

The Dowdy Team

Real Estate Newsletter

Volume: 1 - 2008

Mortgage News

With all the volatility in the stock market, investors have been moving their investments into bonds and as many of you know, mortgage rates tend to follow bond yields. A large percentage of the money for mortgages comes from bond sales to investors. When the demand for bonds is high, investors pay a premium for bonds (a price above the face value of the bond) and this in turn lowers the interest yield on the bonds. Lower bond yields then lead to lower mortgage rates. As of today, Jan 23rd, I'm seeing thirty year fixed mortgage rates as low as 5% (without any points included) and fifteen year fixed rates of 4.5%. If you have a mortgage with an interest rate of 6% or above and plan to stay in your home at least a year then it may be in your best interest to refinance your home. Even if you have less than 20% equity in your home and have to have private mortgage insurance, IRS rules have changed and now allow a deduction for the PMI premium.

If you think you are a prime candidate to refinance your home give me a call and I will be glad to run a scenario to see if it makes sense. I have twelve years experience in lending to go along with my 30+ years residential real estate experience. I do not solicit mortgage loans from the public; just offer them to my customers, family, friends, and personal referrals.

If your middle credit score, as reported by the three major credit reporting agencies, is under 680 you may find some hurdles to refinancing at lower rates with the stricter lending guidelines we are seeing. Also, stated income loans are difficult to place in the present environment. Loans above \$417,000 have higher rates than smaller loans.

Single Family Home Sales 2nd Best Ever

The Houston Association of Realtors just released year end MLS stats for 2007 and results were positive for the year! Despite total sales and dollar volume being down for the year compared to 2006, 2007 marks the second best year on record for the Houston market as sales prices continued to rise slightly and marketing time was well below the national average.

Single family home sales in December 2007 were 18.3% below last December with 4,976 properties selling. Dollar volume was also down 14% compared to a year ago. The number of days it took for a home to sell increased to 85 in December and that is the highest number of days the average home took to sell since Feb 2006. During December the average seller had to negotiate 4.3% off their asking price to get their home sold and that is the highest negotiating percentage we've seen in recent years. Pending sales on December 31st stood at 3,230, a 9% decrease from December 31, 2006. Active single family home listings were up to 33,926 homes

an increase of 13% in inventory since December 31, 2006. December was the fourth month in a row of declining numbers compared to corresponding months in 2006. In Harris County the January foreclosure postings increased to over 3200 properties, compared to right at 2000 in December. It is quite evident that we are seeing increasing softness in the Houston market, especially in homes valued under \$200,000. However, if the inventory of homes does not continue increasing and unemployment stays under 4.5%, overall home values should remain stable in the Houston area. I believe we can expect to see some home values declining in the price ranges below \$200,000, where the majority of the mortgage delinquencies exist and many buyers are unable to qualify for financing with the much stricter financing guidelines. These stricter guidelines for financing do have a positive influence on the rental market as many families are forced to rent and the increased number of renters will help absorb an oversupply



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of rental homes in many suburban neighborhoods that have seen a lot of investor activity the past few years. We can expect rental rates to gradually increase and leasing times to decrease.

Although we expect the first half of 2008 to follow somewhat in the path of the rest of our nation, we are optimistic that our vibrant job market and healthy energy industry base will keep us from seeing the large declines in volume and prices expected to be experienced by the rest of our country. Steady or moderate appreciation rates are expected to continue and overall market conditions are predicted to improve the latter part of the year as long as our employment base remains solid.

The Dowdy Team

Tom Dowdy

Broker Associate

CRP – Certified Relocation Professional
CRS – Certified Residential Specialist
RE/MAX Lifetime Achievement Award
RE/MAX Hall of Fame Award
RE/MAX Platinum Award

Tom has sold homes in Northwest Houston and The Woodlands since 1977. He has closed over 1,500 home sales during his career.



Jennifer Cook

Realtor Associate

ABR – Accredited Buyer Representative

Jennifer has been selling the Montgomery County area and The Woodlands since January 2002. She has been working with Tom since Jan. 2005 and has a strong following of happy customers.

How to avoid your home listing expiring unsold

Expired listings are those properties that did not sell within the contractual agreement between the owner and listing agent. For many agents including us, expired listings are a good source of potential business, as who better to market to than people who have shown a sincere interest in selling their property, but were unsuccessful. Getting this potential business requires an agent to educate a seller on the reasons why their property did not sell the first time.

This can sometimes be difficult as most sellers only want to hear good things about their property, but unfortunately, sometimes the best approach to earning someone's trust and their business is to be straight forward and honest. If you are not aware, the most common reasons a

listing becomes an expired listing rather than a sold listing is: 1. price, 2. condition, and 3. marketing. Over pricing is most often the number one reason because you set the asking price based on your value and your agent's advice, but it is ultimately the buyer who determines its value by what they are willing to pay. In a competitive market, such as one we have here, when you overprice your property and test the market, you are only making it easier for your competition to sell. Today's buyers are value shoppers and if they see a better value down the road, they will jump on it. So price your property consistent with what similar properties have been selling for but keep in mind current market conditions that may affect your sale and adjust accordingly.

Condition is probably the #2 reason a home does not sell. Most good agents will

get your property the necessary buyer traffic, but what buyers see when they walk through your home is up to you. In a nut shell, your home should smell good, look good, and feel good. Fresh neutral paint, appealing flooring, & updated kitchens are the biggies!

Your agent also plays a big role in getting your home sold by the amount and type of marketing they do. Today's buyers are going to the internet first. Therefore, your property's internet presence must outshine your competition. High quality photos, virtual tours, podcasts, and distribution to multiple websites are key to gaining online exposure. Once you've captured the online viewer, detailed information on the benefits your home offers and competitive pricing will get you showings, then it's about the appeal!

Showing Instructions – The easier, the better!

When a homeowner decides to market their property for sale, one crucial element in marketing your home effectively is the details of your showing instructions. These instructions dictate to a buyer and the showing agent when and how you wish your home to be shown. If showing instructions are difficult and restrictive, it will likely have a negative impact on your home sale. Sellers must come to understand that when you decide to offer your home for sale, it will be inconvenient and greatly interfere with your normal life, so learn to expect it! If you don't, you risk having your property bypassed

by buyers and you will essentially assist in selling your neighbor's home.

For starters, your home should be available for showings between around 9am and 8pm, 7 days a week. Evenings are likely to be busy times for showings as many buyers can only view homes after they get off of work. For most of you, this will require your agent to install a lockbox on your home giving the showing agent access when you are not available to provide access. Excuse yourself during showings. Changing your showing instructions often makes it hard on agents who wish

to schedule a second showing. Many agents & buyers will not give a home a second chance if they cannot view it while in the area viewing other homes.

You will also need to decide how you like to be notified when a showing is scheduled. What number is best to call, will there need to be verbal approval to scheduled the showing, or will a courtesy call be acceptable? Either way, the bottom line is this, the easier and more convenient you make showing the home the more likely you are to sell it!

**More traffic
results in
quicker &
higher sales!**

Yummy Baby Ruth Dessert!

Ingredients:

2 ¼ cups all purpose flour
1 teaspoon baking soda
½ teaspoon salt
¾ cup packed brown sugar
¾ cup granulated sugar
½ cup butter OR margarine (softened)
½ cup creamy OR chunky peanut butter



**Mouth
watering good!**

2 large eggs
1 teaspoon vanilla extract
6 (2.1 oz ea.) Nestle Baby Ruth bars, coarsely chopped

Directions:

Preheat oven to 375 degrees. Grease 15x10 inch jelly roll pan. Combine flour, baking soda & salt in a small bowl. Beat brown sugar,

granulated sugar, butter and peanut butter in large mixer bowl until creamy. Beat in eggs and vanilla extract. Gradually beat in flour mixture. Spread dough evenly into prepared pan. Sprinkle with Baby Ruth & press lightly. Bake for 18-20 minutes or until golden brown. Cool completely in pan on wire rack. Cut into bars & enjoy. Makes 36 servings.

Recipe provided by: CooksRecipes.com

Guaranteed Sales Program

The Dowdy Team offers a Guaranteed Sales Program for certain sellers who want to build a new home and are concerned if their present home will sell in time to close on the new home when it is finished. Following the guidelines of the program in marketing their homes nine out of ten will sell before triggering the sales guarantee. The sales guarantee varies between 92% and 95% of fair market value as the carrying costs, while reselling the home, are factored into the price guarantee from Tom Dowdy. Tom works with investors who buy homes to hold as long term investments and if the home meets an investors criteria then the higher guaranteed price is available.

The advantages of using a guaranteed sales program in building a new home is

that you don't have to worry if your home will be sold and you will know the minimum amount of equity you have to work with in closing on the new home. If you follow the required marketing guidelines in the Guaranteed Sales Program it is not likely you will have to accept the guaranteed price. The price guarantee is based on an appraisal by an independent appraiser and a competitive market analysis completed by Tom Dowdy. To qualify for the guaranteed sale your home must be inspected and deficiencies that would be of concern to a future buyer must be corrected. The home must be in proper condition to sell and turned over to either Tom Dowdy or his investor in move-in condition. The home must be initially priced no more than 2% above the average of the apprai-

sal and the competitive market analysis.

While this program is not typically for the homeowner who has owned their home for a short period of time, it is appealing to a lot of sellers who have owned their homes for a long period of time and have built up equity through appreciation. The Guaranteed Sales Program allows a seller to capitalize on a builder's temporary discount that has a deadline attached to it, or to be able to take advantage of lower interest rates in a market where rates are expected to rise over a five to six month period of time. Once the program is explained, some sellers feel it is worth taking the chance of a discounted sales price just to lessen the stress of selling a home and the unknowns that accompany that process.

Rental Home Ownership

Ever thought about buying a rental home for an investment? Most people that buy rental homes wind up frustrated with dealing with tenant issues, small contractors, and disappointed in their investment. Owning profitable rental property requires a lot of knowledge or a lot of good luck. The important considerations in approaching the purchase of an investment property are numerous. You must consider the neighborhood and its trends to have an idea of how much the home might appreciate, as well as what type tenants the neighborhood is likely to attract. You must take into consideration

whether the floor plan will be appealing to most prospective tenants. You must give consideration to the location of the home within the neighborhood and what impact that will have in securing a tenant, as well as how easy the home will be to sell later. You must be able to accurately estimate make ready costs in getting the home ready to lease. You must have an idea of how long it will take to get the home leased and at what rental rate. You must be able to estimate what the carrying costs of the home will be during the leasing period. The selection of the tenant is one of the most critical factors in assuring a profitable

ownership as one bad tenant can easily cost you \$10,000, between repairing damages and carrying costs until you find another good tenant. Once you have a good tenant you need to treat that tenant as a valuable asset and hope to keep the tenant for at least two years. If you turn over tenants every year then vacancies, carrying costs, and make ready costs will possibly eat up your potential profits.

The bottom line is you should work with a professional with lots of experience in rental property ownership when considering buying a rental property.

“No Sales Hype, Just Straight Forward Advice”

Have you wondered what our slogan really means to you, the customer? It means we do not use “closing techniques” to try and sell a client real estate. The Dowdy Team believes in doing thorough research on market trends, neighborhoods, marketing techniques, and the advice we give is based on that research and our combined 36 years experience in the industry. Tom also has twelve years experience as a loan officer that his clients have the added benefit of. We do not believe in

giving any advice that would influence a client to make an incorrect decision just so we can earn a commission. Think of it this way....one ill advised customer will tell everyone he or she knows about the bad experience, while a satisfied customer may not think about referring another customer even though the experience with Tom or Jennifer was very good. We can't afford to have bad references in today's highly competitive real estate field. We believe in being brutally honest with our customers even

though that often means we loose a sale or have to wait months for that customer to do another transaction. We find that treating people as we would want to be treated earns the trust and respect of our clients and they in turn refer other customers to us. So if you are ever in a position to refer us a customer please consider doing so and we will treat them with respect and work hard for them. Over 82% of our business is repeat customers or referred customers and that is the backbone of our success.

The Dowdy Team

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Featured Property:



Spring Landing Beauty – 3/2/2 with recent updates to flooring, lighting, & fixtures. Great location in Klein ISD! Just reduced and ready for a new owner! \$132,000

Dowdy Team listings have sold in an average of 51 days and for 98.8% of the asking price for the past 10 years!

Now is a good time to sell and buy a larger home

While a lot of people are thinking it is not a good time to be a move-up buyer, it actually is a good time in most instances. For example you feel like you need to sell your home for \$150,000 to make a move and the market data indicates you might have to sell for \$145,000. The home you want to buy as a replacement is worth \$225,000. Which home do you think will gain more appreciation dollars when the real estate market strengthens again? The more expensive home will. While you are waiting for a \$5,000 increase in value on your home the home you want goes up \$7,758, assuming appreciation rates are the same for both homes. This assumption will hold true if market conditions are the same in both locations. However, if you are considering a move to a high cost area in another location in the US, where values are expected to continue declining for a while, then it may not be a good time to make a move to a more expensive home. The exception to that would be if you are transferred by your employer, who will give you a cost of living raise to protect

your standard of living and has a loss protection plan to guarantee you won't take a loss on the replacement home if they transfer you again. In the Houston area, where homes below \$200,000 are showing signs that values may come down a bit this year, the homes above \$200,000 have continued to appreciate gradually. This is all the more reason to buy now if you are selling a home under \$200,000. You should consider selling before the inventory grows more and prices are likely to decline a bit. Keep in mind the Houston unemployment rate is just over 4% and mortgage rates are very low so families in the mid to higher price ranges are not experiencing the same financial difficulties as families with less stable jobs and income. That means the higher priced homes aren't as exposed to declining values, unless the economic picture changes in Houston. That is not expected at this time.

Another big factor in considering if this is a good time to be a move-up buyer is the low interest rates. If you wait to sell

your home and buy a larger home when the market is on the upswing, then interest rates will likely be increasing as well. Lets use the same examples of the home being sold for \$145,000, instead of the \$150,000 you would like to get. If you are financing \$200,000 on the replacement home, a 1% increase in interest rates will cost you \$123.10 per month in higher payments, plus \$7,758 more in price differential. Now does taking \$5,000 less for the current home seem to make sense? You bet it does!

If you are considering selling and buying another home you need to be pre-approved for financing before you start the process just to be sure you are not going to run into challenges securing financing for the replacement home. Loan underwriting guidelines have changed dramatically in recent months and some programs are no longer being offered. However, if you work for a salary and have credit scores above 680 you should not experience difficulties with finding financing.