

Rapid City Real Estate Update



Merry Christmas
& HAPPY NEW YEAR

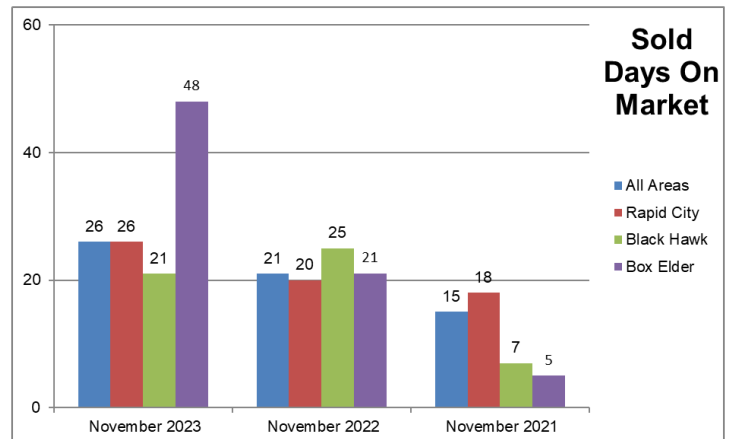
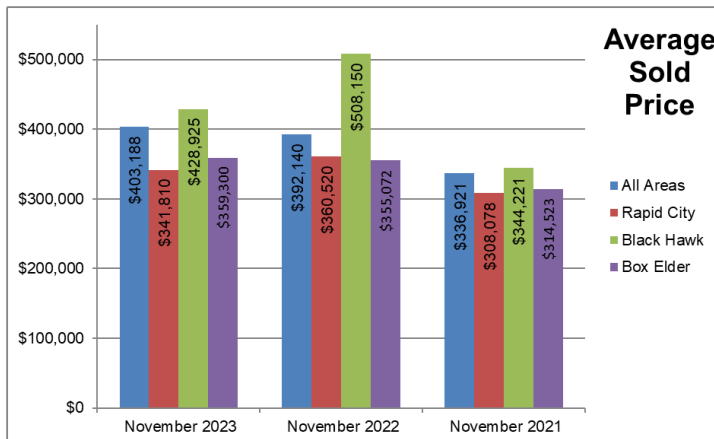
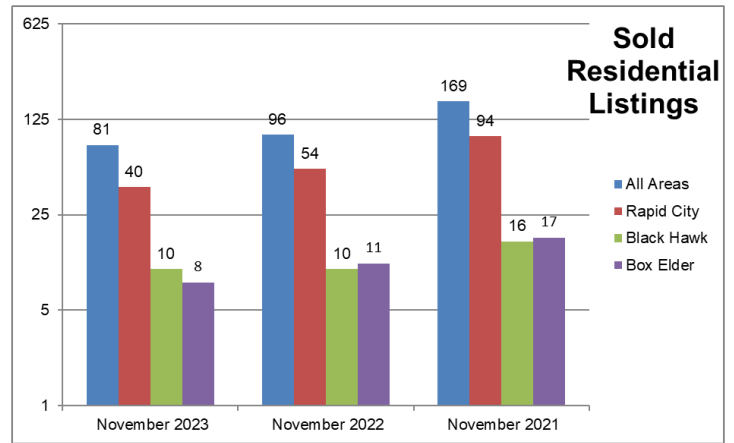
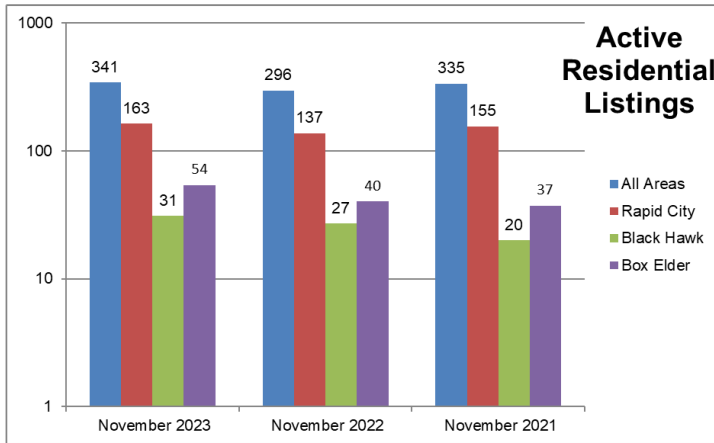


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Rapid City & Area Market Conditions For November 2023



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Building Your Home Equity Now

There are three ways to build equity, or ownership, when you buy a home. One is to put money down in a down payment. The second is to pay your lender back, and the third is to take advantage of market upswings.

It's no secret that market momentum has been helping homeowners for a few years. Sales volume is still climbing, says the National Association of REALTORS®. You can still take advantage of low housing supplies and low interest rates to invest in a home.

One way to build equity is to put more money down on the home you want to buy. Lenders have returned to tried and true models of income to debt ratios and requiring that borrowers put more money down when they purchase a home. The more you put down, the more instant equity you have. Putting more money down also helps lower borrowing costs because it lowers risk for the lender.

As you make your house payments, you build equity slowly because interest payments at the beginning of a loan are much heavier than the money paid toward principal. The longer you own your home, the less you'll pay in interest and a greater share will go toward ownership, or building equity.

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Smart Tips To Pay Your Mortgage Off Early

New data shows that nearly 40 percent of all homes in the United States are owned free and clear, with “the highest share” in West Virginia at 54%,” said Bloomberg. “Maryland and the District of Columbia were on the other end of the spectrum with rates of 27% and 24%, respectively.”

When many a real estate dream is focused on the idea of buying a home and staying just long enough to earn enough equity to move up to something bigger and better, this may come as somewhat of a surprise. If you have considered the idea of buying a forever home (or if you're already there!) and want to be amongst the almost 40 percent of owners living mortgage free, there are some tips that can help you move toward that zero balance.

Switch to biweekly payments

Say your mortgage payment is \$2,000. Pay it once per month, and you're paying \$24,000 per year. Switch to biweekly payments of \$1,000 every two weeks, and you end up paying \$26,000 for the year. That adds up.

“This will have the nearly the same impact on your budget as one monthly payment, but because there are 52 weeks in a year, a biweekly payment schedule will result in 13 full-sized payments a year instead of the normal 12,” said The Motley Fool. You'll be making an entire extra payment every year without having to scrounge around for the extra money. To look at some real-life numbers, if you have a 30-year \$200,000 mortgage at an interest rate of 5%, making biweekly instead of monthly payments would save you \$34,328 in interest and allow you to pay off the loan almost five years early.”

Make extra principal payments

Especially in the early years of your mortgage, your payments are likely to be mostly interest. But you can eat away at your principal by making an extra “principal only” payment. “The benefit of paying additional principal on a mortgage isn't just in reducing the monthly interest expense a tiny bit at a time,” said Bankrate. “It comes from paying down your outstanding loan balance with additional mortgage principal payments, which slashes the total interest you'll owe over the life of the loan.”

Let's use their example of a \$120,000 mortgage at a 4.5 percent interest rate, with month-

ly principal and interest of \$608.02. Pay an extra \$25 principal payment every month and you can save more than \$9,000 in interest over the life of the loan.

You'll want to make sure you're allowed to make these extra principal payments per the terms of your loan, however. “Check with your mortgage company first,” said Dave Ramsey. “Some companies only accept extra payments at specific times or may charge prepayment penalties.”

Refinance into a shorter-term loan

Can you swing a higher monthly payment? Refinancing out of a 30-year mortgage to a 15-term can save you an enormous amount of money. “A mortgage amount of \$250,000 over 30 years at a rate of 4% would cost \$429,674 in principal and interest payments by the end of the term,” said Investopedia. “The total interest would be \$179,674 for borrowing for 30 years. The same loan amount and interest rate over 15 years would cost \$332,860 by the end of the term. Total interest would be \$82,860 for borrowing for 15 years. At 4%, you'd pay only about 46% of the total interest for a 15-year than you'd pay for the 30-year.”

There is a secondary benefit to refinancing to a shorter term; these rates are typically lower. At press time, Wells Fargo's 30-year fixed mortgage rate was 3.875%, while the 15-year fixed rate was 3.125%.

Make small sacrifices

“Other small sacrifices can go a long way to help pay off your mortgage early,” said Dave Ramsey. “How much could you save if you took your Starbucks money and added it to your mortgage payment each month? According to the Acorns Money Matters Report, the average American spends \$3 per day on their coffee. That's around \$90 a month added to your mortgage payments—which will save you \$25,000 in interest and four years on the life of your loan!”

Be careful about refinancing

The idea of a lower interest rate is what largely drives refinances. But refinancing to a lower rate may not be the best move if it means you're paying a bunch of fees and/or taking out cash that eats away at your available equity. If your goal is to get your mortgage paid off as quickly as possible, you may want to just leave your loan alone.

Courtesy of Realty Times



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What Are Escrow Items In A Home Loan?

If you're planning to buy a home, you'll hear the word escrow throughout the process. An escrow is a legal setup where a third party temporarily holds money or property until a condition is met. In a real estate transaction, escrows protect buyers and sellers throughout the process. An escrow account is established through your mortgage terms to hold the money for homeowner's insurance and taxes.

Escrow accounts can also be used in home buying to protect a good faith deposit, ensuring the funds go to the right party based on sale conditions. We're specifically discussing the escrow account used throughout the life of your loan below.

Escrow Accounts When You Borrow Money

You're given an escrow account when you borrow the money to buy a home from a bank or direct mortgage lender. The escrow account is where lenders deposit the portion of your monthly mortgage payment that will cover insurance premiums and taxes. By collecting a part of those costs every month, the escrow account is meant to reduce the potential of falling behind on obligations you have to your insurance provider or the government.

How It Works

When you get a loan for a mortgage, even though the costs of your homeowner's insurance premiums and property taxes are paid annually, the lender requires a fraction to be paid monthly. Then, the balance will accumulate in the escrow account, ensuring these particular expenses are paid every year on time.

Mortgage lenders will usually require that a borrower have an escrow account to reduce risk.

Having unpaid insurance or taxes can lead to liens if you go through a foreclosure. If there's a lien on the property it's harder for a lender to recover the original loan. This means there's an incentive for a

lender to keep a borrower up-to-date on these non-mortgage homeownership costs.

There are some downsides to this if you're the borrower. Your lender usually requires you to keep a minimum balance in the escrow account to protect against possible cost increases. The rule for most lenders is that you have at least two months of expenses in the mortgage escrow account.

Essentially, instead of paying your premiums directly to your insurer and your taxes to the government, you pay 1/12 of these expenses monthly, in addition to your principal and interest payments. Then, the escrow account holds this money until it's due at the end of the year.

Your escrow payments can be adjusted up or down, depending on whether there was a surplus or shortage in the account for the year's payment. A mortgage holder has to send you an annual statement about your escrow account. You might also see this called a mortgage impound account.

If you have to pay mortgage insurance premiums, these are also held in the escrow account. This is for borrowers who make less than a 20% down payment. Before closing, an escrow agent has to provide you with a settlement statement. The statement will itemize all of your final closing costs and the fees that come along with your home loan, including prepaid and escrow money.

Escrow accounts aren't going to cover everything related to homeownership. For example, they don't cover your HOA fees. If you have supplemental tax bills, these aren't covered by escrow accounts either. A supplemental tax bill is a one-time bill that can be issued because of a new construction or a change in ownership, and a lender can't predict whether you'll get these or how much they'll be.

Courtesy of Realty Times

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For example, if you borrow \$250,000 at 5%, your monthly payment is \$1,342.05. The first month you'll pay \$1041.67 in interest, and only \$300.39 toward reducing your principal. At that rate, building equity may seem like it takes forever. But only two years later, your interest rate lowers by \$30 a month allowing \$30 more to go toward reducing what you owe your lender.

You can build equity faster by adding a little more to your payment, which removes hundreds of dollars in interest and allows you to own your home in full much faster.

The other way to build equity is to allow the market to do it for you. Home values historically beat inflation by one to two percentage points, but the last decade has been anything but typical. However, all markets return to the norm, so assuming a normal market is on the way, on the modest side, your home should appreciate approximately one percent annually.

In theory, if you purchased your home for \$300,000, your home should gain \$3000 in value in one year.

Market variables from the weather to the Fed can all play a part in how quickly your home builds market equity. But one thing is certain, you can't build equity unless you're invested.

Courtesy of Realty Times

November Real Estate Roundup

Freddie Mac's results of its Primary Mortgage Market Survey® shows that "Mortgage rates continued to decrease heading into the Thanksgiving holiday. In recent weeks, rates have dropped by half a percent, but potential homebuyers continue to hold out for lower rates and more inventory. This dynamic is reflected in the latest data showing that existing home sales have fallen to a thirteen-year low."

- 30-year fixed-rate mortgage (FRM) averaged 7.29 percent for the week ending November 22, 2023, up from last month when it averaged 7.79 percent. A year ago, at this time, the 30-year FRM averaged 6.58 percent.
- 15-year FRM this week averaged 6.67 percent, up from last month when it averaged 7.03 percent. A year ago, at this time, the 15-year FRM averaged 5.9 percent.

Courtesy Of Realty Times



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Black Hills Events



Christmas Night of Lights

December 8-23
Storybook Island, Rapid City

Rapid City Rush Games

December 29, 30 & 31
January 10, 12, 13, 19 & 20
The Monument, Rapid City

1880 Train Holiday Express

December 16, 17, 22, 23, 24, 27 & 28
Hill City

Christmas At Chapel In The Hills

December 1-24
Chapel In The Hills, Rapid City

4 GMX Indoor Motocross

January 6 - 5:30 PM to 9:00 PM
Central States Fairgrounds, Rapid City

Chinook Days

January 12-14, 17-20
Spearfish

Black Hills Stock Show & Rodeo

January 26-28

Pro Snocross Races

January 26 & 27
Days of '76 Rodeo Arena, Deadwood