



Consumer-Oriented Information & Advice to Save Money and Time  
• Mortgage • Real Estate • Personal Credit & Finance • Home Improvement

## “From My Home To Yours”

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### HAPPY NEW YEAR!

### 2021 MORTGAGE RATE RECAP

I hope you've enjoyed this holiday season and that this newsletter finds you successful, healthy, and happy.

I have to apologize for my lack of a newsletter last year. Several of you called to inquire if somehow you were dropped from my list or it got lost in the mail. I simply had the Covid Blues and didn't have the disposition to write, edit, produce, and mail it.

But, I'm back and I hope you find the contents to be “News That You Can Use,” or at least find interesting. I also include your 2022 magnetic calendar – enjoy.

What a crazy past two years, right? When everyone thought rates were heading up, then Covid-19, then Delta, now Omicron hit. So, the Federal Reserve started pumping money into the system (\$120B per month) to forcibly keep rates low. Thus the past two years were yet another refinancing boom.

Real estate sales too have been brisk. Due to low mortgage rates, supply/demand extreme imbalances, and asset prices inflating, thanks to historic monetary & fiscal stimulus, sellers have done very, very well the past two years. Buyers, on the other hand, have been dealt a tough hand. Put that all into the context of Covid showing and closing protocols, it's been ..., how shall I say, challenging: part-time real estate broker, part-time psychologist, part-time soothsayer.

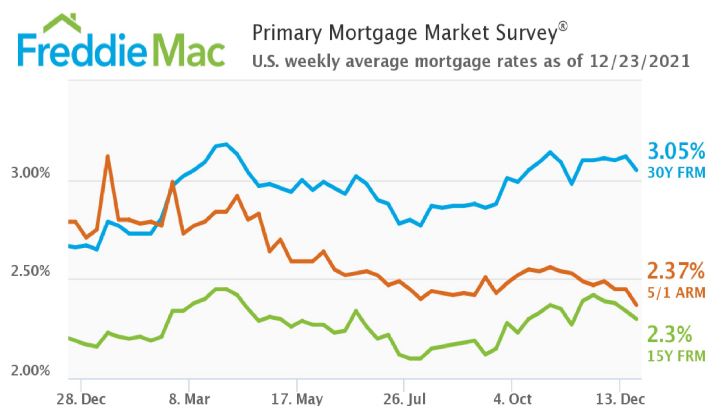
2020 & 2021 have been good years for me, now completing my 31<sup>st</sup> year in business. I'm proud to report that my 100% referral rate and 100% mortgage approval rate are still intact.

As always, feel free to call me with any questions – there is never a charge nor obligation. And I hope that if you were satisfied with my service and pricing, you will present me with the best compliment I could receive: a referral to assist a family member, friend, or co-worker.

Best Wishes and Enjoy the rest of the Winter!

*Thank You! Laurence*

2021 mortgage rate trends were very much tied to behavioral (personal, corporate, economic) reactions to each COVID wave. We started the year with rates near all-time lows, then they moved up as it appeared the initial wave was waning. Then Delta came along and rates moved back down. Then, as fear waned and the economy was beginning to normalize, rates trended higher. Now, with Omicron, rates have dipped recently. See chart.



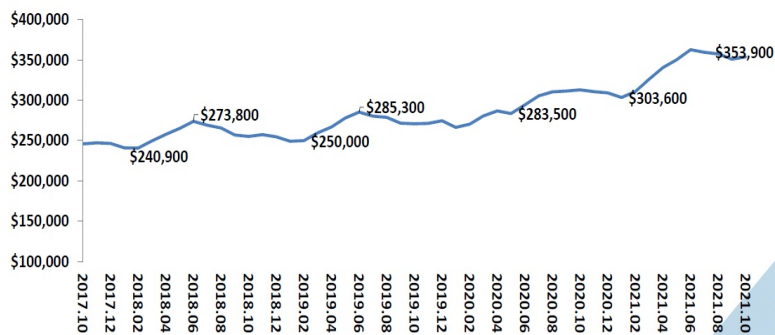
One interesting take-away from this chart is the “spread” between the 30-year and 15-year fixed rates. The difference between the two has been unusually large this year. As of 12/23, the spread was 0.68%. This helps explain why so many people opted for the 15-year fixed option when they refinanced.

Another interesting take away is the pricing of Adjustable Rate Mortgages (ARMs). Note how the 5/1 ARM depicted in the chart performed relative to the 30-year fixed. Because the pricing has become more attractive, I've been discussing this option with more and more home buyers – something I haven't done in many, many years. {More on ARMs later in the newsletter.}

## 2021 HOUSING MARKET REVIEW - National

“Super Seller’s Market” would be an apt description. Sale prices continued higher, fueled by tight inventory, very low mortgage interest rates, and strong pent-up demand despite most predictions to the contrary two years ago.

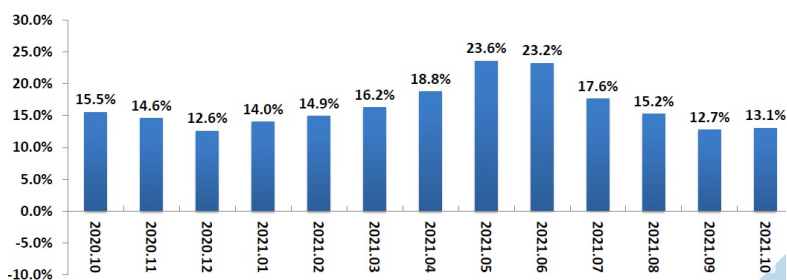
Median Price of Existing Home Sales



Let’s explore the fundamental components:

1) Inventory, aka Supply: Tenure of a sold home historically has been 6-7 years. But since the Great Recession, sellers have remained in their homes for 9-10 years. Just this past year, it has moved down to 8 years. We’ve all heard the stories of people staying put and fixing up their existing homes.

Existing Home Sales Median Price, Percent Change Year-Over-Year



CoreLogic’s Home Price Index (HPI), which takes into consideration new construction sales as well existing home sales, reached a 45-year high in October – 18% year-over-year appreciation rate. The HPI in October, 2020 was 7.3%. Astounding!

2) Demand: 34% of all home purchases were first-time home buyers (the largest segment). These buyers are the “Millennials,” the largest demographic population set in our country’s history (larger than the “Baby Boomers”). It’s estimated that there will be 45 million Millennials between the ages of 26-35 (normal first-

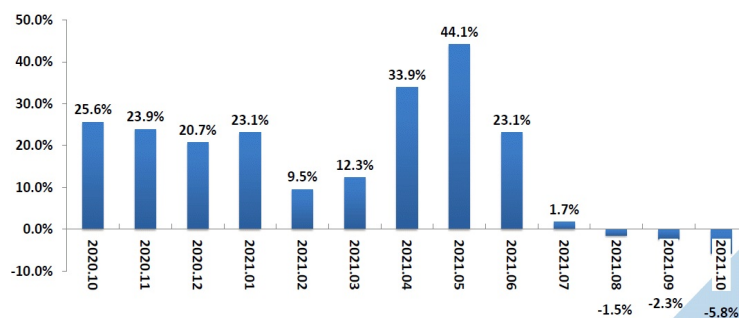
time home buying age) heading into 2022.

Besides the size of this demand, there’s also the motivation. Dealing with quarantining, working from home, living with parents, forced postponement of wedding plans, living in cramped, expensive apartments, etc., this generation is anxious to buy and buy NOW.

There is also demand from Investors, which have represented a historically large segment of buyers (14% of existing residential home sales per October’s Realtors® Confidence Index and 18% per Redfin’s Q3 survey). These investors aren’t all “Mom ‘N’ Pop” like in the old days. Now, there are national corporations, backed by Wall Street financial vehicles, to actively buy, rent, and manage residential properties. They typically purchase with cash. The motivation is capital appreciation and even more so for return on capital (cash flow).

However, while there’s a huge demand and the demand is motivated, there’s the frustration and normal reaction to escalating prices. Note the trend line regarding total existing home sales.

Total Existing Home Sales, Percent Change Year-Over-Year



Despite the declining sales, the market is still in gross imbalance. Per this October’s latest Realtors® Confidence Index, the average home received 3.6 offers, with 42% above asking price. While the average listing lasted 18 days (21 days a year ago), we’ve all heard anecdotally and I confirm with experience that many places are being sold in 1-3 days.

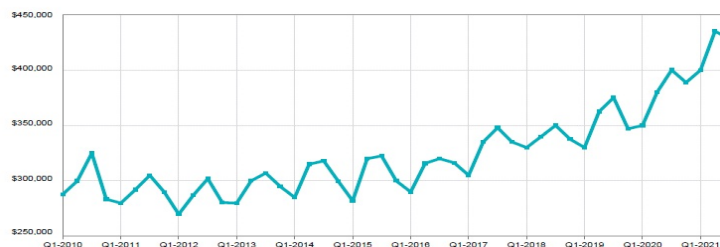
Outlook: We’ve experienced an extreme imbalance the past several years. Prices can only go so far, so fast, especially with the perspective that mortgage rates are predicted to increase in 2022. Prices will still increase, albeit at a more normalized level. The party is over, but it will take a while for sellers to realize this and re-set their expectations.

## 2021 HOUSING MARKET REVIEW - Local

To illustrate the trends more locally, here are 2021 vs. 2020 3<sup>rd</sup> Quarter residential totals, according to our local Multiple Listing Service (MLS):

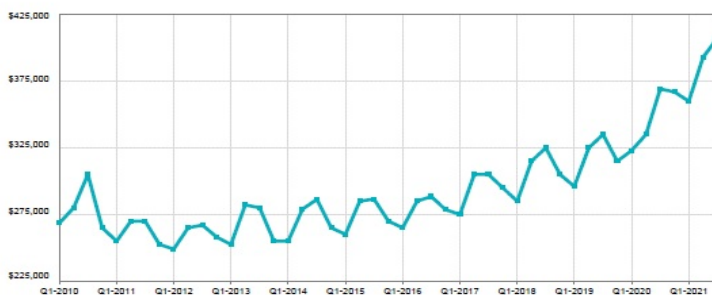
Chester County: 1.2 months supply of inventory\*; the median sales price increased 7.0% to \$428,000. 102.1% of original price received. *Local example, zip code 19348 (Kennett Sq. area): The median sales price increased by 6.7% to \$480,000 and 102.6% of original sales price received.*

Historical Median Sales Price for Chester County, PA



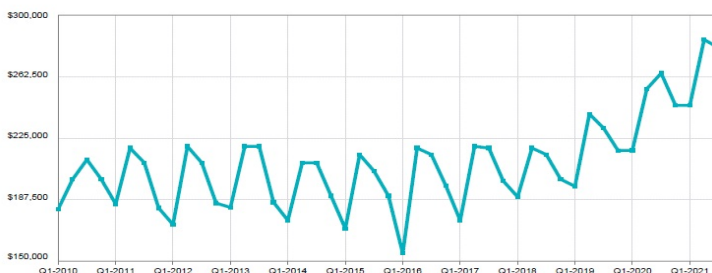
Bucks County: 1.1 months supply of inventory\*; the median sales price increased 10.4% to \$407,500. *Local example, zip code 18901 (Doylestown. area): The median sales price increased by 21.7% to \$560,000 and 101.7% of original sales price received.*

Historical Median Sales Price for Bucks County, PA



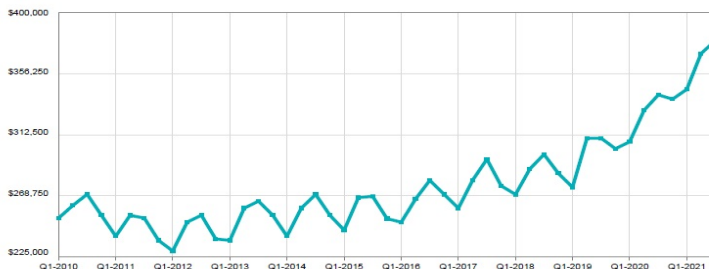
Delaware County: 1.1 months supply of inventory\*; the median sales price increased 5.9% to \$280,000. *Local example, zip code 19063 (Media area): The median sales price increased by 8.7% to \$514,000 and 101.9% of original price rcv'd.*

Historical Median Sales Price for Delaware County, PA



Montgomery County: 1.1 months supply of inventory\*; the median sales price increased 11.4% to \$360,000. *Local example, zip code 19001 (Abington area): The median sales price increased by 16.4% to \$339,950 and 102.1% of original sales price rcv'd.*

Historical Median Sales Price for Montgomery County, PA



Lancaster County: 0.9 months supply of inventory\*; the median sales price increased 14.6% to \$275,000. *Local example, zip code 17543 (Lititz area): The median sales price increased by 10.8% to \$370,000 and 104.8% of original sales price received.*

Historical Median Sales Price for Lancaster County, PA



Philadelphia County: 2.7 months supply of inventory\*; the median sales price increased 11.6% to \$270,000. *Local example, zip code 19125 (Fishtown area): The median sales price increased by 7.2% to \$391,250 and 97.9% of original sales price received.*

Historical Median Sales Price for Philadelphia County, PA



Want to know the particular statistics in your zip code? Feel free to shoot me an email or call.

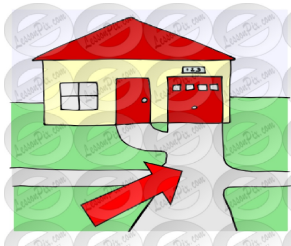
\* A "balanced market" (not a seller's nor buyer's market) is a 4-6 months supply of housing



## NEW AREA CODE FOR SOUTHEASTERN PA

The PA Public Utility Commission just recently approved a petition filed by the North American Numbering Plan Administrator (NANPA) to allocate 835 as a new area code to service Berks, Delaware, Chester, Lehigh, and Northampton counties along with a portion of Montgomery County.

Area code 835 will be allocated after the remaining 610 and 484 numbers are exhausted, which is anticipated to occur sometime in 2023.



## NEW PA LAW ON SHARED DRIVEWAYS

Do you have a shared driveway? There are many different types of properties with different lot layouts in which egress to one's house is somehow shared.

If so, good news! The PA Private Road Act was amended to provide a minimum statutory maintenance agreement in the absence of an existing written agreement. Effective date: 12/7/2021.

What's this mean and why is it good news? Let me use a simple example of two neighbors sharing a driveway from the public street. Without a written agreement, recorded and made part of their deeds, both neighbors might have a problem selling their properties. If the buyer needs to obtain a government-backed mortgage, the lender will not approve the loan because of this point. It's been a problem and headache for many a real estate agent and mortgage originator for years.

If you don't have a written agreement, and after you better understand the "minimum," (see Act 75) and then you wish to create something else, I suggest you consult a real estate attorney (feel free to call me for a recommendation).

## FINANCIAL FACTOIDS – MORE GOOD NEWS

- According to CoreLogic's 2021<sub>Q3</sub> Homeowner Equity Report, there was nationally a \$3.2T gain in equity, with an average of \$56,700 per property (y-o-y). For PA homeowners, it's \$30,000! So now only 3% of all nationally mortgaged properties are "underwater," vs. 26% at the height of the Great Recession.
- Mortgage delinquencies are down for a 5<sup>th</sup> consecutive quarter at 4.88%, albeit this is higher than the 25-year low of 3.97% hit in 2019<sub>Q3</sub>, according to the Mortgage Bankers Association's National Delinquency Survey.
- According to Experian's 2021<sub>Q3</sub>, State of the Automotive Finance Market Report, 30-60 days delinquencies dropped to 2.21%, the lowest since pre-pandemic levels, despite that the average used vehicle loan amount grew by 20% (y-o-y) to \$25,909.
- According to FICO® Score, the average is 716 (10/2021), 10 points higher than pre-pandemic levels.



## THINKING ABOUT SELLING THIS YEAR? - CHEAP & EASY DIY PROJECTS-

Want the most bang for the buck? Besides calling me first, enhance your property's curb appeal with these tips, all under \$100.

- Paint front door
- Add new cheerful doormat
- Add front door wreath (seasonal)
- Install new door knob & add unique knocker
- Install new house numbers
- Upgrade mailbox
- Replace and/or add exterior lighting
- Wash house & windows – make it shine!
- Plant a decorative tree
- Add potted plants to front & back porches
- Install flower boxes along porch railings and/or under windows





## MORTGAGE PROGRAMS & PROCESS UPDATE



Mortgage lending standards continued to change. During the height of the pandemic, verification processes became burdensome and overbearing. Certain aspects have become easier however over the past six months or so – part of the normal ebb & flow of lending standards.

Conforming loan limits increased to \$647,200 for 2022 (a 21% increase from 2020). Thus, more buyers will be able to secure better rates & terms vs. a “Jumbo” loan (amount over that limit).

The new mortgage application form became mandatory 5/2021 and now, with some experience working with it thus far, I can report that it’s much more complex, with more questions, and longer. If you were dismayed by the complexity of the four-page, legal-sized application before, wait until you see this new four - nine page (per borrower), letter-sized questionnaire! So, if there are two borrowers, that’s a change from four pages to 18 pages! The application expands based upon the answers provided.

HomeReady income limits increased to \$75,600 for most of our local geographic areas. The reduction represents a change from 100% AMI (area median income) to 80%. Nonetheless, this is a great program for most 1<sup>st</sup>-time home buyers and those who have not owned in the past three years – lower rates, lower MI.

Condo Standards Tougher: Requirements for condo budgetary reserves increased.



## AMERICAN COMMUNITY SURVEY

Just released by the U.S. Census Bureau, this report provides an interesting snapshot regarding housing demographics in 2020.

- 65% of U.S. homes were owner-occupied
- 12 % of U.S. homes were vacant
- 88% of households had broadband internet
- 42% of home had one or more people 60+ years old
- 12% of the population moved

## 2021 HOME BUYERS & SELLERS PROFILE

### Characteristics of Home Buyers

- 34% were first-time buyers (50% in ‘10, 31% in ‘20)
- 87% purchased with a real estate agent, 7% directly from a builder, and 6% directly from an owner
- 11% purchased a multi-generational home, to take care of aging parents, children over 18 staying or moving back home, and for cost savings.
- 14% veterans, 3% active-duty service members
- 89% heterosexual, 6% not preferring to answer, 4% gay or lesbian, 2% bisexual
- 60% married, 19% single women, 9% single men, and 9% unmarried couples

### Characteristics of Homes Purchased

- “Typical Home:” 1,900 square feet, built in 1993, had 3 bedrooms and 2 baths
- 15% new construction (13% in 2019, 29% in 1989)
- 82% purchased a detached single family home
- 15 miles – median distance between residences

### The Home Search Process

- 41% – first step was looking online at properties
- 91% – real estate agents viewed as very or somewhat useful information source
- 8 weeks searched and viewed a median of 8 homes (12 weeks and 12 homes in 2009 through 2013)
- 50% conducted online search on desktop or laptop computer; 50% did so via mobile device

### Financing the Home Purchase

- 87% used financing (93% in 2003)
- 7% median down payment for 1<sup>st</sup>-time buyers
- 17% median down payment for repeat buyers
- Source of down payment: 61% savings, 28% gift

### Characteristics of Home Sellers

- Typical seller lived in home 8 years (10 yrs in 2020)
- 89% were assisted by a real estate agent
- Typical seller was 56 years old with a median income of \$112,300
- 1 week – median time on market before sale
- 8% not satisfied with their recent selling experience

*\* source: National Association of Realtors®*

To view the complete survey profile, click on “Helpful Links” in my PRC website.

## COVID IMPACT ON REAL ESTATE TRANSACTIONS

You've all had to deal with COVID and your company and governmental requirements in your business lives. In real estate, the processes (showings, inspections, closings, etc.), disclosure forms, and contractual forms have all been altered to account for everyone's safety during this pandemic. It's been challenging.

You might find these examples interesting:

- 1) Disclosure Forms: Seller and Buyer had to sign regarding their knowledge about their COVID state and warranting all is well before a showing.
- 2) Showings: Mask minimum, usually shoes off and/or booties on, apply hand sanitizing gel upon entrance.
- 3) Sales Contract: New Addendum allowing for contract extensions due to COVID-related delays.
- 4) Closing: I/PMC, as a "non-essential" participant to the consummation of the transaction, was NOT permitted to attend settlement. I/PRC, was allowed to participate, albeit outside the settlement room, away from my client.
- 5) Refinancing Closings: I/PMC was handing off closing docs to customers in the parking lot of a Notary shop, mask on, then wait in my car for them to complete the signing process, then hand the docs back to me. We waved good-bye in the parking lot – how anti-climactic and distant!



### SMART HOME DEVICES – WORTH IT?

According to a 2020 survey conducted by Frontier Communications, 86% of homeowner respondents indicated that they have a least 1 smart home device with 76% owning entertainment smart devices, 65% owning security devices, and 60% having a multi-functional hub.

68% responded that they use their devices more than anticipated and 79% responded that their smart home devices positively impacted their lives.

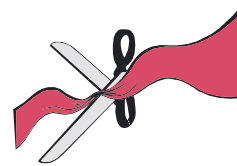
Because of the prevalence of these devices, called the "Internet of Things Devices" (IoT), the standard PA real estate sales contract has been amended to pose and clarify a question: Are they "personal property?"

## COVID IMPACT ON REAL ESTATE TRENDS

I have addressed more 2<sup>nd</sup>/Vacation home purchase inquiries in the past two years, as I've had in the previous 29 years.

The surge in interest represents a societal shift regarding the location of "home" from "work." If your company permits and you aren't required to physically go to the office, couldn't you work anywhere? Maybe your favorite vacation spot? I guess a lot of people thought that Vermont and New Hampshire would be a good spot, because 37% of the purchases there were buyers from a different state, per the 2020 American Community Survey.

Taking this one step further, would you even be willing to take a pay cut in order to live in a better environment? According to a recent Coldwell Banker survey, 51% of 18-34 year old, fully employed respondents said that they would take a pay cut or accept a lower paying job if it meant they could move to a more affordable location.



### PA REAL ESTATE PRESS

- Per Forbes Advisor: Harrisburg ranked 4<sup>th</sup> nationally as the most affordable for first-time home buyers wishing to purchase a condo.
- Per ATTOM Data: 5 of the top 10 most affordable counties nationally were located in PA, where the lowest annual wages are required to afford a typical home. In the nearest county, Schuylkill County, the annual income needed to buy a median-price home is \$15,834, as the median home price is \$80,000.
- Per U.S. News and World Report: Lancaster County was named the 5<sup>th</sup> best place to retire out of 150 metro areas studied nationally due to a perception of real estate "value" and high quality of life. Allentown ranked 11<sup>th</sup>. All told, eight cities in PA were cited in the top 30 metro areas.
- Per NAHB/Wells Fargo Housing Opportunity Index: Nationally, with a population greater than 500K, Pittsburgh was ranked #1 and the Harrisburg-Carlisle area was ranked #5 as the "most affordable housing markets."

## CREDIT CORNER

There's been some improvements to the notion that lenders should take into consideration a borrower's rental history, despite that history not being reported to the credit bureaus. It's a correction to a disparity: a mortgage, which is certainly reported to the credit bureaus, benefits the borrower's credit score (assuming a good payment history) as this represents a "housing" payment. Should not renters receive the same benefit?

FannieMae is now permitting lenders the ability to allow approval on loans, with a good rental payment history proven for the past 12-months, despite having too low of a credit score to ordinarily qualify.

Also, there's been more pressure and easier mechanisms for landlords and property management companies to report rental payment history to the credit bureaus.

Take Away: If you know someone who is renting and is intending to purchase, suggest that they discuss with their landlord or property management company if they currently report to the credit bureaus. If not, would they please do so. This will help to boost their scores, maybe significantly.

## RENTAL ROUND-UP

It's still good to be a landlord! Single-family rent prices continued to rise in the 4<sup>th</sup> quarter as vacancy rates hovered around 25-year lows.

According to CoreLogic's Single-Family Rent Index, national rents increased by 10.9% (y-o-y). It's no surprise then that investors were purchasing mostly single-family homes, representing 74.4% of their purchases, a record high, according to Redfin.

If you are already a landlord, I offer some great information under the "Investor" button in my **PRC** website such as tenant screening resources, tips for a prudent rental application, and landlord prohibitions, among other resources regarding surveys and analysis.

If you are not currently a landlord, but interested in exploring the world of residential investment, feel free to call me for financial, mortgage, and real estate consultations about the topic. Many find it a safe, lucrative investment which provides a greater diversification of assets.

## IS YOUR PROPERTY ASSESSMENT ACCURATE?

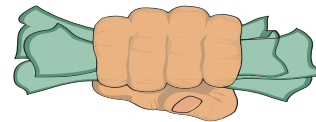
Ideally, homes are assessed at 100% of their market values, which occurs after a county-wide reassessment. But this reassessment doesn't happen often, while property values continue to increase.

Thus, the PA Dept of Revenue sets a "Common Level Ratio" (CLR) factor for each county every July, in attempt to be fair and keep old assessments in line with new assessments.

Multiply the CLR with the stated assessed value (found on your property tax bills or check public records) and you derive what the county thinks is your home value.

Here are the CLRs for our areas for 2021-2022:

- Bucks County: 12.05 (last assessment - 1972)
- Chester County: 2.22 (last assessment - 1998)
- Delaware County: 1.00 (last assessment - 2021)
- Montgomery County: 2.24 (last assessment - 1996)
- Philadelphia Co.: 1.07 (AVI assessments ongoing)



## VISIT MY IMPROVED WEB SITES - FOR MORE NEWS YOU CAN USE -

Under "[Market Outlook](#)" (all updated monthly)

- NAR's Realtor® Confidence Index
- NAR's Housing Affordability Index
- Fannie Mae's Home Purchase Sentiment Index
- Home Price Analysis for Philadelphia region
- MLS Market History

Under "[Helpful Links](#)"

- Township re-sale code requirements & tax info
- Public & Private school rankings & info
- 2021 Remodeling Impact Report (Cost vs. Benefit)
- 2021 NAR® Profile of Home Buyers & Sellers
- Home, Radon, Wood Destroying Insects, Mold, Stucco, Well, Septic and more inspection information & resources

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**THANKING YOU FOR YOUR SUPPORT  
& TRUST FOR 31 YEARS !**

