



"A Remarkable Mortgage Company"



M O R T G A G E W I S E

QUARTERLY UPDATE • SUMMER 2021



ECONOMY & MORTGAGES

Low Rates + Tight Inventory

How high can home prices climb?

The headlines this year have generally focused on three things – fewer houses for sale, big jumps in prices, and continued low rates. After a jump of over +0.5%, from record lows averaging 2.65% at the beginning of the year, the 30-year fixed rate mortgage has settled back around 3% as of May 20 (with best-execution well below that), which any student of history would consider really low. Did you miss the refi wave? **Answer: No!**

Low rates have resulted in dramatically higher purchasing power. Twenty years ago, rates were around 6%, consistent with long-term averages then. The same monthly payment on a 30-year mortgage on a \$400,000 home back then will now pay for a \$575,000 home at today's low rates. Coupled with low inventory, it's no wonder that 49% of homes in April sold above asking price.

Is a New Housing Bubble Inflating?

Home prices for April were up +22% year-over-year, with national median prices of \$370,528 setting a new record. Predictably, we're hearing rumbling about a housing price bubble that could someday burst. Current market conditions do not support that scenario. Why?

Careful lending. Fifteen years ago, if you could get a mirror, you could get a loan. Not so today.

Avg. Change...	30-Yr Fixed	15-Yr Fixed
vs. One Year Ago	↓ 0.24%	↓ 0.41%
vs. the Jan 7, 2021 Low	↑ 0.35%	↑ 0.13%

Source: Freddie Mac, Primary Mortgage Market Survey, U.S. Average Conventional Mortgage Rates, week ending 5/20/21. "All-time Low" rates, week ending 1/7/21. Your rates will differ. Not a commitment to lend. Credit on approval.

Since the financial meltdown, lenders have remained relatively tight in their underwriting guidelines, so buyers are better qualified.

Homeownership rates are not overextended. This rose to above 70% of households in the early 2000's, but has stayed below that mark since then, despite the current wave of millennial buyers.

The current market has a supply problem. "There simply aren't enough homes for sale in America for everyone with the desire and the means to buy one right now," said Daryl Fairweather, Chief Economist at Redfin. "Until new construction takes off -- over the course of years, not months -- home prices will continue to increase. This housing boom is nowhere close to over."

Bottom line, these are not signs of a classic bubble. But should you buy? As veteran mortgage industry commentator Lou Barnes noted recently "many housing markets tend occasionally to ascend in price quickly, in a few years, and then sit for several years on price-flat plateaus. While ascending, nothing for sale; while on a plateau, many for sale but few sellers willing to concede price." The price drops of 2008-2012 were outliers, and are already fading into history.

Real estate can indeed be a wealth-building investment. If you're of a mind to buy up or downsize, a strong purchase plan is critical. Let's get you pre-approved and lined up with a great real estate pro to get you into the home of your dreams before year-end!

Aloha!

For more than two decades, Myers Capital Hawaii has established itself as a leading mortgage and financial services company. Located in downtown Honolulu, we take an all-encompassing approach to solving your financing needs. We specialize in providing residential and commercial mortgages, business financing, and real estate advisory services. Whether you are a first-time home buyer, seasoned real estate investor, or business owner who needs capital, we can help. As a team, we recognize that exceptional service is a must, and we hope to be your #1 resource in helping you achieve your financial goals.

Reed Myers



Reed Kawai Myers

Myers Capital Hawaii
841 Bishop St Ste 2100
Honolulu, HI 96813

reed@myerscapital.com
(808) 566-6611
www.myerscapitalhawaii.com
NMLS# 322195 • 1662480



**Getting outbid?
Consider these
options.**



Buyers frustrated by losing bidding wars for dream homes have begun working with us to pursue homes that need more work, sometimes called renovation projects. They may have fewer bidders and a slightly more reasonable price.

We can show you financing programs that can help you get the funds needed for renovation. If the job isn't too big, and you'll have enough equity, home equity loans and home equity lines of credit could be options. For larger renovations, Fannie Mae, Freddie Mac, and FHA all sponsor loan programs that provide renovation funds based on the future value after the work is done. If you've recently sold a house and are buying the next one with cash, you can finance the property afterwards, delivering you back the cash you need for renovation.

Bottom line, there are programs that can help you make that purchase, so contact me for more details about how they work and how to qualify.



TAKE ON A COMPETITIVE MARKET WITH A VA LOAN

(AND BUSTING A FEW MYTHS ABOUT VA LOANS)

Low housing inventory means homeowners are flooded with multiple offers. With the VA Loan, though, veterans and active duty servicemembers have benefits that can give you an edge.

One myth about VA loans is that the appraisal and closing process is tougher, but it's not really true. The entire VA loan timetable is generally on par with conventional loans, and can be done in as little as 30 days, making it similar to conventional fast-close programs.

The appraisal process takes about the same amount of time as a regular appraisal. The main difference is that fixer-uppers are not allowed – the home must be in safe, sound, and sanitary condition. It helps to choose a REALTOR® who has solid experience helping military clients, as they'll know which homes for sale today to avoid. We work with several, so ask me for a referral!

You may have heard that VA loans have higher credit standards. Again, not true. The bottom credit range for most VA lenders is actually much more lenient than that of conventional loans. If you've had a bankruptcy or foreclosure in your past, the VA loan is actually much more forgiving in that the waiting period is shorter before you can get a new loan – only 2 years post-foreclosure or Chapter 7 bankruptcy (vs 3 and 7 years for conventional loans) and as little as 12 months for a Chapter 13 bankruptcy. Talk to us if this is in your history.

Perhaps the most well-known benefit of the VA loan is the 0% down payment requirement. This lets you preserve cash. Having cash gives you options, which gives you a leg up on other buyers bidding on a home you want. In fact (and to bust another myth) you can even use VA purchase loans on foreclosed and short-sale properties -- and with no money down, this gives you a huge edge over other buyers who have to come up with 20% down to satisfy conventional lenders. As long as the property is (you guessed it) safe, sound, and sanitary.

VA loans also include the VA funding fee – a one-time payment that may range from 1.4% to 3.6% for a purchase or construction loan. A little-known fact is that this fee can be paid up front or rolled into the loan amount, and if you have available cash to use as a down payment, you can reduce it significantly by putting either 5% or 10% down. There are also exemptions to the VA funding fee (for veterans with a service-related disability, or those who have received the Purple Heart).



Another myth is that servicemembers deployed overseas aren't able to buy a home remotely or meet the occupancy requirement. Military members stationed overseas can use a Power of Attorney (POA) to appoint a spouse or someone else to handle the VA loan transaction, including signing! A spouse can meet the occupancy rule (moving in within 60 days), or you can get an extension of up to 12 months to occupy the home. There are a few details, so contact me for more info if this is your situation.

Remember, loan limits were eliminated for most VA loan borrowers last year, letting you bid on just about any house you can qualify for!

The VA loan advantage can be beneficial in today's competitive market. If you're a Veteran or active servicemember, we can help you with the right strategy, so contact me today.



Thank You!

It's an honor to help you with your home financing needs. Change is constant, so those needs are likely to change along the way. Whether it's reducing your payment, paying off faster, tapping into equity, or real estate investments, we're here to provide financing that helps you achieve your financial goals. And, if you have family and friends who need experienced guidance, I'd be honored to help them as well. Call me for a discussion that will be time well-spent.

Reed Myers

For clients seeking to buy larger homes, and even for those hoping to buy a modest home in expensive markets, we have good news. Jumbo loans have returned as a viable option!

If you need a mortgage larger than conventional loan limits (covered in previous issues), chances are now good we can get you the financing you need without paying a whole lot more in rate compared to a conventional loan.

Jumbos for High-Credit Borrowers Offer Attractive Rates

Lenders see the end of the pandemic tunnel, and their core audience for Jumbo loans actually came through the crisis in reasonable shape. These prospective borrowers stayed employed and had fewer expenses than normal. This allowed many to build assets. Now more are ready to buy. As such, the marketplace for these larger loans has grown.

A persistent myth about Jumbo loans is that they are pricey. Not so. A borrower with good credit and a 20% down payment can currently find Jumbo 30-year loan rates only 10-20 basis points (0.1%-0.2%) higher than conforming 30-year fixed rates. That's a relatively small risk premium. Because the marketplace has grown, there's a lot of competition between lenders offering Jumbo loans (to a relatively smaller segment of the total housing market), so rates tend to stay competitive.

Joel Kan, Associate Vice President of Economic and Industry Forecasting with the Mortgage Banker's Association, said "Jumbo availability is increasing again as the economy regains its footing and coincides with the strong demand for homebuying and accelerated home price growth in many markets."

When do you need a Jumbo loan? They are ideal for larger properties, or even typical homes in higher-cost areas, where a conventional loan cannot cover 80% of the purchase price.

Four Main Hurdles for Qualifying for Jumbo Loans

- Higher credit and more conservative debt-to-income ratios are usually required
- More substantial reserves are usually required (6-12 months of typical expenses)
- It's a larger loan, with larger payments, so you'll need sufficient income
- Down payments are usually 10-20% with no low-downpayment programs

Many homes have moved up in price, as we all know too well. If the home you're hoping to purchase has bumped up into Jumbo territory, you're in luck with the healthy return of these programs into the market -- their rates are surprisingly good.

Let's run some numbers to see whether that desirable larger home is within reach!

NOW is the Time to Refinance
Rates Near Historic Lows | Take Cash Out

- Lower Monthly Mortgage Payment
- Convert HELOC to a Fixed Rate
- Eliminate Mortgage Insurance
- Funds for Home Renovations & New Construction
- Consolidate Debt

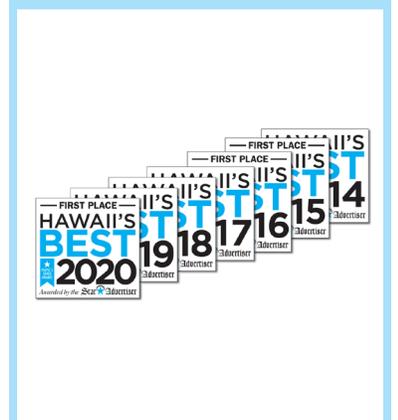
HAWAII'S MORTGAGE RATES

15 YEAR Fixed-Rate HOME EQUITY LOAN	2.000% RATE	2.318% APR
30 YEAR Fixed-Rate	2.625% RATE	2.798% APR

RESIDENTIAL AND COMMERCIAL LENDING
myerscapitalhawaii.com
566-6611

MYERS CAPITAL HAWAII
Reed Myers
Principal, NMLS 522795

Rates as of 5/1/21 and can change without notice. Maximum loan amount \$822,375. Requires 20% down payment. On a \$300,000 30 yr fixed-rate loan at 2.625%, the monthly principal and interest payment would be \$1,204.95. On a \$300,000 15 yr fixed-rate home equity loan at 2.000%, the monthly principal and interest payment would be \$1,200.53. Your actual payment obligation will be greater. Does not include additional costs such as taxes and insurance premiums. Requirements and restrictions apply. NMLS 1962480



Reed Myers
841 Bishop St Ste 2100
Honolulu, HI 96813

Real estate finance
insight...



- Market Update
- VA Loan Advantages
- Jumbo Loans are Back BIG
- Options When Inventory is Low
- When Sellers Become Buyers



© Copyright 2021 Blue Rocket Marketing. MortgageWise is a registered trademark of Blue Rocket Marketing. Information herein is provided for illustrative and educational purposes and on its own does not constitute financial guidance. Seek in-person professional guidance before making financial decisions. To verify agent licenses, visit the website on page 1, and also NMLS Consumer access at <http://www.nmlsconsumeraccess.org/> ID: 900001 Sub: 4514 / 4514 Rec: 1



WHEN HOME SELLERS.... ...BECOME HOME BUYERS



**LOWER YOUR PAYMENT?
SAVE INTEREST?
PAY OFF FASTER?
YOU CAN. JUST CALL.**



Our financial reviews are always complimentary, and we know your time is valuable, so the coffee is on us. Sharing coffee gives us the opportunity to get to know you and your financial aspirations in greater detail. This allows us to recommend solutions that work for you today, and also five, ten or 30 years from now. Just mention this newsletter offer and we will find a time to meet.

Home sellers benefit greatly from a hot real estate market with tight supply. Tales of significant net equity made liquid at the closing table abound. But one key element is missing. Close to 90% of these sellers will need to buy a new home! When these sellers become home-buyers themselves, they now face the same lack of supply all other buyers face. Even when downsizing, flush with cash, they still have to compete with many other motivated buyers.

We are skilled at dealing with these situations. On the buy-side, it can take time to find and win the house, but today, the sell-side can go lightning-fast. So, one strategy that some sellers are employing (finances permitting) is to buy the new property before selling the old one, counting on a quick sale of the old house after that. Others are negotiating move-out dates weeks after closing (rent-backs), which gives them the extra time needed to buy a new home.

And of course, there's renting in between selling and re-buying. Assuming you can find a short-term lease, it leaves you flexible, allowing you to pounce when the perfect buying opportunity appears. We can connect you with real estate partners who can help you identify rental options and work with you on the purchase after that.

If you're thinking about selling, contact me to discuss your options. We can help you craft the ideal financing strategy to make the transition go as smoothly as possible.