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Real estate finance insight...

- Market Update
- Financing an ADU
- New Conforming Loan Limits
- Going the Extra Mile for You
- A Home Equity Revival

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WONDERING HOW TO BUILD YOUR REAL ESTATE PORTFOLIO TODAY? LET'S TALK.



Our financial reviews are always complimentary, and we know your time is valuable, so the coffee is on us. Let's connect, and we can discuss your financial aspirations in greater detail -- virtual or in-person, the coffee (or Starbucks card) is on us! We can recommend solutions that can help you today, and longer term. Just mention this newsletter offer and we will find a time to meet.



Americans are sitting on an estimated \$28 trillion in available home equity. With that dramatic rise in home equity, homeowners have increasingly turned to home equity loans and home equity lines of credit to fund home renovations, expansions, or even add an Accessory Dwelling Unit (see ADU article, inside). And don't forget, home equity can be accessed for any reason: college expenses, emergency funds, debt consolidation, and medical needs, to name just a few.

Prior to 2022, with rates under 4%, the most cost-effective way to tap home equity was through a cash-out refinance. Today, homeowners with a great low-interest first mortgage understandably prefer to keep that low rate, so home-equity loans and lines are surging.

"Even though home price appreciation has slowed down dramatically, homeowners have continued to build equity," said Rick Sharga, ATTOM EVP of market intelligence. "Many of those homeowners have decided to stay where they are rather than purchase a new home, and are beginning to tap into that equity."

Since there are many options, we still "do the math!" to help you end up with the ideal solution. **If accessing equity is in your future, let's connect!**



SPRING 2023



QUARTERLY UPDATE • SPRING 2023

ECONOMY & MORTGAGES



Getting (Slowly) Back to Normal...

Less Drama Expected in 2023

While nearly everyone had something they liked about the housing market of 2022, there were certainly parts of it we'd like to forget. Most of us will not miss the extreme volatility. Last year, when rates doubled in a surprisingly short period of time, the resulting shock froze the housing market. The good news for 2023 is that we already see signs of stabilization. Rates are down from the 7% highs set in 2022, and volatility is less. This year, we expect much less drama.

The Fed, Inflation and Rates

The Fed raised its benchmark interest rate by a quarter-point on February 1, in line with expectations, but gave no indications that it is done. Inflation is slowly easing, but unemployment remains very low, which troubles some members of the Fed board. Chairman Jerome Powell stated in his post-meeting news conference, "while recent developments are encouraging, we will need substantially more evidence to be confident that inflation is on a sustained downward path." This probably means at least one more quarter-point increase. Whether this will materially affect mortgage rates is yet to be seen. As seen in the table below, we are right now very near long-term historical averages for rates. So while rates are up from the unsustainable lows of 2021, they're roughly "normal" again.

Comparison:	30-Yr Fixed	15-Yr Fixed
vs. Long Term Hist Avg	+0.48%	+0.17%

Source: Freddie Mac, Primary Mortgage Market Survey, U.S. Average Conventional Mortgage Rates, week ending 2/9/23. Long term average begins 11/9/92 (30 years) Your rates will differ. Not a commitment to lend. Credit on approval.

SPRING 2023

The Housing Market

It's a slowdown, but not a clearance sale. Home sales are down substantially, with the National Association of Realtors reporting that existing single family home sales were down 33.5% in December 2022, compared to year-ago. While some markets are seeing price declines (more in the West), the national median price for existing single family homes is flat. So why aren't home prices falling fast? Answer: Tight supply and a huge generational wave of demand for household formation.

Housing supply is growing again, but not dramatically. Available supply rose to 2.9 months in December versus an uber-low 1.7 months, a year ago (consider that 6 months supply is "typical"). "The nation's overall housing supply remains limited, as those who purchased homes in recent years at extremely low mortgage rates are staying put. This tight inventory has kept prices from really dropping off," said Robin Rothstein on Forbes.com.

Resetting Buyer/Seller Expectations

With rates off their peaks, it's motivating buyers (as it should!), but sellers are naturally slower to reset their expectations. Buyers, on the other hand, will now look to negotiate rather than over-bid.

We are very optimistic that with rates now actually near long-term historical averages, a more rational market will develop. This means there will be more good opportunities to buy real estate. **Give us a call and we can help you lay the groundwork for your next move.**

Aloha!

Happy new year! Good news about mortgage rates. As this newsletter goes to print, long-term interest rates are at their lowest levels in four months. In fact, they're nearly 1 percentage point lower than in October 2022. This makes it a good time to consider a home purchase. If you're a real estate professional, now may be a good time to encourage your clients to move forward. Our numerous mortgage programs can help a wide range of borrowers, from first-time homebuyers to seasoned real estate investors, while offering outstanding customer service. We wish you and your family a safe, prosperous 2023.

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IT'S OFFICIAL: HIGHER CONFORMING LOAN LIMITS

Thanks to big increases in home prices during 2022, the Conforming loan limits set by the Federal Housing Finance Agency (FHFA), the governing agency for Fannie Mae and Freddie Mac, rose again for 2023, as they have every year since 2016. Conforming loans meet the requirements for purchase by these agencies.

The new 2023 baseline loan limit is \$726,200, a 12% increase over the 2022 limit of \$647,200. Some counties are higher, and in the highest-cost areas, the new Conforming limit is \$1,089,300. Who ever thought that a "conforming" loan could eventually crack the \$1 million level? Check with me for the loan limits that would apply where you are.

Conforming loans can be less expensive than jumbo loans. So, if you have jumbo loan and your current loan balance now falls within the new conforming limits (or even close), please give us a call. We may be able to help you save money on your monthly payment!



This newsletter is a great example of our commitment to you. Sure, sending you another email blast would be a lot easier and cheaper. But we believe in the power of information, and these articles deserve to not end up buried in your overflowing inbox. Old-school newsletters like these actually get read, so we mail them, knowing that you'll get to them when you have a minute. We truly believe that one day, perhaps a few words from one of these articles will spur an idea, or start a conversation that helps you (or a friend) achieve your real estate ownership dreams. That will make it worth the extra effort.

Working with us, you get extra effort that brings you four advantages:

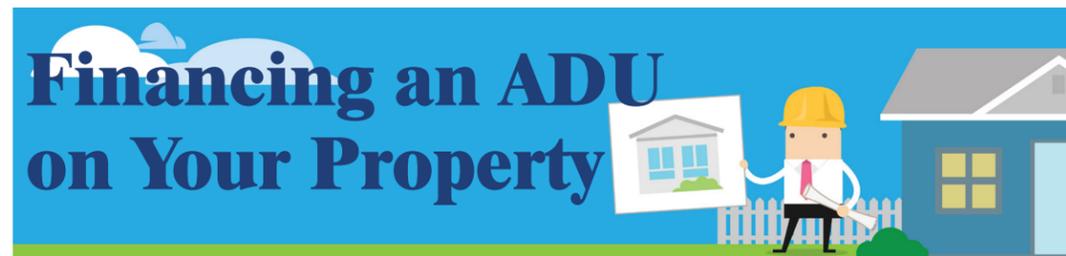
- **Advanced Preparation.** One thing we stress -- it's never too early to call to discuss your home ownership goals, even if they're still at the "dreaming" stage. We assess your current situation and recommend important steps to take that can optimize your financing strength later. This might include ways to increase your credit score, lower your debt-to-income ratio, accumulate a larger down payment, and more. We help you get pre-approved well ahead of time - which can make you a stronger buyer and able to move quickly when an opportunity arises.



Also, if you have kids that are getting close to homebuying age, let's talk - we can help them take the steps needed to become homeowners faster than they would otherwise.

- **Program Access.** We take the extra time to go through more programs and consider more alternatives than is typical. Contrary to popular belief (and behavior), a plain-vanilla 30-year fixed rate mortgage is not always the best choice for everyone, and there are dozens of great alternatives. The extra effort it takes to evaluate more options can save you money, and that's what we're here for.
- **Our Time.** Unlike most attorneys (apologies to our own lawyer), there's no clock running when we work with you. We will meet with you as often as needed to plan your next move, evaluate many loan options, answer ten thousand questions, and help you make an informed decision.
- **Convenience.** Putting together a mortgage still requires a lot of steps, and we make it easy - - from advanced online applications, to electronic document delivery, to frequent status updates. Our goal is to make this complex process pain-free, so we have invested huge sums into technology that has turned the old paper-based system into a fast-moving, smooth process that closes on schedule. This helps us spend more time talking strategy, and less time pushing paper. And it saves you time, eliminates stress, and lets you focus on finding the right property.

Put us to work. We'll go the extra mile to show you exactly how to finance your real estate dreams!



Recently, we have been having a number of discussions with clients about how to finance an accessory dwelling unit (ADU) on their property. Why all of the sudden? Well, ADUs are gaining in popularity because many states and municipalities see them as a source of desperately-needed new housing inventory and affordability. They are loosening regulations in order to encourage them. California, for example, updated many regulations to encourage local governments by removing several barriers to ADU construction, and is basically mandating that each municipality set and achieve new housing targets (much to the distress of NIMBY's). This is happening everywhere.

What Exactly is an ADU?

ADUs can take many forms, but basically they're a second home on your existing property. That means it could be a garage converted to an apartment, an over-garage apartment, an attached living space alongside your home, a basement apartment, or a standalone guest house or bungalow out back (example: tiny houses). You might even use one as a home office space. In all cases, they're dedicated, fully equipped living spaces, and they can't be sold separately when you sell the property later.

Why Consider an ADU?

An ADU can help you get more value out of the property you own. It can be used for a family member who needs housing, such as an aging parent. This can keep them close, and can save thousands versus paying an independent living facility. Another great use is as a rental property, which generates income that can even offset some of your own housing and maintenance costs. These are just two of the ways that an ADU can substantially boost the value of your property.

Financing an ADU

To finance an ADU, we have many options. The size and type of project plays a big role in determining your financing approach. A cash-out refi or a home equity loan are two straightforward approaches. Many ADU's are constructed with renovation loans, and both Fannie Mae and Freddie Mac allow ADU's with their popular renovation loan programs. FHA also allows for financing an ADU, with a few conditions. In fact, you can often use rental income from an ADU to help you qualify for a loan!

If an ADU is a possibility in your future, let's talk. We can help you put together a complete financing plan.

Thank You!

We're thankful to work with so many fantastic clients in a dynamic marketplace. These days, we're seeing many new programs, some for nontraditional borrowers, some manage rate uncertainty, some allow for rate buydowns, and a resurgence of hybrid ARM's that are fixed for 7 or 10 years! There's an ideal financing solution for everyone, and we have the expertise to deliver it. If you or any of your friends should be in a position to need that, please give me a call.

Reed Myers

Start 2023 with a New Primary or Investment Property

- Conventional, Jumbo, VA, FHA & USDA
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- No-Ratio Loans: No Income Verification
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