

# 99 Rapid City Real Estate Update

September 2019



**COLDWELL BANKER**

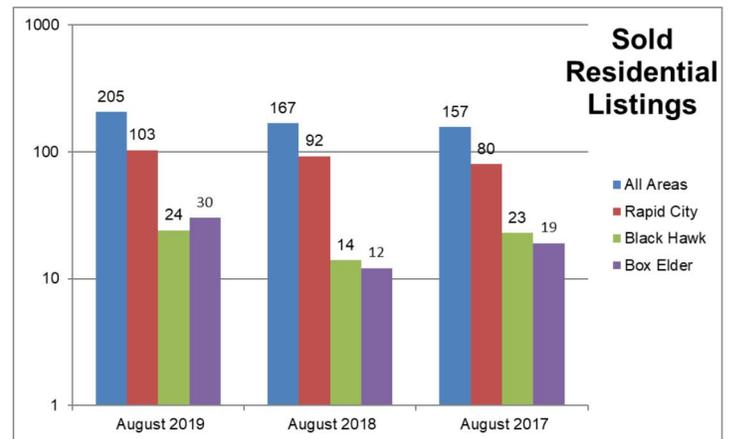
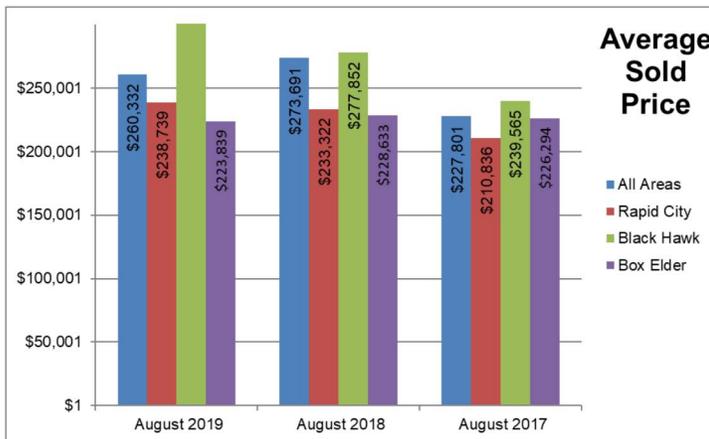
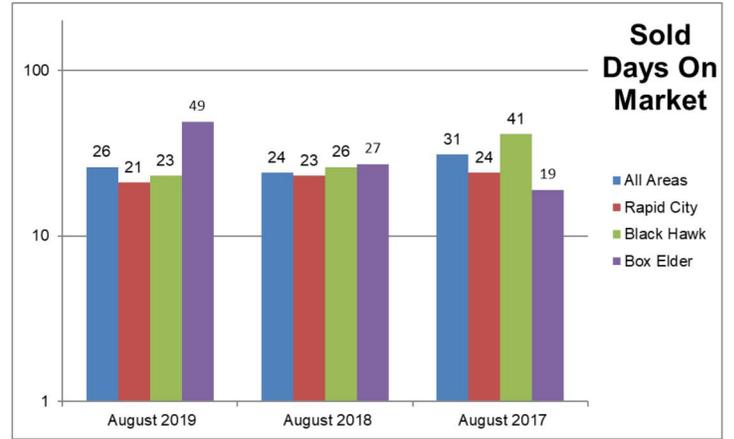
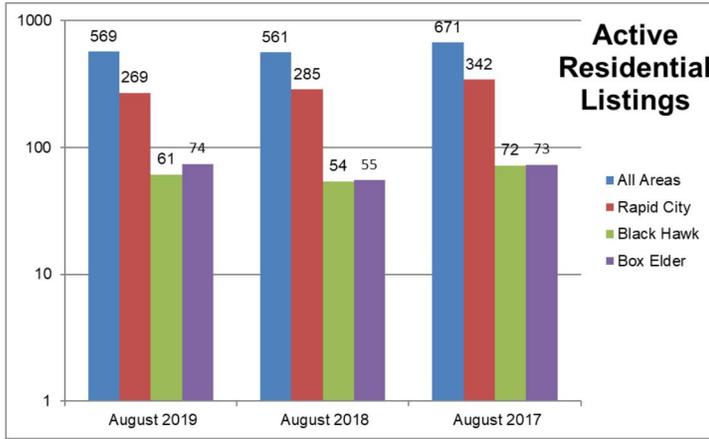
**BLACK HILLS LEGACY**

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## Rapid City & Area Market Conditions For August 2019



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## Finding Down Payment Money

One of the biggest challenges, if not the biggest challenge, is coming up with the money for a down payment on a home. Even if someone is taking advantage of the new conventional 3.0 percent down program or the FHA mortgage, most every loan requires some sort of a down payment. While 3.0 percent doesn't sound like a whole lot, if you're buying your first home it usually is. On a \$250,000 home, that comes out to \$7,500. That's not even mentioning closing costs. But there are sources for down payment funds that might sometimes be overlooked.

### *The Bank.*

Okay, this is the obvious source. From a checking or a savings account, accessing readily available cash from a bank account is the most common. Consumers can save up a little each month until the minimum amount of funds needed have accrued. The lender will ask for copies of the most recent bank statements showing available funds as well as documenting the source of those funds. Most often the deposits are from an employer via direct deposit. Self-employed borrowers who do not receive a regular paycheck on the 1st and 15th will be asked to provide business bank statements as well.

### *A Gift.*

There are those fortunate few who do receive a financial gift from a family member. Gift funds must also be tracked to make sure the funds are coming from an acceptable source. Gift funds can come from a family member, relative, or someone in a committed relationship. Lenders want to make sure the gift funds aren't a loan that must be paid back at some point in the future. There needs to be a signed "gift letter" included with the loan file stating the amount of the gift, the donor's

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## Which Type Of Loan Is Best?



FHA. 30-year conventional. 15-year term. With so many loan options out there, how do you know which is best? There is not one across-the-board winner because everyone's situation is different. But there are pros and cons of each that might make one loan work better for you. We're comparing and contrasting some of the most popular options to help you make the best choice when buying a house.

### **30-year fixed-rate conventional**

This is a 30-year loan with rates that are fixed every month. These loans follow Fannie Mae and Freddie Mac guidelines and are not backed by the government like FHA loans.

**Pro:** With set payments, there's no need to worry about rising rates. Loans are available for a range of buyers, with options like HomeReady and Conventional 97 that offer as little as 3% down. Also, there is no upfront mortgage insurance fee like you have on FHA loans.

**Con:** You have to pay PMI if you put less than 20% down. There also may be higher credit score requirements than FHA loans.

### **15-year fixed-rate**

A 15-year fixed-rate option also has fixed rates for the life of the loan. If you're the type who wants to pay your home off more quickly, this could be a good choice.

**Pro:** You pay far less interest over the life of the loan and pay off your home in half the time.

**Con:** Monthly payments are higher.

### **FHA**

FHA loans are federally insured, which is why down payment and credit score requirements are more relaxed.

**Pro:** FHA loans require as little as 3.5% down. Credit score requirements are also lower than conventional loans. You can typically qualify for a loan with a 3.5% down payment at a 580 score, and may be able to get a loan with a score as low as 500 if you have 10% down.

**Con:** You'll have to pay mortgage interest, which you can't get rid of unless you refinance. FHA loans also come with an upfront mortgage insurance fee.

### **Adjustable rate**

"An adjustable-rate mortgage (ARM) is a type of mortgage in which the interest rate applied on the outstanding balance varies throughout the life of the loan," said Investopedia. "Normally, the initial interest rate is fixed for a period of time, after which it resets periodically, often every year or even monthly. The interest rate resets based on a benchmark or index plus an additional spread, called an ARM margin."

**Pro:** Rates are often lower during the introductory or fixed period than what a borrower can get with a fixed-rate loan, making homeownership more affordable initially.

**Con:** Once the ARM gets past the fixed period, monthly payments can skyrocket, leaving owners unprepared and possibly in danger of defaulting.

### **USDA loans**

Looking to buy in a rural area? You may qualify for a USDA loan. USDA-eligible homes may also be located in some suburban areas. You can check eligibility on their website.

**Pros:** USDA loans offer low or even no down payments and low interest rates. Rates can be as low as 1% with subsidies on direct loans.

**Cons:** Household income is capped and a mortgage insurance premium is required for down payments under 20%.

### **VA loans**

Veterans Administration (VA) loans help military members and veterans purchase homes.

**Pro:** VA loans tend to have the lowest average interest rates, and loans are available with no down payment. In addition, there is "no monthly mortgage insurance premiums or PMI to pay," according to VAloans.com.

**Con:** They're not available to the general public, and veterans must meet a list of conditions.

*Courtesy of Realty Times*

# 5 Tips You Must Know Before You Start Repairing Your Home

It does not matter if you bought a newly built home, a fixer-upper or a condo in a maintained community—owning your own place usually brings about a home improvement itch in some people. Even if it doesn't, at some point it will require us to do some basic maintenance and repair tasks.

Before you give in to that universal itch, here are 5 things that you should know before you start improving and repairing your home.

**Have a Plan** - One of the worst things to happen in terms of home improvement is starting a renovation project without any major details of how it's supposed to go— design, materials, time and cost— be as realistic as you can from the start.

Nothing will cost more than having second thoughts like changing your tile choice or moving an appliance somewhere else. Consider using design tools to conceptualize your home improvement project and add a healthy buffer of 10 – 15 percent on top of that to your final budget and renovation time to account for those inevitable surprises.

**Be Realistic About Your Timeline And Get Ready For Inconveniences** - Although you have a plan, know that it will usually take longer than expected. Thus you need to be prepared to make adjustments to avoid any frustration.

Also, if you're planning a major renovation, you will likely be inconvenienced. You will not be able to use the rooms while the project is ongoing. Consider how you will manage without those facilities as well as the time of the year and how uncomfortable you might be during the project.

**Expect The Unexpected** - All homes hold dirty secrets— under the floor, in the walls, behind your appliances, everywhere. And a home renovation can bring those secrets to light.

**Permits For Major Works** - Depending on the state you reside in, you might need to secure permits before starting any renovation projects. Contractors should offer the costs for all permits on the quoted estimate and they are usually responsible for securing permits from local offices unless you'd rather do it yourself.

Major home improvements that might require local permits include electrical and plumbing work, structural changes such as building a deck or patio and new structures like fences and windows. Regardless, your city council office should have all the information for home projects and improvements that will require permits.

**Choosing The Right Contractor** - You won't have trouble finding contractors willing to manage your renovation project. However, finding the right contractor will definitely take some time.

In your planning stages, make sure you interview multiple contractors. Ask them about their communication and work style, their costs and to provide references. This should help you in choosing a professional who can ensure that your project runs smoothly.

Another option is to ask family and friends for their recommendations. Consult those in your network that you can trust. Ask contractors for any videos and/or photos of their most recent projects. Those who actually know what they are doing and run a reputable and solid business will have no problem showing off what they are capable of. Remember that experience heavily counts in this regard.

**Conclusion** - When done properly, home improvement projects not only add value to your home but also comfort and confidence. On the other hand, these projects can bust your wallet and end up failing miserably if you neglect to plan ahead. However, with the above tips, you will definitely steer your home renovation towards success.

*Courtesy Of Realty Times*

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name and where the funds are coming from. Lenders won't ask for bank statements from the donor, but do want to know the funds came from an account in the donor's name.

*A Retirement Account.*

If someone has a retirement account with an employer such as a 401(k), that person can take out a loan against the fund. This is allowable per lending guidelines but is also subject to the employer's approval. Most retirement funds allow for someone to borrow up to one-half of the employee's vested balance in the account. With an IRA, first time buyers can withdraw up to \$10,000 without penalty. The withdrawal will still be subject to any income tax due.

*An Appraisable Asset.*

If someone owns something that can be appraised by an independent third party, the proceeds when selling that asset are an acceptable source. Selling an automobile is acceptable, for instance because it has an appraised value. Even a highly prized baseball card is an appraisable asset. It's important to document the transaction from the initial sale to the deposit in the account.

*A Down Payment Assistance Program.*

Down payment assistance programs are typically overseen and/or issued by a county or state agency. Such programs typically require the borrowers' gross monthly income to not exceed certain limits and are often available to first time buyers. These programs can also be geographically targeted to help low to moderate income communities flourish. Down payment assistance can come in the form of a grant, which means there is no repayment required, or a loan which can be forgiven after living in the property for a certain period of time, typically three years or more.

*Courtesy of Realty Times*

## August Real Estate Roundup

Freddie Mac's results of its Primary Mortgage Market Survey® shows that "The drop in mortgage rates continues to stimulate the real estate market and the economy. Home purchase demand is up five percent from a year ago and has noticeably strengthened since the early summer months, while refinances surged to their highest share in three and a half years. Households that refinanced in the second quarter of 2019 will save an average of \$1,700 a year, which is equivalent to about \$140 each month. The benefit of lower mortgage rates is not only shoring up home sales, but also providing support to homeowner balance sheets via higher monthly cash flow and steadily rising home equity."

- 30-year fixed-rate mortgage (FRM) averaged 3.55 percent with an average 0.5 points for the week ending August 22, 2019, down from last month when it averaged 3.75 percent. A year ago, at this time, the 30-year FRM averaged 3.98 percent.
- 15-year FRM this week averaged 3.03 percent with an average 0.5 points, down from last month when it also averaged 3.18 percent. A year ago, at this time, the 15-year FRM averaged 4.02 percent.
- 5-year Treasury-indexed hybrid adjustable-rate mortgage (ARM) averaged 3.32 percent this week with an average 0.3 points, down from last month when it averaged 3.47 percent. A year ago, at this time, the 5-year ARM averaged 3.82 percent.

*Courtesy of Realty Times*

# Black Hills Events

## Farmers Market At Prairie Berry Winery

Tuesdays through September  
Prairie Berry Winery, Hill City

## Annual Buffalo Roundup & Arts Festival

September 27 - 29  
Custer State Park

## Great Downtown Pumpkin Festival

September 28 - 9:00 AM to 5:00 PM  
Main Street Square, Rapid City

## National Public Lands Day - Fee Free Day

September 28  
National Parks & Monuments

## Oktoberfest Express

September 28  
1880 Train Depot, Hill City

## Fall Volksmarch

September 29  
Crazy Horse Memorial, Custer

## Bierborse

October 5 - 12:00 PM to 6:00 PM  
Main Street Square, Rapid City

## Black Hills PowWow

October 11 - 13  
Rushmore Plaza Civic Center, Rapid City

## Information provided by:

[www.visitrapidcity.com](http://www.visitrapidcity.com)  
& [www.downtownrapidcity.com](http://www.downtownrapidcity.com)

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## How To Get A Jump On Fall Home Projects

If you're anything like us, the first freeze hits us and we remember all those projects we wanted to do and never started—projects that will help protect our house and make it run more efficiently. This year, we're starting early to get our house ready for the cold, and you can too.

**Consider your window coverings-** Conventional wisdom says you should trade out your lightweight draperies for something more substantial for the colder seasons. But sheers are great in fall and winter. Letting some sunlight trickle through can help heat the home while still providing privacy, and they can be added to any window, regardless of the type of treatment you already have.

**Clean out your gutters -** Clogged gutters can pose a danger to your home. Get them cleaned out now to make sure rain and snow can flow freely and isn't being impeded by leaves and debris.

**Do a chimney check -** Schedule this well in advance to make sure you can safely use your fireplace when the first chilly night hits.

**Get a tree inspection -** Heavy rain, wind, and snow can put pressure on tree limbs. You don't want them snapping and ending up crashing through your roof or breaking a window. This is the perfect time to have them checked out.

**Check for leaks around windows and doors -** About those air leaks: Little leaks can cost you big time, and the sooner you deal with them, the sooner you can start saving money. "An average home loses up to 30% of its heating and cooling energy through air leaks," said Houselogic. "The most significant air leaks tend to occur around windows and doors."

*Courtesy of Realty Times*