January 2022

RCFE Resource

MOST ACCURATE RCFE HOME AND BUSINESS VALUATIONS

WHAT'S THE VALUE OF YOUR RCFE?

For a **FREE** No Obligation Consultation CALL us at (949) 397-4506

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RCFE MARKET REPORT:

The 2022 Forecast

Another hot year for housing!

The shock of going into a pandemic may have disrupted the housing market in 2020 for a few months, but there was no disruption in 2021. Demand surged despite COVID's winter wave, summer delta wave, and the current omicron wave. If anything, it has kept a lid on mortgage rates. The only thing that will slow the speeding housing freight train at this point is rising rates; yet, as long as COVID continues to be a threat, rates will have a hard time rising much from their current record lows.

Housing is one of the strongest sectors of the economy, yet the overall U.S. economy has been on the mend as well. Retail sales have soared. Unemployment has dropped substantially. Job openings are surging. The number of homeowners in forbearance dropped below 600,000 by the end of December, and the vast majority of the nearly 7 million exits are either performing or paid off their mortgages in full. The economy has dramatically improved. Inflation may have risen to highs not seen in decades, but mortgage rates have not budged, indicating that investors are confident that the inflation pressures will subside and eventually retract sometime in 2022. The low interest rate environment will continue and will be a tailwind that will continue to fuel the incredible run on housing. As a result, the California housing market is going to be HOT in 2022.

Here is the forecast:
With very few available care homes to purchase, housing will be extremely hot on January 1. The theme for 2022 will be the same as 2021, not enough care homes for buyers to purchase. Expect the active inventory to peak around August.
Demand – with an anemic inventory and the historically low mortgage rate environment, buyer demand will be extremely strong from the start of the year through the Summer Market. With tremendous buyer competition, buyers will be willing to stretch above the asking price; so, expect appreciation around 8 to 10% for the year. Demand will be at its strongest, and most appreciation will occur from January through July, and then will downshift during the Autumn and Holiday Markets.

The strongest demand coupled with plenty of fresh inventory will occur during the Spring Market. This will be followed by slightly less demand and a continued new supply of care homes in the Summer Market. From there, demand will drop further along with fewer homes entering the fray in the Autumn Market. Finally, all the distractions of the Holiday Market will be punctuated with the lowest demand of the year and few care homeowners opting to sell.

Interest Rates – look for mortgage rates to continue to remain at historically low levels until the pandemic improves dramatically, most likely during the second half of the year. Even with Federal Reserve reversing their MBS (mortgage-backed securities) purchases and raising the Federal Funds Rate (short term rates), and heightened inflation, long term mortgage rates will continue to bounce between 2.75% to 3.5%. If mortgage rates remain at these low levels, housing will be insane. Mortgage rates for care homes are roughly .5% - 2.0% higher, depending on type of financing.

Distressed Inventory – do not expect a wave of foreclosures. The number of active forbearances will dwindle to nearly none. As home values have surged, very few homeowners are under water, which is one of the main reasons the vast majority of forbearance exits are either performing on a monthly basis or paid off their loans. The foreclosure moratorium resulted in very few foreclosures in 2021, so expect slightly more in 2022.

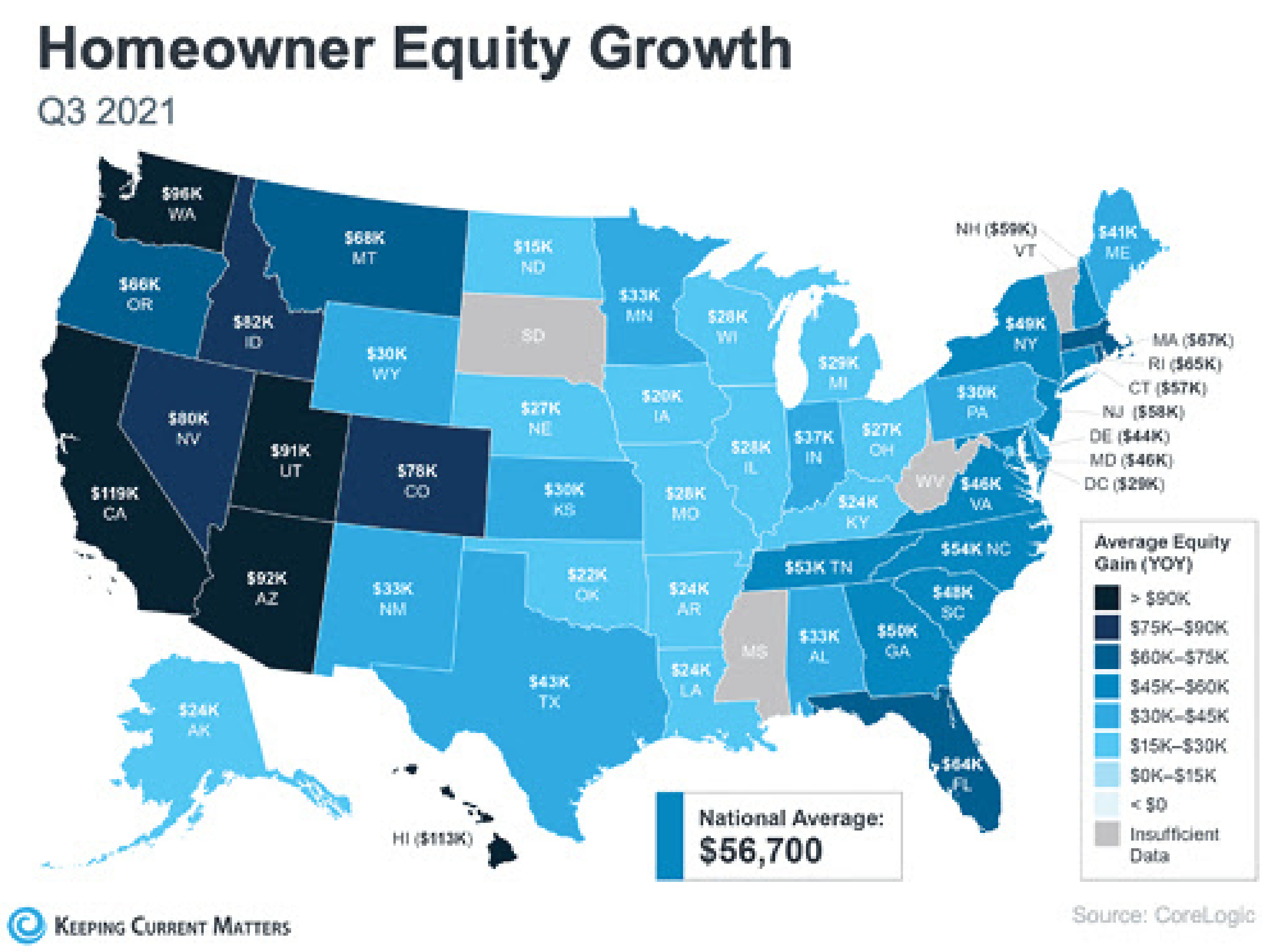
The bottom line: 2022 will continue where housing in 2021 left off, INSANELY HOT. It will be an Insane Seller's Market from the start of the year through the Summer Market. Multiple offers and bidding wars will be the norm for care homes priced below $1.2 million. Once again, the market will heavily favor sellers and buyers will have to pack their patience to isolate their piece of the American Dream and take advantage of record low mortgage rates. From mid-August on, the beginning of the Autumn Market, housing will evolve into a Hot Seller's Market with a bit less activity, not quite as many multiple offers, and fewer care homes selling above their asking prices.

THE AVERAGE RCFE HOMEOWNER GAINED $56,700 IN EQUITY OVER THE PAST YEAR

When you think of RCFE homeownership, what's the first thing that comes to mind? Chances are you might focus on the non-financial benefits, like the security or stability an RCFE home provides. But what about equity? While it can be overlooked, an RCFE homeowner's equity helps build long-term wealth over time. Here's a look at what equity is and why it matters.

For an RCFE homeowner, your equity is the current value of your home minus what you owe on the loan. So, as home values climb, your equity does too. That's exactly what's happening today. There aren't enough nice RCFEs on the market to meet buyer demand, so bidding wars and multiple offers are driving prices up. That's because people are willing to pay more to buy an RCFE home. Right now, this low supply and high demand are giving current RCFE homeowners a significant equity boost.

Dr. Frank Nothaft, Chief Economist at CoreLogic, explains it like this:
"Home price growth is the principal driver of home equity creation. The CoreLogic Home Price Index reported home prices were up 17.7% for the past 12 months ending September, spurring the record gains in home equity wealth."



To find out just how much rising home values have impacted equity, we turn to the latest Homeowner Equity Insights from CoreLogic. According to that report, the average U.S. RCFE homeowner's equity has grown by $56,700 over the last 12 months. Curious how California stacks up? The state average is $119KI

How Rising Equity Impacts You

If you're already an RCFE homeowner, equity not only builds your wealth, it also opens doors for you to achieve your goals. It works like this: when you sell your RCFE, the equity you built up comes back to you in the sale. You can use those proceeds to fuel your next move, your retirement, a child's education, and so forth.

If you're thinking about becoming an RCFE homeowner, understanding the importance of equity can help you realize why RCFE homeownership is a worthwhile goal. It builds your wealth and gives you peace of mind that your investment is a wise one, for so many reasons.

Bottom Line

Whether you're a current RCFE homeowner or you're ready to become one, it's important to know how equity works and why it matters. If this inspires you to make a move, feel free to contact us to explore your options and find out what steps you need to take next.

Ask The Broker

FINANCING OPTIONS FOR CARE HOMES

Q: I'm planning on buying a care home in the New Year. What are some of my financing options?

A: There are a variety of financing alternatives, but all depend on your good credit and your cash available for down payments. Please be aware, you must also have 3-6 months of working capital.

If you wish to have the lowest down payment, SBA financing is an excellent alternative. True, the interest rates are a bit higher, generally about 2% over prime (currently 3.25%), but SBA financing allows the buyer to put only 10% down on the home and 20% down on the business. You can refinance without prepayment penalties after 3 years.

Then there is conventional care home financing, generally 20% down on the home and 20% down on the business. These loans generally have rates about 1-1.5% over prime interest rate.

We've had buyers pay cash for the business, and obtain a regular residential loan on the home with 25% cash down payment. This will get you the lowest interest rate.

However, an issue sometimes arises when it comes time to appraise the home. The appraiser may simply refuse to conduct an appraisal, saying that they weren't aware that this is a care home, and not a single-family residence. In most cases, this isn't an issue.

There is the consideration of whether this is tantamount to mortgage fraud. But as long as you are buying the home as non-owner occupied, and you mention it is going to be used as a care home, you should be fine.

If you need a referral to an excellent lender, please call us at 949-397-4506.

Please email your RCFE/ARF questions to broker Michelle J. London (MBA, CPA, MiPA), at michelle@commlre.com, subject line "Ask the Broker" for possible inclusion in a future newsletter.

Current Listings

To view our current listings visit out website at
www.rcferesource.com

CURRENT LISTINGS

Rancho Mirage - RCFE HOME & BUSINESS
- 5 BDR/4 BA, 1,560 s.f.
- Beautiful gated community
- Serene and comfortable
- $980K Home; $240K Business

Murrieta - RCFE HOME & BUSINESS
- 4 BDR/3 BA, 2,100 s.f.
- Spencer's Crossing Community
- Corner Lot near Clubhouse
- $660K Home; $135K Business

Beaumont - RCFE HOME & BUSINESS
- 5 BDR/4 BA, 2,653 s.f.
- High-end furnishings
- Close to hospitals, medical centers
- Fully paid solar installation
- $640K Home; $120K Business

COMING SOON

(Call For Prices)

Mission Viejo - 2 RCFES FOR SALE
- Side-by-Side homes
- Good income
- Nice homes in lovely area
- Close to hospitals

Fairfield - RCFE HOME & BUSINESS
- 3 BDR/2 BA, 2,039 s.f.
- Spacious rooms
- College Greens neighborhood

Anaheim - RCFE HOME & BUSINESS
- 6 BDR/5 BA, 3,025 s.f.
- Beautiful neighborhood
- Well-appointed rooms

Mission Viejo - RCFE FOR LEASE
- 8 BDR/5 BA, 3,200 s.f.
- Desirable area
- Close to hospitals, med centers
- Upstairs living area

KEY THINGS TO AVOID AFTER APPLYING FOR A MORTGAGE

Once you've found your dream care home and applied for a mortgage, there are some key things to keep in mind before you close

It's exciting to start thinking about moving in and decorating your new care home, but before you make any large purchases, move your money around, or make any major life changes, be sure to consult your lender – someone who's qualified to explain how your financial decisions may impact your home loan.

Here's a list of things you shouldn't do after applying for a mortgage. They're all important to know – or simply just good reminders – for the process.

1. Don't Deposit Cash into Your Bank
Accounts Before Speaking with Your Bank or Lender.
Lenders need to source your money, and cash isn't easily traceable. Before you deposit any amount of cash into your accounts, discuss the proper way to document your transactions with your loan officer.

2. Don't Make Any Large Purchases Like a New Car or Furniture for Your Home.
New debt comes with new monthly obligations. New obligations create new qualifications. People with new debt have higher debt-to-income ratios. Since higher ratios make for riskier loans, qualified borrowers may end up no longer qualifying for their mortgage.

3. Don't Co-Sign Other Loans for Anyone.
When you co-sign, you're obligated. With that obligation comes higher debt-to-income ratios as well. Even if you promise you won't be the one making the payments, your lender will have to count the payments against you.

4. Don't Change Bank Accounts.
Remember, lenders need to source and track your assets. That task is much easier when there's consistency among your accounts. Before you transfer any money, speak with your loan officer.

5. Don't Apply for New Credit.
It doesn't matter whether it's a new credit card or a new car. When you have your credit report run by organizations in multiple financial channels (mortgage, credit card, auto, etc.), your FICO® score will be impacted. Lower credit scores can determine your interest rate and possibly even your eligibility for approval.

6. Don't Close Any Credit Accounts.
Many buyers believe having less available credit makes them less risky and more likely to be approved. This isn't true. A major component of your score is your length and depth of credit history (as opposed to just your payment history) and your total usage of credit as a percentage of available credit. Closing accounts has a negative impact on both of those determinants of your score.

Bottom Line
Any blip in income, assets, or credit should be reviewed and executed in a way that ensures your care home loan can still be approved. If your job or employment status has changed recently, share that with your lender as well. The best plan is to fully disclose and discuss your intentions with your loan officer before you do anything financial in nature.

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OUR FEATURED LISTINGS

JUST LISTED

Rancho Mirage: RCFE For Sale - 5 BDR - 4 BA - 2,560 SF

Home $980K; Business $240K

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JUST LISTED

Beaumont: RCFE For Sale - 5 BDR - 4 BA - 2,653 SF

HOME $640K + BUSINESS $120K

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THINKING OF BUYING OR SELLING?

We will develop a comprehensive strategy, tailored to help you achieve your RCFE goals.

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