

# Rapid City Real Estate Update

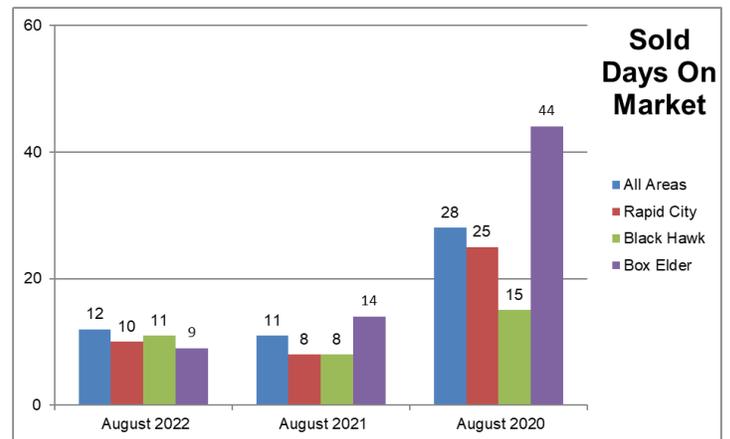
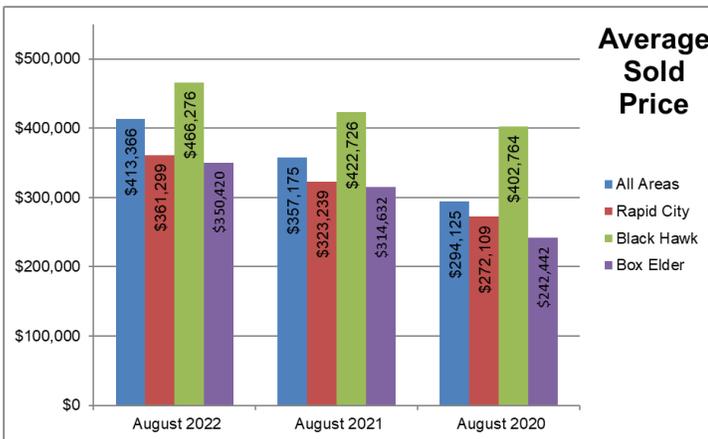
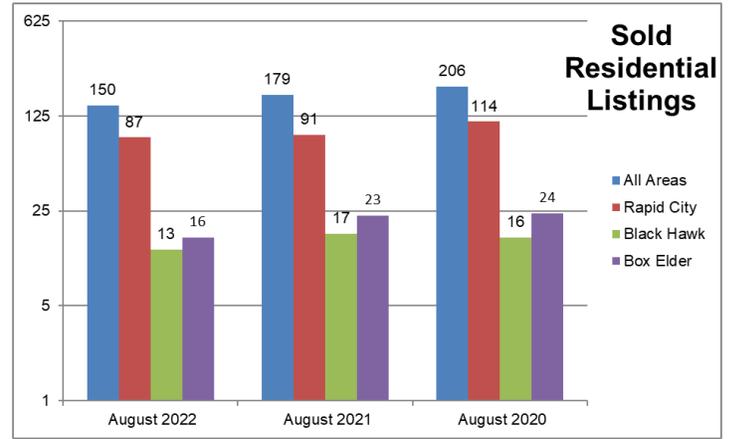
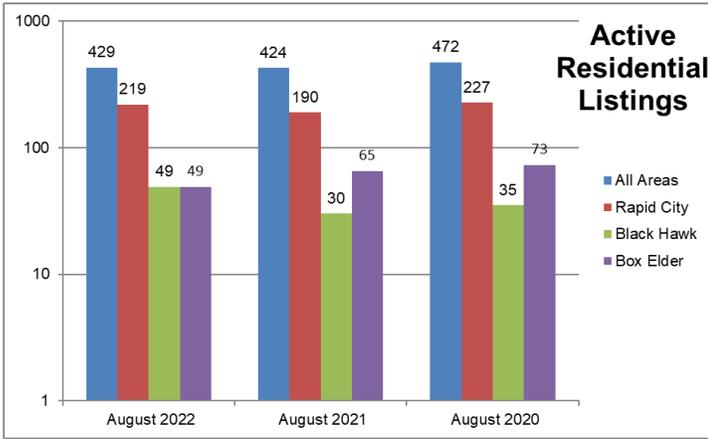


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# Rapid City & Area Market Conditions For August 2022



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## What Are The Best Ways To Use Your Home's Equity?

Your home equity can be a valuable resource to you, depending on your financial situation. Your equity is the interest you have in your home, as the owner. Your equity increases over time in two ways. Equity increases if your property value goes up or if you work toward paying down the balance of your mortgage loan.

Equity is the part of your home that you truly own if you borrowed money to buy it. If you did get a mortgage, the lender has an interest in your property until you pay it off, despite you being considered the homeowner.

The equity you have in your home is considered one of the most valuable assets you have.

Since it is an asset, you can use it. There are three main ways people use the asset of their equity. One is to sell your home. If you decide to move, you receive your equity from the proceeds of the sale. You can also borrow against the equity, and you can use a reverse mortgage to fund your retirement.

### Buying a New Home

If you sell your home, you can put the equity aside, or you can use it to buy a new home.

If you have, let's say \$70,000 in equity in your home, then you'll have a profit after closing. That profit can then be used for your down payment on your next home.

The bigger the down payment, the more expensive the home you may be able to afford. Your mortgage payments may be lower with a bigger down payment as well. Borrowing Against Your Equity Another way to use equity is to borrow against it. There are three primary ways to do this—a home equity loan, a home equity line of credit, or a cash-out refinance.

When you use your home's equity as a way to borrow money, you'll get a lower interest rate than you likely would with something like a credit card or personal loan.

There's a downside too. If you don't make your payments, a lender could foreclose on your home.

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## Are There Tax Advantages of Buying a Home?

If you're thinking about becoming a homeowner any time soon, there are tax benefits to buying. In particular, tax deductions are one way to reduce your tax bill and income. Tax deductions are different from credits. Credits are money that gets taken off a tax bill. You can think of them somewhat like a coupon. A tax deduction reduces your adjusted gross income or AGI, reducing your tax liability.

The following are key tax benefits and things to know for homebuyers or possible homebuyers.

### Mortgage Interest Deduction

Homeowners can deduct interest on their home mortgage for the first \$750,000 of mortgage debt. That limit is \$375,000 if you're married and filing separately. If you bought your home prior to December 16, 2017, an old limit of \$1 million applies, and \$500,000 if you're married but filing separately.

In January, at the tax year's end, a lender sends you Form 1098. This details the interest you paid over the previous year. You should include the interest you paid as part of the closing too. Your lender includes interest for the partial initial month of your mortgage as part of your closing. You can locate this on your settlement sheet. If it's not included on the 1098, add it to your total mortgage interest.

### Mortgage Points Deduction

If you paid mortgage points to a lender as part of your loan or refinancing, then each point you buy will generally cost 1% of the total loan. They lower your interest rate by 0.25% each. If you paid, let's say, \$300,000 for your home, every point equals \$3,000. If your interest rate is 4% in this example, the one point will lower your rate to 3.75% for the rest of your loan. You would get a deduction if you gave your lender money for your discount points.

If you refinanced your loan or took out a home equity line of credit, you are eligible for a deduction for points for your loan's life.

Every time you're making a payment on your mortgage, a smaller percentage of the points is built into your loan, and you can deduct that amount for every month you make payments. Again, your lender sends Form 1098, which details what you paid in interest on your mortgage and mortgage points. You can claim the deduction based on that information on Schedule A of your Form 1040 or 1040-SR.

### Private Mortgage Insurance (PMI)

If you have private mortgage insurance, which lenders usually charge to borrowers who put down less than 20% on a conventional loan, you may be able to deduct your payments. PMI usually costs anywhere from \$30 to \$70 monthly for every \$100,000 borrowed. As with other types of mortgage insurance, PMI protects a lender if you don't make your mortgage payments. Whether or not you can deduct PMI payments can depend on when you bought your home and your income.

The IRS says that homeowners can treat what you pay for PMI as interest on a home mortgage. If your adjusted gross income is under \$100,000 or \$50,000 if married, filing separately, you're eligible for the full deduction here.

If you're above that threshold, the deduction is phased out. If your AGI is above \$109,000 or \$54,500 to file separately as a married person, you aren't eligible to take the deduction.

### State and Local Tax Deduction

The state and local tax deduction, also known as SALT, lets you deduct some taxes you pay to the state or local government, but you have to itemize on your federal return.

Under the Tax Cuts and Jobs Act, there was a cap on previously unlimited deductions. The cap is \$10,000 per year in combined property taxes and either state income or sales taxes. The cap applies whether you're single or married filing jointly. It goes down to \$5,000 if you're married and filing separately.

### Home Sale Exclusion

If you profit after selling your home, you may not have to pay taxes. If you've owned and then lived in the home for at least two of the five years before the sale, you won't pay taxes on the initial \$250,000 of your profit. This profit is your capital gain. If you're married, filing jointly, that number goes up to \$500,000. However, at least one of the spouses has to meet an ownership requirement. Both spouses must meet a residency requirement, meaning they have lived in the home for two of the past five years.

### Tax Credits

Finally, you could qualify for a mortgage credit if you received a mortgage credit certificate or MCC from a state or local government agency under a qualified mortgage credit certification program. You can also see if your state offers rebates, tax credits, or incentives for making improvements to your home to make it more energy efficient.

*Courtesy of Realty Times*



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## 6 Things That Happen When You Become a Homeowner

Becoming a homeowner is more than having a set of keys

and your name on the deed. You may have a rush of emotions the day you take possession and recognize you now have your place in the world—literally. And that's just the beginning. Here are a few more things you can expect.

### You learn what pride of ownership means

You may take pride in your car and your clothes and other minor possessions, but nothing compares to the feeling of being a homeowner. Buying your first place is an accomplishment, and you get to come home to that accomplishment every day.

### You'll have more peace of mind

Once you have moved into your new home, unpacked, and taken a breath, you'll have that moment—that moment where you realize, "This is mine." Thankfully, that moment is repeated regularly. You'll have it when you look at your countertops and realize you can redo them any way you want. And when you decide to get a dog and don't have to ask permission. And when you want to paint your walls—any color you choose.

### You'll obsess over paint colors

Speaking of paint colors, get ready to spend hour after hour at Home Depot gathering dozens and dozens of paint chips. Even if you just

want a fresh coat of white on the walls, it's easier said than done. "There are hundreds and hundreds of white paints available, and most of them are considered white," said The Spruce. "This makes choosing a plain white paint color nearly impossible."

### You learn skills you'd never imagine

Soon you may be able to snake a toilet, tile a backsplash, and refinish your floors. Yes, there are people you can hire for these tasks, and all the others you'll want and need to do in your home over the years, but it can be so much more satisfying—and cost-effective—when you do it yourself.

If you're on a strict budget after buying your first home, you'll likely also have to learn how to care for your lawn. Get those edging skills down!

### You start prioritizing differently

Oooh, that skirt is so cute. But if you buy it, you'll want the shirt and the jacket and the boots, and the jewelry, and, before you know it, you've spent half the money it would take to update your fireplace.

### You start investing in yourself

When you put money and sweat equity into your home, you're impacting its value. That's an investment in your home, but it's also an investment in you and your future.

*Courtesy of Realty Times*

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This wouldn't be the case if you were to use credit cards, for example.

A home equity loan is somewhat like a second mortgage. You can use the proceeds of a home equity loan however you want, and you pay it back in monthly installments with interest added. It works very much like a traditional mortgage.

A home equity line of credit is structured more like a credit card in that a lender gives you a credit limit based on your equity. You borrow as you need with a HELOC and also pay it back as you borrow.

A cash-out refinance lets you refinance for more than what's owed on your mortgage, and you get the extra money as cash that you can use.

### How to Build Equity

Since equity is a valuable asset that gives you financial flexibility and options, building it is an important goal.

One of the fastest ways someone builds equity is by coming up with as large a down payment as possible. The bigger your down payment, the more equity you'll have right away.

If you already have a mortgage, make every effort to pay it off. When you first start paying a mortgage, smaller amounts go toward your principal, and more goes toward your interest. However, the longer you've had your mortgage, the more goes toward your principal, helping you build equity.

If you ever have opportunities to pay more than the minimum on your mortgage payment, do it. Some people make an extra payment each year, or they make bi-weekly payments. Even paying just a little more each month can help you reduce your principal balance and increase your equity faster.

If you stay in your home longer, you build more equity, particularly if it increases in value.

Finally, certain renovations that add value can also help you build equity. For example, adding a bathroom or doing a kitchen remodel can improve your home's value, increasing your equity.

*Courtesy of Realty Times*

## August Real Estate Roundup

Freddie Mac's results of its [Primary Mortgage Market Survey](#)® shows that "The combination of higher mortgage rates and the slowdown in economic growth is weighing on the housing market. Home sales continue to decline, prices are moderating, and consumer confidence is low. But, amid waning demand, there are still potential homebuyers on the sidelines waiting to jump back into the market."

- 30-year fixed-rate mortgage (FRM) averaged 5.55 percent with an average 0.8 points for the week ending August 25, 2022, up from last month when it averaged 5.54 percent. A year ago, at this time, the 30-year FRM averaged 2.87 percent.
- 15-year FRM this week averaged 4.85 percent with an average 0.8 points, down from last month when it averaged 4.75 percent. A year ago, at this time, the 15-year FRM averaged 2.17 percent.
- 5-year Treasury-indexed hybrid adjustable-rate mortgage (ARM) averaged 4.36 percent this week with an average 0.4 points, down from last month when it averaged 4.31 percent. A year ago, at this time, the 5-year ARM averaged 2.42 percent.

*Courtesy Of Realty Times*



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## Black Hills Events

Black Hills Farmers Market  
Every Saturday May - October  
Every Wednesday July - October  
Market Park on Omaha

Deadwood's Craft Beer Fest: Hops and Hogs  
September 23 & 24  
Deadwood

Entrance Fee-Free Day at National Parks  
September 24

Pumpkin Festival  
September 24, 10:00 AM - 4:00 PM  
Main Street Square

Custer State Park Buffalo Roundup & Arts Festival  
September 29 - October 1

Oktoberfest  
September 30 & October 1  
Deadwood

Annual October Fall Festival  
Saturdays October 1, 8, 15, 22, & 29  
10:00 AM - 5:00 PM  
Old Macdonald's Farm

Cruiser Car Show  
October 1, 2:00 PM - 6:00 PM  
Main Street Square

Fall Volksmarch at Crazy Horse  
October 2

Wild West Songwriter's Festival  
October 6 - 8  
Deadwood

Black Hills Powwow  
October 7 - 9  
The Monument