

# Al Gage Report

September 2023

## Time to Get a Little Creative!

The real estate market continues to constrict itself. With 25 year interest rate highs in the mid 8%, following historic low interest rates sometimes beginning with the number 2 for a percentage, this unique set of circumstances has resulted in many seller's feeling "locked in" because of their current rates. Also called the "golden handcuff effect". This has resulted in a very low number of seller's being willing to sell their home. It would be very easy for me as a real estate agent with almost 40 years of experience to recall routinely selling homes with interest rates between 17 and 20 percent. There is one very important distinction, the average sales price of those homes was around \$60,000. Now that the median price range is in the mid \$400's, the effect of these higher interest rates is much more dramatic even though that is still half the rate of the late 1980's.

I wish that I could wave a magic wand and make those low interest rates still available... But oh wait! I can, sort of! They won't be available on every home, or as a product that you can get from any lender, but reaching deep into my magic bag



of tricks of the trade, here are a few ways that you can take advantage of the low interest rates that are still out there.

Very early in my career, almost all loans were assumable without qualification. If you signed up to take over the loan, it was transferred into your name and the person who had originated the loan was no longer liable for the loan and the new party was now the owner and debtor for the home. Those days are long gone and will likely never come back. Most of today's agents have never even heard of such a thing.

When they did away with those types of loans, the loans remained assumable, in many cases, but you just had to qualify to

assume the loan. That is still the case for all FHA, VA, and USDA loans. The point of this conversation is that there is a vast inventory of loans out there right now in that 2-5% interest rate range that are just ripe to be assumed.

Our industry has either forgotten how to do these, or is very short sighted on this prospect, as many agents don't list the loans as assumable and the Multiple Listing Service has altogether done away with the listing of the amount of the existing mortgage which could be assumed.

To illustrate how this would work in round numbers, let's walk through an example of this process. Envision a listing that is being offered for sale for \$450,000 that was purchased in 2019 for \$325,000. That borrower refinanced in 2022 to \$420,000 to consolidate debt and has an interest rate of 3% with a monthly principal and interest payment of \$1771. If you purchased the property for \$450,000 on a new FHA loan, you would have a down payment of \$15,750 and closing costs around \$13,500 (yes the seller may pay these costs) for a total cash outlay of \$29,250. This results in a Principal and Interest payment of \$3356, and that does not include all of the FHA Mortgage Insurance Fees. In my scenario above, the buyer would simply pay the difference in the current loan amount existing on the property and the purchase price, in this case \$30,000, plus closing costs of approximately \$5,000 and assume the existing mortgage at 3%. It has no additional risk to the seller once the new buyer assumes the mortgage. These types of properties will demand a premium and may be difficult to find and/or get the other agent to understand the beauty of this plan.



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Although less attractive, but far easier to find, would be the same type of assumable FHA, VA, or USDA loan with a low interest rate, but a much greater cash to loan requirement. In this scenario, let's say the borrower had not refinanced and now only owes \$320,000 on the property that they are selling for \$450,000. If you have the roughly \$120,000 to put down to bridge



the gap, then pay yourself the 7-10% interest on this loan as an investment and close on the home and enjoy your 3% mortgage.

If you don't have that kind of money, there may still be hope. If you assume the mortgage at 3% for \$320,000 and obtain a second mortgage or a seller carry back at an interest rate of up to 10%, your blended rate is still only 4.76% and produces a blended payment of approximately \$2262 far less than the \$3356 from originating a new FHA loan. According to my lender, with a FICO of 700 or above, your buyer can obtain a 2nd mortgage behind an assumed 1st mortgage up to a 95% 'Combined-Loan-To-Value' (CLTV) for a primary home. Your buyer can go to 80% CLTV on a second home

It is also important to note that if you have a VA loan instead, the qualification of the buyer may relieve the original veteran of liability but may not restore their VA



eligibility, because that stays with the loan as long as it is in place, unless the new buyer substitutes their own VA eligibility.

In preparation for this article, we discovered that a huge majority of properties listed for sale were currently listed as "treat as free and clear." I do not think this is accurate and may actually reflect the fact that many agents either do not need this information or do not know how to implement it. Every good Realtor, upon taking a listing, should always ask their Seller if they are willing to 'carry paper'. If so, you can advertise the listing as 'seller will carry', or 'owner financing available'. Now, you have just broken open the pool of potential buyers for that listing. There is no reason that listing should not sell for the list price within 30 days. Why? Because now you included everyone who can't qualify with a conventional lender in the audience for that listing. Your Seller will be doing a big favor for any buyer.

Your Seller would receive a Promissory Note from their buyer for let's say, 5 years at 7-10%. This is way better than nearly

every other secure investment out there today.

All of these scenarios are very conducive to those seller's feeling "locked in" with low rates and high equities to take advantage of this lull in the market and get their home sold and move into and assume an equally low mortgage rate on the upsized home they desire. This scenario works even better for those that are downsizing. Equity is generally a percentage of the property value, so when you are selling a large property and moving to a smaller property, equity allows for more properties to fit into the criteria for which you are searching.

If you are an investor, these techniques can, in some instances, be combined with a 1031 tax free exchange to purchase a new property without paying high interest rates or capital gains taxes.

Finding these homes takes extra work, but mostly skill and perseverance by an agent, because our system simply does not make them easy to find. We are more than willing to do the research for you to find or exchange that home you are looking for.

**If you are looking for this level of experience, detailed knowledge and straightforward advice, give the AI Gage team a call at 623-536-8200 or email us at [AI@algage.com](mailto:AI@algage.com)**

Find us on  /AIGagePC

## *Terri's Corner* September Calendar

**September 4** — the first Monday of the month — is Labor Day. Canadians also observe Labor Day.

**September 11** is Patriot Day, held in honor and remembrance of those who died in the September 11, 2001 terrorist attacks.

**September 11** is also Grandparents Day this year. Honor your grandparents today—and every day!

**September 15** starts Rosh Hashanah, a Jewish holiday that marks the beginning of the new year.

**September 17** is Constitution Day. This day celebrates the adoption of the U.S. Constitution, which occurred on September 17, 1787 (just five years before the founding of The Old Farmer's Almanac, believe it or not!).

**September 21** is recognized as the annual International Day of Peace. Observances range from a moment of silence at noon to events such as peace walks, concerts, and volunteering in the community.

**September 23** marks the start of fall! This year's Autumnal Equinox occurs at 2:50 A.M. EDT on Saturday, September 23. On this date, there are approximately equal hours of daylight and darkness.

**September 24** marks the start of Yom Kippur, at sundown.

**September 26** is Johnny Appleseed Day, celebrating John Chapman and everything apple!





We are proud to announce our new **Preferred Lender Brent Sullivan!**

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### PURCHASE

- Conventional, FHA, VA, jumbo, USDA
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- Renovation loans for primary, second home and 1-unit

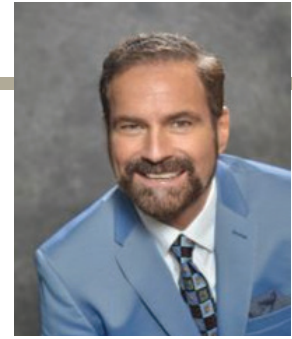
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## What's My Home Worth?

Email Al at [al@algage.com](mailto:al@algage.com) with the address, a list of upgrades, the current condition of the property rated < from 1 being terrible condition and 5 being model perfect > and he will personally prepare a professional market analysis of your home free of charge. Use "What's my home worth?" in the subject line and also include the purpose of the evaluation in the email.

*No automated valuations here!*

## featured listings



### Your Home Should be Listed Here

This home should be your home for sale in the most proven marketing plan in the West Valley. Not three years old, but 35+ years its been working in Avonale and Litchfield Park!

*[ Want a current and local Market Update? Go to [www.algage.com/September2023MarketUpdates.html](http://www.algage.com/September2023MarketUpdates.html) ]*

*In 2022, Al Gage successfully represented 133% more clients than the closest competitor and 250% more than the average of the Top Ten Agents in your neighborhood! #1 in your neighborhood NINE years in a row!*



PRSR STD  
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PAID  
EDDM RETAIL

West USA Realty  
2920 N Litchfield Rd, Suite 100  
Goodyear, AZ 85395

# Hello.

Interesting And Helpful  
Real Estate Info  
Just For You

Local Postal Customer

## Over 1500 Homes Sold in Avondale and Litchfield Park!

Subdivisions	Home Levels	2021 Sales #s	2021 Price/SF	2021 Days on Market	2022 Sales #s	2022 Price/SF	2022 Days on Market	% Change In Price per SF	Aug 2023 Sales #s	Aug 2023 Price/SF	Aug 2023 Days on Market
Cortes Sierra/Sage Creek/Las Palmeras	1	66	211.0	21	31	257.0	26	21.80%	3	217.4	49
Cortes Sierra/Sage Creek/Las Palmeras	Multi	49	174.7	24	29	214.9	35	23.01%	0	0	0
Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I	1	84	212.7	16	53	258.6	32	21.58%	2	218.5	60
Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I	Multi	34	180.1	22	25	215.3	36	19.54%	1	225.0	32
Garden Park, Palm Meadows, Palm Gardens and Donatela Phase 2	1	37	221.6	20	21	251.6	27	13.53%	0	0	0
Garden Park, Palm Meadows, Palm Gardens and Donatela Phase 2	Multi	15	162.4	30	7	203.1	29	25.06%	0	0	0
Rancho Santa Fe	1	85	213.9	17	71	257.7	24	20.48%	4	234.4	24
Rancho Santa Fe	Multi	39	184.5	25	16	218.1	23	18.21%	2	195.2	55
Westwind and Glenarm Farms	1	17	218.3	15	12	271.3	23	24.28%	2	276.4	76
Westwind and Glenarm Farms	Multi	12	198.1	27	14	216.4	31	9.23%	2	240.0	10
Wigwam Creek South and Bel Fleur	1	52	215.9	21	45	252.4	28	16.91%	3	244.4	21
Wigwam Creek South and Bel Fleur	Multi	29	148.6	21	28	178.3	47	19.99%	4	182.2	22