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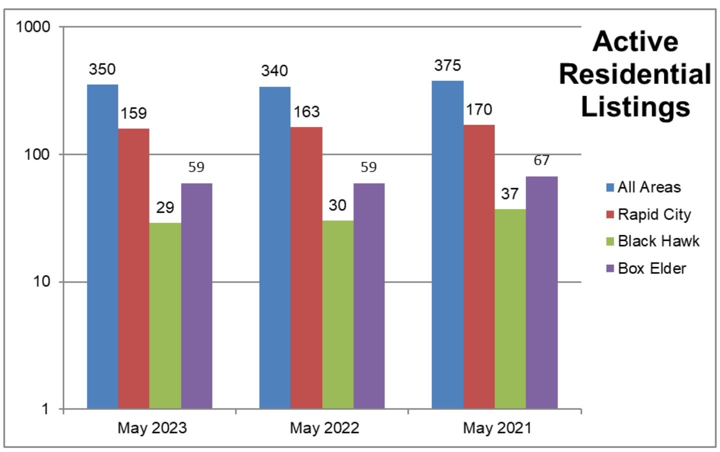
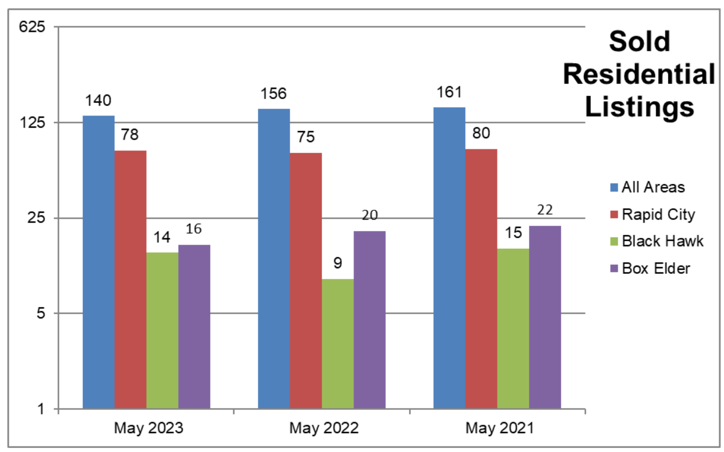
Rapid City Real Estate Update

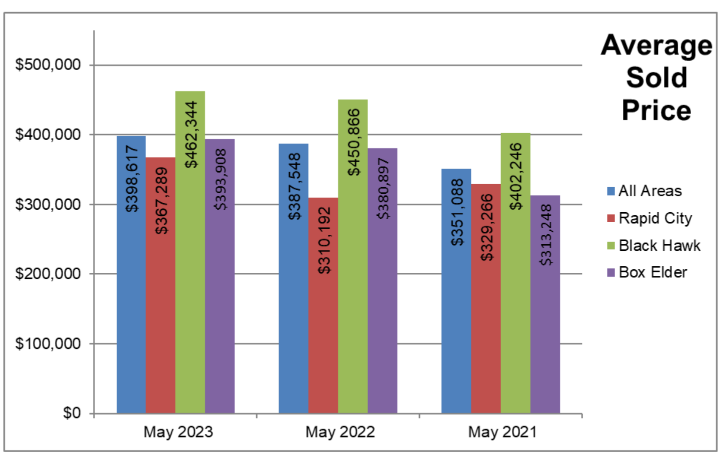
COLDWELL BANKER
BLACK HILLS LEGACY
REAL ESTATE

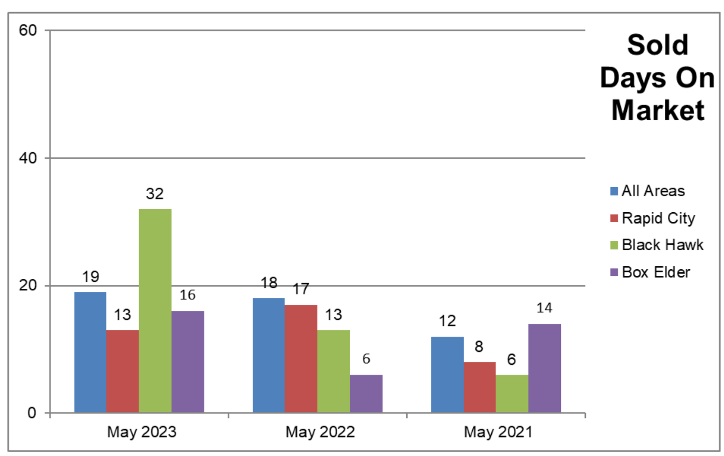
In This Issue

Rapid City & Area Market Conditions For May 2023









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Cash-Out Refinance vs. A Home Equity Loan

When you have equity in your home, which is likely your biggest investment, you can use it to achieve other financial goals. A cash-out refinance is one way to get cash out of your house, as is a home equity loan. With both options, you can do various things with the money, like consolidating debt or renovating your home, but there are differences between the two approaches and pros and cons of each.

How Does a Cash-Out Refinance Work?

A cash-out refinance is a new mortgage and a first mortgage that lets you use the equity in your home to take out cash. If you've had your mortgage loan for long enough to build significant equity, you may have the option to do a cash-out refinance.

You're most likely to be able to do a cash-out refinance if the value of your home goes up.

When you do a cash-out refinance, you're replacing a current mortgage with a new one. As you might imagine, this isn't an especially popular option currently, with such high interest rates that are continuing to go up.

The loan for your new mortgage is more than what you owe currently, and then once you receive your loan funds disbursement, you can keep the difference between the amount of the new loan and your current balance minus the equity you leave in your house, and any closing costs and fees.

Typically to take cash out of your home, you need to keep 20% equity in your home. Remember that your monthly payments will go up because you have a new loan amount.

With a cash-out refinance, you aren't usually able to get a loan for the entire value of your house—many of these loans require you to keep some equity in your home.

If you want to qualify for an FHA and conventional loan, you have to keep 20% equity, and with a VA loan, you can get a loan for

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These Are Six Of The Most Expensive Home Repairs

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When you become a homeowner, you're taking on not just the cost of your mortgage and down payment, but you also have to budget for those expenses you might not expect. The repairs you may need to do to your home through your ownership can be nearly impossible to predict and often tough to avoid.

Some of these projects are major and have a big price tag, but preventative maintenance efforts can help reduce the risk you run into one of these issues.

1. Roof Repairs

Your roof is protecting everything else in your home, and if it needs repairs, it's critical to be proactive about making sure they get done. The difficult part, along with the cost of roof repairs, is first that it can be tough to realize there's a problem until it grows into something much larger. The second issue is that storms often cause roof damage, and there's no way you can prevent that.

Signs of a problem with your roof include missing shingles and leaks. While you can't completely avoid the risk of roof damage, you can have professionals inspect it regularly. The recommendation is to inspect it ten years after the initial installation and every three to five years after that.

You can also do some inspections to look for weak spots, but this shouldn't replace professional inspections.

The cost for a partial repair averages around $650, and a full replacement is usually upwards of $6,000.

2. Replacing Central AC or a Furnace

Your heating and cooling equipment is a big part of staying comfortable in your home, but eventually, it can give out, and you'll have to pay a lot to replace it. You can estimate that each system will cost a few thousand dollars if you have to replace the heating or cooling equipment for your entire house, and the costs can easily be more than $10,000 in total.

Your goal should be ensuring that your heating and cooling equipment at least meets its full life expectancy, usually around 15 years. You can achieve this with regular maintenance. You should plan to have your furnace serviced at the start of every winter and your AC when summer starts every year.

When you have a professional inspect and service your equipment, they can check your filters for your furnace and flush out the condenser coils of the AC so that everything is operating as efficiently as possible.

3. Ceilings and Walls with Water Damage

When water damage occurs, you might have to replace your whole ceiling or an entire wall, and the average cost is around $1,500, with the costs often being as high as $6,000, especially if you have to replace the moldings.

Pipes that burst and leaky roofs are two of the most common reasons for water damage. You can wrap your pipes in parts of your home that aren't heated with an insulation sleeve to reduce the risk they'll burst. You should also regularly inspect the hoses for your appliances and pipes, looking for cracks and leaks. Replace anything that's damaged promptly.

4. Replacing a Hot Water Heater

Your water heater can cost around $500 to repair and $1000 or more to replace. Signs that there's an issue include leaks, especially if the water is rust-colored, and loud noises.

To prevent this from happening, check your pressure valve regularly and flush your tank out two times a year.

5. Damage From Termites

If you have termites, it can cost thousands of dollars to repair the damage they create. The signs of a termite problem include wood that's hollowed out, mud tunnels, and swarms of flying bugs. You might also see wings in your basement.

To prevent termite damage, keep mulch and wood away from your home's exterior, and have an inspection done at least annually. You can also use termite monitors.

6. Repairing Your Foundation

Finally, your foundation is a critical part of the structural integrity of your entire home, and if it gets damaged, it can be expensive and a complex issue to fix. Depending on the specific issue, foundation repair can cost more than $11,000. Signs of a problem with your foundation include cracks around your house and doors and windows that are hard to close and don't seem to fit their frames.

Floors that slope and water pooling around the edges of your house or in your basement can also be red flags of foundation damage.

To reduce the risk of needing to repair your foundation, you can use soaker hoses around your house when you aren't getting a lot of rain to help keep the soil from drying out too much. When it is raining a lot, ensure you have proper drainage, and keep all the soil around your house sloped to help facilitate drainage.

Courtesy of Realty Times

4 Things About Preapprovals That You Should Know

Getting preapproved for a mortgage is almost a requirement in today's real estate world. In fact, many real estate agents won't even let you into their cars to go look at houses until you've got your preapproval letter in your hand. And that makes perfect sense. Why would a real estate agent take some professional time showing houses if you've no such letter in hand. A preapproval letter lets the agent know right off the bat that you're a serious candidate as a home buyer. Let's look at four things you need to know about these preapproval letters.

The first thing to know is a preapproval is not the same as a prequalification. Although the terms sound similar they're not. Both terms apply to the mortgage industry but there are some key differences. A prequalification letter - the letter will state that it's a 'pre-qual' - signifies that you've had a conversation with a licensed loan officer. With a prequalification, the loan officer will go through a series of questions and at the end of these queries the loan officer will or will not put together a letter that states 'based upon the information provided' the individual is in good shape to obtain financing from a mortgage company.

The key here however is nothing in this loan officer conversation is documented. It's typically nothing more than a phone call or perhaps an in-office meeting. A preapproval means the needed documentation has been provided and reviewed. If you state that you make $6,000 per month, a prequalification letter will take your word for it but the preapproval status means you've backed that income up with things such as paycheck stubs and W2 forms.

Next, the information provided in order to obtain the preapproval letter must be recent. Your loan officer will ask for your two most recent paycheck stubs covering a 30 day period. Note that paycheck stubs have typically been replaced by remittance advice from your employer. This documentation will provide a gross as well as a net amount of income to be used when calculating debt to income ratios. Providing some paycheck stubs you've left in your drawer at home won't cut it. They need to be the most recent. Why? The lender needs to know how much money you make now, not six months ago.

Bank statements will also be needed in order to get a preapproval letter. For those that are self-employed, these bank statements will work in lieu of any paycheck stubs. Bank statements, again your most recent ones, will third-party verify you have enough money that is yours in your bank account to cover the down payment, closing costs and some left over when the dust has settled. The leftover amounts are referred to as 'cash reserves.'

Courtesy of Realty Times

May Real Estate Roundup

Freddie Mac's results of its Primary Mortgage Market Survey® shows that "The U.S. economy is showing continued resilience which, combined with debt ceiling concerns, led to higher mortgage rates this week. Dampened affordability remains an issue for interested homebuyers and homeowners seem unwilling to lose their low rate and put their home on the market. If this predicament continues to limit supply, it could open up an opportunity for builders to help address the country's housing shortage."

- 30-year fixed-rate mortgage (FRM) averaged 6.57 percent for the week ending May 25, 2023, up from last month when it averaged 6.43 percent. A year ago, at this time, the 30-year FRM averaged 5.10 percent.
- 15-year FRM this week averaged 5.97 percent, up from last month when it averaged 5.71 percent. A year ago, at this time, the 15-year FRM averaged 4.31 percent.

Courtesy Of Realty Times

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100% of the value of your house, which is the only exception.

The cash you take out is tax-free; you can use it however you want.

What About a Home Equity Loan?

Home equity loans are a second loan separate from your first mortgage, and they let you borrow against the equity you've built in your home. You aren't replacing your current mortgage, which is one of the big differences between this and a cash-out refinance, and it's a second mortgage meaning an altogether separate payment.

The terms are separate from a home equity loan as well, but you are borrowing against your equity, which is the difference between the value of your home and what you owe on your first mortgage.

You might be eligible to borrow up to 85% of the equity in your home, but your income and credit history will play a role too.

The rates on a home equity loan can be higher compared to other similar options, and the repayment periods usually span up to 30 years. Mortgage insurance isn't required but can be with some cash-out refinance mortgages, and there may not be origination fees.

If you have a lot of equity you've built up in your home, you might consider a home equity loan because you can borrow a larger amount of money, pay off your first mortgage and then put whatever's left of your loan towards another goal or expense.

When we compare a cash-out refinance and a home equity loan side-by-side, the cash-out refinance loan would likely be cheaper because the interest rate will be lower. By contrast, a home equity loan comes with lower closing costs, but because you're paying more interest over time, it will still be the more expensive option.

Many financial experts say it's best to avoid taking out home equity loans for anything aside from projects that will impact your home equity directly, which is worth keeping in mind, especially in the current interest rate environment.

Courtesy of Realty Times

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Black Hills Events

Black Hills Farmers Market
June 17 & 24, July 1, 8, 15, 22 & 29
Market Park, Rapid City

Family Food Truck Night
June 20 & 27, July 4, 11, 18, & 25
5:00 PM to 8:00 PM
Canyon Lake Park, Rapid City

Summer Nights
June 22 & 29, July 6, 13, 20 & 27
6:00 PM to 9:00 PM
Downtown Rapid City

Food Truck Friday
June 23 & 30, July 4, 11, 18 & 25
11:00 AM to 2:00 PM
Main Street Square, Rapid City

The Black Hills Bluegrass Festival
June 23, 24 & 25
Rush No More Resort & Campground

Main Streets Arts & Crafts Festival
June 23, 24 & 25
Centennial Park, Hot Springs

2023 Sturgis Camaro Rally
June 21 - 25
Sturgis

Black Hills Roundup
June 30 - July 4
Belle Fourche

Black Hills Corvette Classic
July 12 - 15
Spearfish