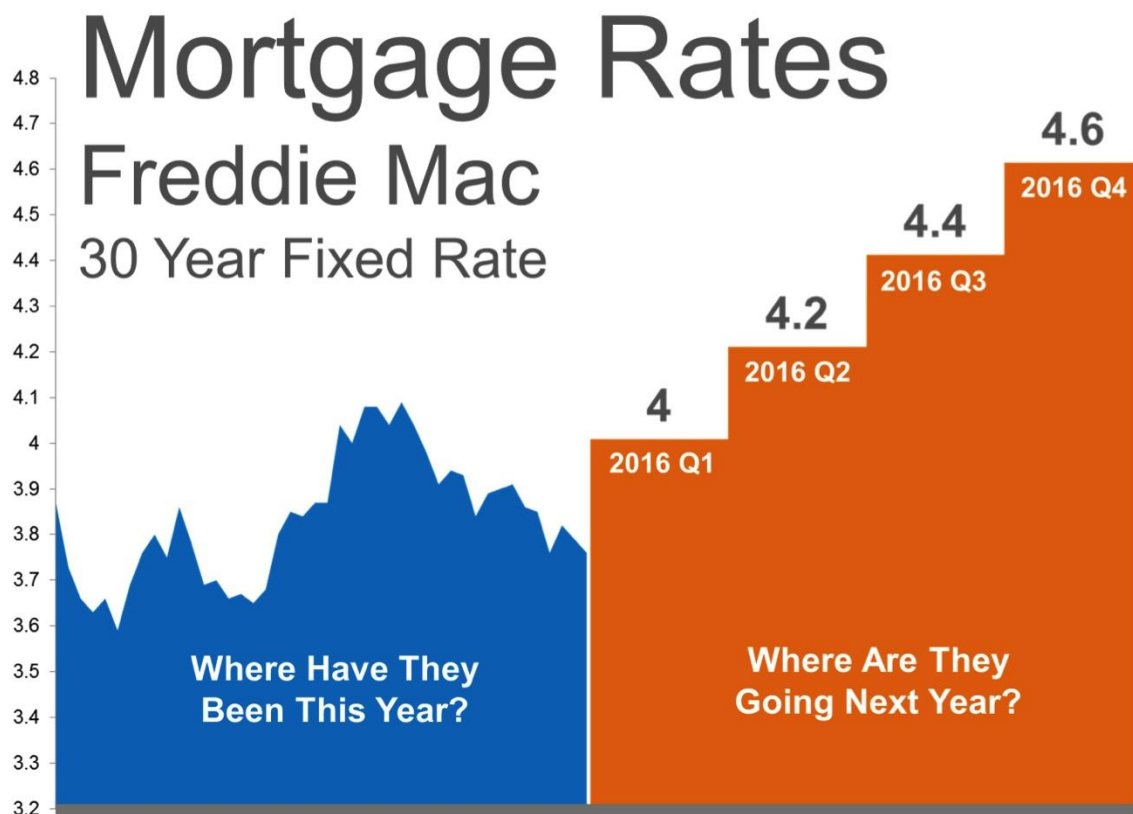
Bottom Line

If your housing needs have changed or are about to change, meet with a local real estate professional in your area who can help with deciding your next step.

WHERE ARE MORTGAGE INTEREST RATES HEADED?

The interest rate you pay on your home mortgage has a direct impact on your monthly payment. The higher the rate the greater the payment will be. That is why it is important to look at where rates are headed when deciding to buy now or wait until next year.

Below is a chart created using *Freddie Mac's U.S. Economic & Housing Market Outlook*.



As you can see interest rates are projected to increase steadily over the course of the next year.

How Will This Impact Your Mortgage Payment?

Depending on the amount of the loan that you secure, a half of a percent (.5%) increase in interest rate can increase your monthly mortgage payment significantly.

Waiting to secure the home of your dreams may mean having to tighten the budget, or sacrificing on luxuries that may be taken for granted today.

The experts predict that home prices will appreciate by 5.2% over the next 12 months. If both predictions become reality, families would wind up paying considerably more for their home.

Bottom Line

Even a small increase in interest rate can impact your family's wealth. Meet with a local real estate professional to evaluate your ability to purchase your dream home.

HOW WILL MORTGAGE RATE HIKES IMPACT HOME SALES?

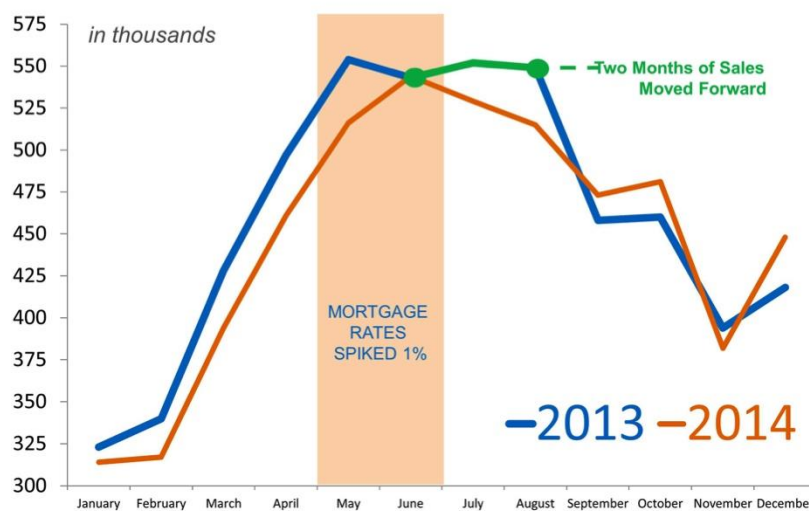
When mortgage interest rates begin to climb, experts immediately begin to discuss home affordability indexes. They calculate how an increase in rates will slow home purchases as more and more potential buyers are priced out of the market. Today, with home prices also increasing, many believe that home sales may slow down rather dramatically.

This may prove to be true in the long term. However, in the short term, increasing mortgage rates may have the opposite effect. Many buyers who have been sitting on the fence may realize that delaying their purchase no longer makes sense.

In a recent *CNBC* article, Matt Weaver of Florida-based *PMAC Lending* explained the impact an increase in rates will have: *“These increases really help the home-buying market. It really gets buyers to really understand that ‘wait a minute, rates are at an all-time low, let’s react now, let’s react before they go higher’.”*

As an example, we can look to 2013 when interest rates spiked up by a full percentage point over a two month period. The result is that many buyers rushed to the market on the fear that rates would continue to climb. It didn’t necessarily increase the number of sales that year dramatically. However, it did seem to move some sales up in the year as evidenced by the chart below:

Total Home Sales – Impact of Mortgage Rate Spike



We can see that the sales cycle did not follow a more normal cycle (2014) with more sales being pushed into July and August and slightly less sales in September and August.

Bottom Line

If you are waiting to put your house on the market, think twice. Now may be the perfect time to sell as buyer competition will continue to heat up as more purchasers jump into the market. You may also save a pretty penny on the monthly mortgage payment on your next home by selling now before rates shoot up.



TWO THINGS YOU DON'T NEED TO HEAR FROM YOUR LISTING AGENT

You've decided to sell your house. You begin to interview potential real estate agents to help you through the process. You need someone you trust enough to:

- Set the market value on possibly the largest asset your family owns (your home)
- Set the time schedule for the successful liquidation of that asset
- Set the fee for the services required to liquidate that asset

An agent must be concerned first and foremost about you and your family in order to garner that degree of trust. Make sure this is the case.

Be careful if the agent you are interviewing begins the interview by:

- Bragging about their success
- Bragging about their company's success

An agent's success and the success of their company can be important considerations when deciding on the right real estate professional to represent you in the sale of the house. However, you first need to know they care about what you need and what you expect from the sale. If the agent is not interested in first establishing your needs, how successful they may seem is much less important.

Look for someone with the **'heart of a teacher'** who comes in prepared well enough to explain the current real estate market and patient enough to take the time to show how it may impact the sale of your home.

Not someone only interested in trying to sell you on how great they are.

You have many agents from which to choose. Pick someone who truly cares.



FSBO's MUST BE READY TO **NEGOTIATE**

In a recovering market, some sellers might be tempted to try and sell their home on their own (FSBO) without using the services of a real estate professional. Real estate agents are trained and experienced negotiators. In most cases, the seller is not. The seller must realize their ability to negotiate will determine whether they get the best deal for themselves and their family.

Here is a list of some of the people with whom the seller must be prepared to negotiate if they decide to FSBO:

- The buyer who wants the best deal possible
- The buyer's agent who solely represents the best interest of the buyer
- The buyer's attorney (in some parts of the country)
- The home inspection companies, which work for the buyer and will almost always find some problems with the house.
- The termite company if there are challenges
- The buyer's lender if the structure of the mortgage requires the sellers' participation
- The appraiser if there is a question of value
- The title company if there are challenges with certificates of occupancy (CO) or other permits
- The town or municipality if you need to get the CO's permits mentioned above
- The buyer's buyer in case there are challenges on the house your buyer is selling
- Your bank in the case of a short sale



FANNIE MAE AGREES: HIRE A PRO TO SELL YOUR HOUSE

Do you really need an agent to sell your house in today's market? Here's what *Fannie Mae* suggests to sellers on the *Know Your Options* section of their website:

“Select how you'll market and list the home (e.g., with a real estate agent or for sale by owner). There are pros and cons to each, but unless you are experienced at selling homes, it usually makes financial sense to get professional help—homes sold by agents typically sell at a higher price and spend less time on the market. An agent will also help you determine the best pricing for the house, they'll market the home, and they'll be your advocate throughout the process.”

Let's go over the points they made:

- Homes sold by agents typically sell at a higher price
- Homes sold by agents typically spend less time on the market
- An agent will help you determine the best pricing for the house
- An agent will market the home
- An agent will be your advocate throughout the process

If *Fannie Mae* says using an agent probably makes sense, perhaps you should interview an agent before putting your house up for sale.

SCHEDULE AN APPOINTMENT TO DISCUSS YOUR PERSONAL NEEDS

I'm sure you have questions and concerns...

We would love to talk with you more about what you read here, and help you on the path to selling your house. Our contact information is below. We look forward to hearing from you...



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