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12 Surprising Facts About Millennial Homebuyers

Many millennials still live at home with their parents. However, this doesn't mean people born between the years 1981 and 1997 don't want to own their own homes. In fact, a Realtor.com survey revealed that 61 percent of first-time homebuyers are under the age of 35.

There are many more surprising truths that Realtors should be aware of when it comes to the millennial generation and real estate. Here are 12 things Realtors should know about millennial homebuyers.

1 **Millennials Are Saving Up.** According to a recent TD Bank survey, more than 75 percent of millennial respondents reported that they are saving for a down payment on a home. In addition, those surveyed plan to buy a house within the next five years.

2 **They Plan to Become Suburbanites.** Although the majority of millennials currently rent in cities, according to a Realtor.com study, 50 percent of millennial respondents ultimately plan to settle in the suburbs. Additionally, 11 percent would prefer to buy in a metropolitan area, 11 percent want to buy in a small town and 11 percent want to buy in a rural area. The remaining respondents were undecided.

3 **They Want to Buy Single-Family Homes.** Seventy-three percent of millennial respondents hope to purchase either a single-family home or townhome. Just ten percent want to buy condos and only 15 percent want to buy multi-family dwellings.

continued on next page

4 **They Want Move-in Ready Homes.** The TD Bank survey found that 78 percent of millennial respondents want homes that are move-in ready. They want to skip the fixer-uppers.

5 **Millennials Are Putting Less Down.** While down payments of twenty percent have been the rule for years, 35 percent of millennials are putting down less these days. Despite this, they want to pay their mortgages off after 15 years.

6 **They Likely Aren't Prepared for Unforeseen Costs.** The home buying process comes with many hidden costs. A TD Bank survey found that 17 percent of first-time homebuyers aren't prepared for these expenses. In fact, 44 percent of millennials incurred up to $5,000 in unexpected costs during the mortgage process.

7 **Millennials Are a Diverse Group.** According to a Zillow study, millennial homeowners are more diverse than previous generations.

8 **Millennials Don't Rely Exclusively on Tech.** While nine out of ten millennials look to the internet for home buying information, they actually reach out to real estate agents more than other generations. Millennials contact at least two when buying (and three when selling) a home.

9 **They Want Control.** A 2014 Fannie Mae survey found that millennials want to own their own homes so they can control their living spaces, and renovate as they see fit.

10 **They Crave Community Engagement.** The Fannie Mae survey found that seventy-five percent of responders cited feeling engaged in their community as their main reason for wanting to buy a home.

11 **Millennials Aren't Letting Student Debt Stop Them.** A Zillow analysis found that among Millennials the desire to own a home increased for each level of education attained.

12 **Millennials Believe They Can't Afford Homes.** Despite their goals, a NerdWallet analysis found that millennials worry they can't afford homes and aren't buying at the rates that previous generations bought homes. However, if counseled, many millennials would in fact reach a monthly debt-to-income ratio of 32 percent, which is well within the range acceptable to most lenders when considering mortgage applications.

Cities Where Over 50 Percent of Millennials Own Homes

Just over 35 percent of people ages 18 to 35 own homes, compared to nearly four in 10 who did just six years ago, according to data from the Census Bureau. That is a major reason why the homeownership rate for all ages remains near its lowest level since 1965.

However, a new study released by financial firm SmartAsset found there are four cities in America that are bucking that trend. In these locations, homeownership for millennials is above 50 percent. These four cities are:

1 Elk Grove, Calif. 61%
2 Gilbert, Ariz. 57%
3 Frisco, Texas 55%
4 Port St. Lucie, Fla. 54%

Elk Grove, Calif. ranked first on the list because the homes there are nearly a third of the cost of homes in San Francisco. It is also only 20 minutes to Sacramento, the state capital with plenty of technology jobs, and under two hours to San Francisco, according to Asees Singh, a spokesperson for the site.

The other three cities that made the list are just short drives to major cities with jobs — Phoenix, Dallas and Miami respective-

continued on next page

ly — says Singh. In Port St. Lucie, the median home price is under $180,000 versus $190,000 nationwide.

Citigroup to Exit Mortgage Servicing Business by 2018

Citigroup Inc. plans to exit the mortgage-servicing business by the end of 2018. In a statement, the New York-based buyer confirmed that New Residential Investment Corp. agreed to pay Citigroup $950 million for servicing rights on Fannie Mae- and Freddie Mac-backed loans with $97 billion of outstanding balances.

The sale to New Residential, which is still pending regulatory approval, is expected to be completed by the first half of 2017.

“The strategic action is intended to simplify CitiMortgage’s operations, reduce expenses and improve returns on capital,” Citigroup said in the statement.

Mortgage servicers are responsible for handling the billing and collections on home-loan payments and overseeing foreclosures. Many banks have pulled back on their servicing units as costs for the business rose and regulatory pressure increased. In March, Citigroup agreed to pay $28.8 million to settle allegations by U.S. regulators that two of the bank’s mortgage-servicing units misled borrowers.

At the end of 2016, Citigroup’s mortgage-servicing rights were worth $1.6 billion, a steep decline from $6.5 billion at the end of 2009, according to the company’s fourth-quarter earnings statement. The bank produced $371 million in fees from servicing securitized mortgages for the first nine months of last year, down from $416 million for the same period of 2015.

House Flipping Frenzy Returns to U.S. Real Estate

House flipping is once again on the rise among U.S. real estate investors. Flipping, which refers to homes that are purchased and sold within one year, echoes the height of the housing bubble before it burst in 2008. However, the majority of industry experts say that the market dynamics are different this time.

“The housing market is in full boom mode, with prices up and homes selling quickly and consistently, which gives flippers more confidence to jump into the market,” says Daren Blomquist, senior vice president of ATTOM Data Solutions, an Irvine, California-based property data firm. “At the same time, they don’t have to compete against a flood of new construction like they did during the last spike in flipping in 2005-2006, when homebuilders were building like crazy.”

Blomquist says that flippers today look for homes that are in older neighborhoods in an effort to appeal to buyers who might prefer to purchase a new house but cannot find one in their price range. Although flippers have gotten a bad reputation for damaging neighborhoods by driving up prices too quickly, in some cases, flippers can actually add value to a neighborhood. Flippers help by taking on distressed properties that first-time homebuyers wouldn’t necessarily want because the repairs needed would be too expensive for the homebuyers to finance conventionally.

continued on next page

May • 2017 Volume 43 • Number 5

Mortgage Volume Increases by 3.3 Percent as Borrowers Rush to Beat Rising Rates

As interest rates have increased in recent weeks and home prices continue to balloon, borrowers aren't wasting any time in applying for home loans. They are hoping to take advantage of current interest rates before affordability gets worse. Homebuyers are also increasingly choosing adjustable-rate mortgages, hoping to save at least some money on their monthly payments.

Total mortgage application volume increased a seasonally adjusted 3.3 percent during the first week of March, according to the Mortgage Bankers Association. The volume of mortgages remained 18 percent lower compared to the same week one year ago. Mortgage applications to purchase homes, which are less sensitive to weekly rate movements, increased by 2 percent and are 4 percent higher for the week than the same week a year ago.

"Mortgage rates increased last week as remarks by several key Federal Reserve officials strongly signaled a March rate increase," said Joel Kan, an MBA economist. "This was further supported by a few solid economic data releases, including GDP, inflation and manufacturing gauges."

As homebuyers struggle to afford the home that they want, more people are turning to adjustable-rate mortgage loans, which offer lower interest rates. ARM mortgage applications for the first week of March reached their highest level since 2014.

Survey Shows Smart Home Devices Still in Early Adopter Phase

People who own "smart homes" are officially ahead of the curve, according to a new survey of almost 10,000 homeowners in Australia, the U.S. and the U.K. by Gartner Inc., a technology analyst firm. The survey found that smart home technologies are still in the early adopter phase worldwide.

Currently, only around ten percent of homes in these countries have connected home solutions. The most popular connected home solutions are security alarm systems, which have an adoption rate of 18 percent in new homes.

Other devices and systems gaining popularity include:

- home monitoring systems (11 percent adoption rate),
- health and wellness management (11 percent),
- home automation (9 percent),
- energy management (9 percent).

For the U.S., adoption rates are around five to six percent higher.

"If they are to successfully widen the appeal of the connected home, providers will need to identify what will really motivate current users to inspire additional purchases," said Amanda Sabia, principal research analyst at Gartner.

Jessica Ekholm, research director at Gartner, recommends that smart home manufacturers focus on the real value proposition of connected homes, rather than their novelty appeal.

continued on next page

May • 2017 Volume 43 • Number 5

U.S. Home Prices Hit a 2.5-Year High

U.S. home prices moved higher in December 2016, just months after hitting a high last seen at the height of the housing bubble in 2007. The S&P/Case-Shiller 20-city index rose 5.6 percent in the three-month period ending in December 2016 compared to the same period a year ago. It also saw an increase over the 5.2 percent annual gain reported in November 2016.

The S&P CoreLogic Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices. The broader national index rose 5.8 percent for the year in December 2016, the biggest gain in 30 months. Economists had forecast an increase of 5.4 percent in the 20-city index, which attracts more attention than the national measure.

In December 2016, the hottest markets were again in the West. Seattle prices increased 10.8 percent compared to one year ago, Portland prices were up 10 percent, and Denver saw increases of 8.9 percent. There were twelve cities that had larger annual price gains in December than in November.

The national index is 0.5 percent higher than its July 2006 peak, while the 20-city index remains 6.7 percent lower.

Wall Street Eyes Shopping Malls as Next U.S. Credit Crisis

Wall Street speculators have determined that malls will become the next U.S. credit crisis. It is no secret that many mall properties have struggled for years as Americans increasingly turn to ecommerce. However, these properties are now catching the attention of speculators as analysts are estimating that they will soon collapse as a result of their debts.

As the bad news for mall anchor chains like Macy's and J.C. Penney continues to increase, bearish bets against commercial mortgage-backed securities are growing. A small but growing number of firms are positioning themselves to profit from a collapse that could trigger a wave of defaults. They are targeting securities that are backed by loans taken out by mall and shopping center operators.

"These malls are dying, and we see very limited prospect of a turnaround in performance," according to a January report from Alder Hill, which began shorting the securities. "We expect 2017 to be a tipping point."

As of March 2017, traders had purchased a net $985 million contracts that target the two riskiest types of CMBS, according to the Depository Trust & Clearing Corp. That's more than five times the purchases in the last three months of 2016.

Northeast Has Most New Home Starts

First-time homebuyers can breathe a sigh of relief, especially if they live in the Northeast. In a sign of more new homes to come, homebuilders secured 4.6 percent more permits to construct brand-new homes from December 2016 to January 2017, according to the seasonally adjusted numbers in a residential sales report jointly released by the U.S. Census Bureau and the U.S. Department of Housing and Urban Development. Number of new permits issued was 8.2 percent higher than in January 2016.

"The number of new permits is encouraging," says Joe Kirchner, senior economist at realtor.com®. "Eventually that will lead to new homes on the market."

continued on next page

May • 2017 Volume 43 • Number 5

The Northeast saw the biggest increase in permits in January, with an increase of 29.6 percent from December 2016 and 71.3 percent from January 2016. However, new homes aren't cheap. The median cost of a new home was $301,400 in December, according to the most recent U.S. Department of Commerce data. This figure is 29 percent more than the $233,500 median price for an existing home, according to a report from the National Association of Realtors®.

The number of homes that were finished in January declined by 5.6 percent from December 2016 and was down 0.9 percent from the same month a year earlier. Although there's a pause in the number of new homes completed, Kircher says that it may not last too long.

Landscaping Tips to Improve Curb Appeal

Gorgeous and spacious interiors, including an updated kitchen and bathroom and plenty of storage, can help attract homebuyers. However, before they see these areas, they see the landscaping.

In fact, some buyers decide whether they want to purchase a home based on the looks of the outside of the home. Worse, they may not even bother to go inside if the home's exterior doesn't meet their expectations.

A cluttered front yard, chipped exterior paint, and a cracked driveway are examples of flaws that can drive away potential buyers. If homeowners want better results, they need to spend time cleaning up their homes and creating curb appeal.

Get Rid of the Clutter and Dead Plants. Start by removing the debris and dead plants. Getting rid of these items will help to create space in the yard. With this additional space, you'll be able to add a few potted plants and bring some color to the yard.

If there are fallen leaves, someone needs to rake and sweep up the yard regularly. Keep in mind that your client's home is on the market every day, not just when you are hosting an open house. Upkeep of the home's exteriors should be a daily job. Buyers always want to see the house in its best condition and that begins at the street.

Spray Paint the Lawn. If there is dead grass, consider spray painting the lawn. Some cities are already using this method to fix lawns on foreclosed homes. Lawn paint is generally made from a non-toxic vegetable oil so that it won't harm people or pets. Lawn paint is semi-permanent color, like hair dye. Although it fades over time, it lasts for about three months.

Fix Broken Items. If there are broken windows or dents in the garage door, fix them. Walk around the house and note the areas that need repairs. If there are places where the paint is peeling or chipped, then the homeowner should fix them. The costs of such repairs are generally minor, yet the payoff can improve the home's value and desirability.

Add Color. Eye-catching color, such as a brightly painted front door, can do wonders. Even if the landscaping isn't particularly attractive, adding eye-catching color can really make a home stand out.

The time and money you put into the landscaping will help attract more buyers and encourage them to more seriously consider your client's home. Help your clients understand that all aspects of the home must be well maintained to attract as many potential buyers as possible. By upgrading the landscaping and exterior, you can make a great first impression.

more on next page

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"There is always room to improve for the customer. At TitleSmart we're obsessed with all of the little things that make up a great customer experience."

Co-Founder and President Cindy Koebele