

-Headwinds for 1st time buyers

- Inventory
- Rates/payment fear
- Down payment (educate on options out there such as NC Housing Down payment assistance)
- Someone asked about the city of Raleigh program-I found [this link online](#). More restrictive than NC Housing but pretty generous with amount of funds allowed. Limited to targeted census tracts. I do NOT know this program.
- Credit Score fear (too low)

-First time buyer options

- **Conventional 3% down**
- **FHA** (typically used for some credit blemished clients as more lenient price wise in those instances)
- **VA/USDA** (100% options but with caveats such as being a veteran or limited to rural areas which are now pushed further out)
- **NC Housing-Down Payment assistance (3% option AND \$15k option)**. \$15k option is priced attractively and provides money towards down payment and maybe closing costs depending on price point. There is also an MCC Tax credit but currently I am finding the \$15k down payment assistance to be most attractive to clients. Capped at a \$480k sales price for our market
Income limits of \$117k for a 1-2 person household and \$137k for a 3+ person household
First time homebuyer (haven't owned in 3 years)
Allows a very generous credit score of 640 and the rate/pricing is the same regardless if scores are higher than 640 (may allow you to combat the "credit score too low" objection)

-Credit concerns

- Best to have a lender review now. If there are issues...we implement a plan to get them in position for some point in time down the road.
- Advise clients to sign up under optoutprescreen.com and for the do not call list. When HARD inquiries occur...it "triggers" the bureaus to

SELL that the person is shopping and they can become overwhelmed with lender calls.

- Better yet, partner with a lender (like us) that have JUST rolled out a **soft pull program which does NOT impact scores**, nor does it result in the selling of the trigger leads.
- We can advise client on how to maximize their score as they work to get in position to buy (or to improve their score during process to lower the rate/pricing on the loan)

-All of the above flows into the Rent Vs. Own conversation

- All of the above can be objections. Our goal as realtors and lenders is to educate the client on the BENEFIT of buying vs waiting for “rates to come down” or “save more for a down payment so that the loan is cheaper”.
- There are REAL potential costs to waiting to buy that we can illustrate now to help the client overcome their fear of speaking to a lender because they think rates are too high.
- I used the below examples to illustrate the conversation.
- [And here is the hyperlink for the tool](#) I use to illustrate parts of this to the client (I record a video walkthrough and call for a follow up conversation to dig deeper). It’s a video walkthrough of the discussion below.

EXAMPLE for comparison-client buys now. Sales price is median of \$420k for wake county. 20% down and rate of 7.375%. PITI of \$2685

If they were to wait 1 year and the rate were to drop to 6.375%...and home sale prices are up only 1.8% (median price of \$428k) then they could save \$170 a month in payment/month.

What they are missing here is that they paid someone else's mortgage for 1 year and missed out on \$8000 in home appreciation in addition to the principal paydown. So for \$170 savings over 12 months they saved \$2040. **But LOST out on \$8000 appreciation**

AND \$3100 principal reduction or \$11100. And the 20% down payment they need is higher now due to the higher home price point. And we didn't even talk about the fact that they could and likely would refinance to save on the payment due to the 1% drop in market rate which would have given them a new payment for the refinanced first scenario to a new lower \$2457 actually improving cash flow more so than if you waited to buy.

So what if we wait TWO years and rates drop to 5.5%. Okay, that rate gets them excited. And all the other folks that were sitting on the fence due to high rates. So demand pushes up and we see a potential repeat of Covid where buyer demand pushed home prices up more quickly. Lets say for this case they push up 10% to a new median sales price of \$470800. That PITI payment is \$2605 so only \$80 less than if they had bought 2 years ago. And they have to bring an additional \$10k to closing in down payment.

They also lost out on \$50800 in equity growth. Along with \$6600 in principal reduction. For a total delta of lost funds of \$50800 + \$6600 + \$10k (remember the extra down payment this scenario potentially costs them) for a net potential loss by waiting of \$67400 in NET WORTH. Not to mention...they would refinance the mortgage they took out in scenario 1 saving them over \$300 a month in payment/improved cash flow.

Equity Resources, Inc.

707 N West St, Ste 103 | Raleigh, NC 27603 | **Phone: 919.625.1935**

eFax: 740-618-8930 | *Email TDeadmore@callequity.net

NMLS 1579/106233, NC L-134393-102 DBA Equity Resources of Ohio, Inc.