

2023

HOME BUYER GUIDE

EVERYTHING YOU NEED TO KNOW BEFORE BUYING A HOME IN THE PACIFIC NORTHWEST



2022 MARKET RECAP

2022 was a roller coaster of a year for the Washington real estate market. For the first 6 months of the year, records were broken almost every single month with homes selling incredibly fast for all-time-high prices. Most listings were receiving multiple offers within a few days, leading to bidding wars and intense competition.

For buyers, this meant that waiving contingencies became the norm, and they often had to go up to the top of their pre-approval amounts to remain competitive. Many buyers had to submit multiple offers before getting one accepted. On the bright side, interest rates were at all-time lows, so monthly payments remained affordable even at higher home prices.

For sellers, the benefits were obvious. The record-setting home prices led to nice pay days for many, and most listings sold in less than a week for well over list price.

Then in the second half of the year, things started to change. Interest rates rose rapidly, and home prices started to drop. We began to see listings sit on the market for much longer and competition decrease drastically, creating an opportunity for many buyers who decided to put a pause on buying earlier in the year. December was a very slow month for our local real estate market. There were fewer new listings AND fewer closed sales than any other month in the last 10 years.

Going into 2023, we should see things start to pick back up again. Historically, Spring is always the busiest time of the year for the real estate market, and there's no reason to believe that this year will be any different. Many economists believe that we have already reached the bottom of the market and that we'll begin to see home prices start to increase in the beginning and middle of 2023.

3 KEY TAKEAWAYS

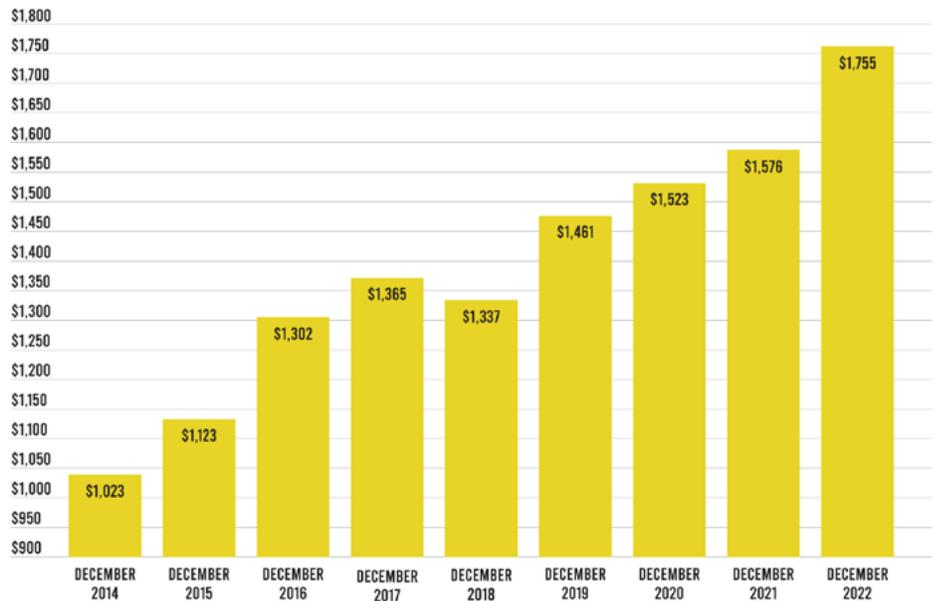
- 1.** The market slowed down a LOT toward the end of 2022, creating a unique opportunity for buyers to shop for homes in a much less competitive environment.
- 2.** Even though interest rates are higher now than they were at the beginning of 2022, you always have the option to refinance later once rates go back down.
- 3.** If you're thinking about buying a home this year, it's important to start planning NOW!

SHOULD YOU RENT OR BUY?

Increases in rental prices nationwide have resulted in it being more cost effective to own a home in many situations.

While homeownership costs more up-front, it comes with many benefits that you can't get from renting. Financial security and stability, tax deductions, and building equity are just a few of these benefits. And of course, the money you make if you choose to sell your property!

AVERAGE COST OF RENTING A 2 BEDROOM APARTMENT
TACOMA, WA



DO YOU REALLY NEED A REAL ESTATE AGENT?

When purchasing a home, using a Real Estate Agent is crucial.

Your agent will negotiate on your behalf and will take care of all of the confusing contracts that go along with buying a home. Using a Real Estate Agent is also typically free to you as a buyer, so there's truly no reason to try and do it yourself. Some buyers think they can work with a listing agent directly, but that is a huge mistake as they have the seller's best interest in mind (not your's). Contrary to popular belief, websites like Zillow do NOT show every home on the market, so using a Real Estate Agent is a must!

PAYING RENT VS PAYING A MORTGAGE

When making a monthly payment, it's important to remember the difference between paying rent and paying off a mortgage. Oftentimes people tend to compare monthly rent versus a monthly mortgage payment and only consider how much they cost. However, that money is going to completely different places.

When you pay rent, that money is gone forever. It's paying for your landlord's vacation, and you will never see it again. When you pay a mortgage, you are paying back a loan, and building up equity! This is value in your property that you actually own. That money is going directly back to you in the form of equity and added to your net worth, instead of disappearing forever.

AND if you sell the home in the future, all the equity you've earned is money you get to keep when you pay off your mortgage! With the way the Real Estate market continues to appreciate year after year, you are very likely to sell for more than what you paid for. All the equity you earned PLUS the extra money you earn from the increase in value goes right into your pocket.

Buying a home is an investment that earns you money in the long run, as opposed to rent which burns money with zero return.

Equity doesn't just benefit you when you sell your home and pay off your mortgage. While you own the home, if you find yourself in need for a large chunk of cash (for whatever reason), you can borrow back money you've paid into the home in the form of a home equity line of credit. Do you have an emergency repair needed on your home and need to come up with \$5,000 cash quickly? Now you have the ability to do so, with the equity you've been building with your monthly mortgage payments.

So when you truly break it down, there is absolutely no comparison between making a monthly rent payment and a monthly mortgage payment! One is money lost forever, and one is an investment in your future.

MORTGAGES & PRE-APPROVAL LETTERS

A mortgage is a loan that allows you to buy a home, that you pay back on a monthly basis. Once you have been pre-approved for a loan, your lender will give you a pre-approval letter.

This states you can be approved for a loan when the time comes, which allows you to start looking for a home with your real estate agent. Your pre-approval will indicate exactly how much you are able to afford when you are out shopping for homes with your agent.

COMMONLY USED MORTGAGE PROGRAMS

CONVENTIONAL

This is a standard loan that requires a 680+ credit score, and a down payment of 5% (sometimes 3%).

VA

VA (Veteran Affairs) loan requires having served in the military, a 620+ (sometimes 580+) credit score, and has no down payment.

DPA

A DPA (Down Payment Assistance) program is a common program for First Time Buyers or those with no down payment, and requires a 620+ credit score.

FHA

The FHA (Federal Housing Administration) loan requires a 620+ (sometimes 580+) credit score and a 3.5% down payment.

USDA

The USDA (United States Department of Agriculture) loan is for homes in rural areas, requires a 640+ credit score, and has no down payment.

WHAT CREDIT SCORE DO YOU NEED TO BUY A HOME?

Every financing program requires a different credit score.

Some programs may accept a credit score in the 500's, while others require scores in the 600's. The terms of the loan you're able to get pre-approved for will largely depend on your credit score. A qualified Mortgage Lender will determine the programs that are available to you and will help you find the best fit!

EXCELLENT	780 - 850
VERY GOOD	720 - 780
GOOD	640 - 720
FAIR	580 - 640
POOR	300 - 580

HOW MUCH DO YOU NEED FOR A DOWN PAYMENT?

There are several options for down payments.

Often, loans require a down payment of 3-5% of the purchase price. However, there are also Zero-Down and Down Payment Assistance (DPA) programs available, as well as programs for first time Homebuyers. Ultimately, your down payment will depend on the price of the home and the loan terms you are approved for. Talk with a lender to discuss the available options, and find the right plan for you.

WHAT MAKES UP YOUR PAYMENT?

PRINCIPAL & INTEREST

The principal is the amount that you owe from the original loan amount, and the interest is what you are charged to borrow the principal. Both the principal and interest make up your monthly payment. The closer you get to paying off the principal, the less you pay in interest.

PROPERTY TAXES

Property taxes are determined by the county. They are based on the tax-assessed value of your property and are not affected by loan type or credit score.

INSURANCE

Home Owners Insurance is required by the lender when you buy a home. Your insurance will cover the cost to replace any part of the home in the event of unforeseen damage or theft. You can choose to have lower or higher levels of coverage, but the minimum amount of coverage required is the cost to replace the home in full. While this may sound like a lot, home-owners insurance premiums are typically inexpensive.

MORTGAGE INSURANCE

Mortgage insurance is the lender's insurance policy in case you stop making payments on your loan. Typically if the down payment on a purchase is less than 20%, there will need to be some form of mortgage insurance. The amount you pay for mortgage insurance will vary depending on the terms of your loan agreement.

WHAT NOT TO DO WHEN BUYING A HOME

- DO NOT CHANGE JOBS, QUIT YOUR JOB, OR BECOME SELF-EMPLOYED
- DO NOT MAKE LARGE PURCHASES SUCH AS FURNITURE, A CAR, ETC.
- DO NOT USE YOUR CREDIT CARDS EXCESSIVELY OR LET PAYMENTS FALL BEHIND
- DO NOT CHANGE BANK ACCOUNTS OR OPEN NEW ONES
- DO NOT INITIATE ANY HARD INQUIRIES INTO YOUR CREDIT - THIS WILL NEGATIVELY IMPACT YOUR CREDIT SCORE
- DO NOT CO-SIGN ON A LOAN FOR ANYONE

- GO OVER THE OPTIONS THAT ARE AVAILABLE TO YOU WITH A QUALIFIED LENDER AND ESTABLISH A FIRM FINANCIAL PLAN
- LIVE WITHIN YOUR MEANS, CUT OUT EXTRA EXPENSES, AND ESTABLISH A BUDGET THAT YOU CAN COMMIT TO
- CONSISTENTLY PUT MONEY AWAY INTO SAVINGS EACH MONTH
- FIND A REAL ESTATE AGENT THAT YOU TRUST
- REGULARLY LOOK AT LISTINGS WITHIN YOUR PRICE RANGE TO SEE WHAT TYPES OF HOMES ARE ON THE MARKET

WHAT YOU SHOULD DO WHEN BUYING A HOME

HOME BUYER BUS TOUR

If homeownership is one of your goals for 2023 or beyond, Theory's Homebuyer Bus Tour is the perfect place to learn more in a stress-free environment with NO pressure to buy before you're ready!

This course is 100% free. Everyone is welcome to attend, whether you want to buy a home in a few months, or a few years. We will teach you the ENTIRE home buying process, how to prepare for home ownership, and everything you need to know about financing. We'll also take you on a tour of several Tacoma homes on the Theory Bus and show you what kinds of things to be aware of as a buyer.

The Bus Tour is a WSHFC-certified Homebuyer education program. This means that once you've completed the course, you will receive official certification through WSHFC that will allow you to qualify for Down Payment Assistance Programs when you buy a home (including Zero-Down options).



WWW.THEORYRE.COM/HOMEBUYERBUSTOUR

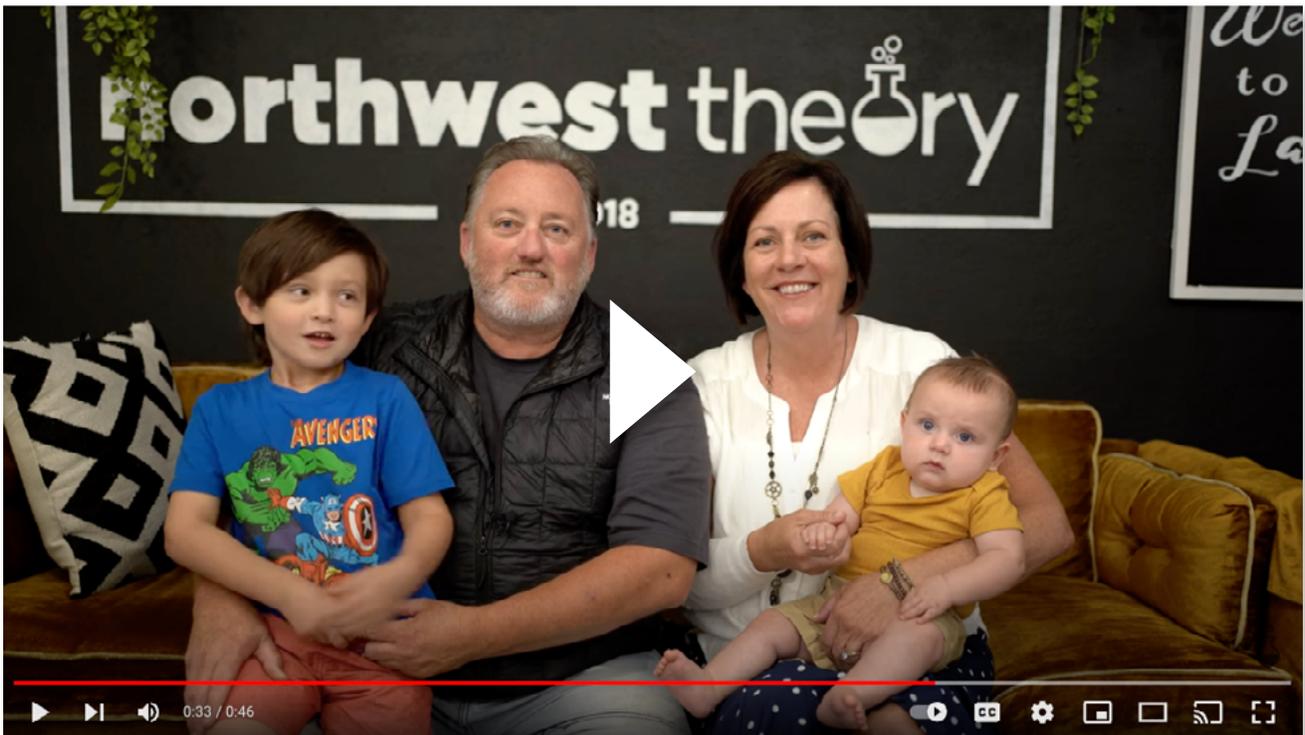


WHO IS THEORY?

Buying, selling, and investing in real estate shouldn't be rocket science. Theory is a one-stop-shop for all your real estate needs.

Theory is a modern-day real estate company located in the beautiful Pacific Northwest. People are our #1 priority, and we are passionate about making our clients' experience as simple and stress-free as possible. We do this by providing real estate and investing services, construction, property management, and more all under one roof. At Theory, we have real estate down to a science.

Theory was founded in 2016, but real estate is not new to us. We are a 4th-generation real estate company with an incredibly diverse team. We are experts in all-things real estate, but there's a lot more to our team than that. We are hikers, skiers, baseball players, outdoor enthusiasts, animal lovers, coffee snobs, foodies, artists, photographers, veterans, parents, and grandparents.



TESTIMONIALS

They always answered all of our questions in a timely manner and **MADE THE PROCESS GO VERY SMOOTHLY!** Just a great team all around!

Olivia Bishop

Kind, professional, friendly; I can't say enough good about this company! I HIGHLY recommend using Theory whenever buying or selling a home. They are **ABOVE & BEYOND** excellent with their customer care and product!

Jaye Jones

Top Notch team that is there for you. Love these guys!

Jacob Barnhill
(Keller William's Agent)

We are blessed to know these **passionate people**. My family is forever grateful for the **hard work and dedication** that they put into their work in helping people find ideal homes. They closed our deal so quickly and with ease! I highly recommend working with them!

Rolando Mamerto

Theory has been kind, thorough, and gone **ABOVE & BEYOND**. I have pride in my new home and have recommended Theory time and time again since my purchase of my first home.

Tiffany Casey

Extremely detail orientated! Everyone is so friendly, patient, and they are **so helpful for first time home buyers**. Gave us a wonderful house warming gift upon moving in.

Darrienne Weber

TESTIMONIALS

We had an **absolutely fantastic** experience working with Theory to buy our first home. Our agents Chad and Jamie Erskine were **friendly, approachable**, and **communicative**. The home-buying process was alien and intimidating to us, but they **quelled all of our fears**. We felt at all times like Chad, Jamie, and the entire Theory team were on our side.

Matt Click

Best Real Estate company I've ever worked with!
Thank you Theory!

Diane Fish

Theory Real Estate **truly listens** to each person in what they are looking for in a home and hears what their needs are. It is safe to say that you are in **good hands** with Theory and I wouldn't hesitate to refer Theory to anyone we know. They really do have Real Estate **down to a science**.

Christine Rain

The Theory Team was **amazing** through the whole process! They were a joy for us and our realtor to work with. **Just a great team all around!**

Olivia Bishop

All we can say is **THANK YOU!!** When I first expressed interest in looking to buy a home, Theory Real Estate reached out to us with open arms. We **instantly loved working with the team** and especially with Robin! She showed such patience with us, and was truly our **greatest advocate**. What a **great experience** finding our first home to grow as a family in!!!

Lindsay Plumley

A get the job done company. Hard work is their thing. Sit back and let them do the work.

Tony Nicholson



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