

# HOMES

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RICHMOND TIMES-DISPATCH  
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**Buyers' Guide  
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## How Big a Bite of Monthly Income Should a Mortgage Take?

BY MARILYN KENNEDY MELIA | CTW FEATURES

Getting mortgage pre-approval is a necessary step that allows homebuyers to make a serious offer, but the total loan amount given in pre-approval can be misleading.

Instead, borrowers should “work backward from that number” taking the price of the home, property taxes, and the likely homeowner insurance charges and figuring the monthly payment, argues Charles Chedester of Midwest Family Lending, Iowa.

The monthly payment is, after all, what owners will regularly contend with. And for most buyers, that monthly tab is likely to be significantly higher in 2022, according to stats from the Federal Reserve Bank of Atlanta.

Looking at a media-income borrower who buys the median-priced home

in his area, the Atlanta Fed finds that by late 2021, mortgage payments rose to 33 percent of total income, up from 29 percent earlier that year.

That’s due to a combination of rising interest rates and home prices. At a certain point, prices can’t outrun income gains, but “I don’t think we’re close to being at this point,” observes Ralph McClaughlin, chief economist for MyKukun.com.

What percentage a mortgage payment, including a monthly amount for taxes and insurance, is optimum is a highly individual matter, says Laurie Goodman of the Urban Institute.

Lenders also size up each applicant individually, says Chedester, considering both the mortgage payment to income as well the amount of all recurring debt, like car payments.

A stable earner, who may also anticipate future income gains, can be making a prudent choice in “stretching” the amount they take on in mortgage, notes Goodman.

For one thing, rent increases are “rampant”, and buyers taking a fixed-rate mortgage lock-in mortgage principal and interest charges, Goodman says. Each borrower should look at all his probable expenses, though, including maintenance on a home to determine their comfort level.

Ask a lender to run different scenarios, suggests Chedester since different mortgage plans can offer slightly different payments.

## Does it Make Sense to Refinance Now?

BY PETER G. MILLER | CTW FEATURES

### Question:

**Answer:** A lot of borrowers did not refinance when rates were lower, perhaps because of a job loss or other issues that would have made a successful new loan application difficult if not impossible. But now we have the advantage of a substantial recovery. While there were 21.3 million unemployment claims in May 2020, that number fell to 1.675 million in mid-January. Some 19.6 million people are no longer collecting unemployment, a remarkable improvement.

While the jobs market has notably solidified, so have home prices. In December 2021, the typical home sold for \$358,000 according to the National Association of Realtors. The same property sold for \$274,500 two years earlier, in December 2019. On average, lucky homeowners saw home values rise by

an average of \$83,500 in just 24 months.

However, mortgage rates have also risen substantially. In January 2021, according to Freddie Mac, mortgage rates averaged 2.74%, the lowest monthly average on record. A year later, rates were .70% higher at 3.44%.

Despite more jobs and lots of additional equity, with higher rates, the number of high-quality refinance candidates fell to 5.9 million according to Black Knight, a mortgage technology and data provider. There’s no doubt that 5.9 million potential refinances is a very big number, but it’s far from the 20 million homeowners who could have likely refinanced at the end of 2020.

The Black Knight estimate assumes that a borrower has a credit score of 760 or above and can cut their mortgage

rate by at least .75%. In practice, lenders often refinance in situations where borrowers have lower credit scores and a smaller rate benefit.

Whether refinancing does or does not make sense depends on the ability of the borrower to obtain a material benefit. Such benefits can include a lower monthly cost for principal and interest, the ability to get rid of monthly mortgage insurance payments, or a switch from adjustable to fixed-rate financing.

While there is much attention paid to mortgage rates, borrowers must also consider the cost of refinancing. Many refinancing offers today highlight low rates, but also include thousands of dollars in additional fees. These fees—which are paid upfront—may mean that a lower rate is not sufficiently attractive to refinance.

Ask the broker ?

The VA program has a good way to evaluate refinancing offers. Look at fees, closing costs, and expenses that must be paid to refinance. If such savings can fully repay refinancing costs in not more than 36 months after closing, then refinancing can be worth considering.

The faster you can recapture your investment, the better. Always ask loan officers about interest rates, the cost to refinance, and how long it will take before you benefit from monthly savings. Get answers in writing for easy comparison, and be sure to shop around.



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Great Homes of Richmond



“We knew we were going to build a wing from the beginning,” Karen said.

The 4,400-square-foot, Colonial Revival-style house, which had only had three previous owners since it was built in 1931, was well-suited for a major expansion. It sits on a double lot, with ample room for a large addition on the northeast side of the property.

After buying the house in 2016, the Townsends and Smiths hired Roger S. Guernsey, a Williamsburg-based architect, to design a two-story wing with two bedrooms and separate offices for the Smiths, along with 1½ baths.

Guernsey’s plans also repurposed a 1960s addition to be the living room and kitchenette in the parents’ wing.

Guernsey studied the neighborhood’s cottages before choosing an Arts and Crafts design for the new wing, Karen said. The style distinguishes the new addition from the main house while blending into the neighborhood’s traditional aesthetic.

“Its distinctive shift in material and style gives the initial impression of a separate, more intimate-scaled cottage,” said Beth O’Leary, former associate curator of American art for the Virginia Museum of Fine Arts and a Carillon resident who has done extensive research on the neighborhood.

She added: “The cozy effect works beautifully in the Carillon neighborhood, replete with houses built in a variety of styles and sizes over the past century and a half.”

RUGBY ROAD continued on page 10

# 3002 Rugby Road

A multi-generational dream home, under one significantly expanded roof

Doug Childers | Homes Correspondent

*Editor’s note: This is an installment in the “Great Homes of Richmond” series.*

John and Karen Townsend are six years into an experiment that an increasing number of people are pursuing these days. They’re living in a multi-generational house that includes their two daughters, as well as Karen’s parents. But it wasn’t simply a matter of repurposing a guest bedroom.

The Townsends and Karen’s parents, Gary and Martha Smith, actually bought the house at 3002 Rugby Road in Richmond’s Carillon neighborhood as a joint investment. And they built a 1,655-square-foot addition with a separate side-street entryway for the Smiths.



PHOTOS BY CLEMENT BRITT



# Can't Find a Home? Consider New Construction

By Erik J. Martin | CTW FEATURES

Here's a surprising stat: New construction comprised more than a third (34.1%) of single-family homes for sale in America last December, a rise from 25.4% one year earlier and the highest share recorded, per a recent Redfin report. That's a big deal, as new construction homes have been in short supply for many years, which has contributed to increased prices for older residences for sale.

What's more, consider that in December 2021, there was a six-month supply of new construction homes, with inventory up 34.8% year-over-year versus 14.2% for the inventory of existing homes.

So what's going on? Why are more new homes being built? And why should prospective buyers look closer at purchasing a fresh home built from the ground up?

"Lack of inventory is primarily behind the increase in new construction. There have been 10 years of underbuilding in the US since the Great Recession, and now everyone is trying to play catch-up," says Tamara Celeste, broker/owner of Sweet Life Realty Group in Port St. Lucie, Florida. "Also, in many areas, because of the lack of inventory and the rising price of existing homes, you can build a brand-new home for an amount close to what an existing home might cost you today because you aren't competing with other buyers who may drive the initial list price higher on an existing home."

David Munaretto, founder/CEO of Chicago-headquartered LotNova, says increased builder confidence is also a major factor, resulting in greater levels of inventory.



"In addition, the desire for more room and more flexible space as people increasingly work from home is pushing this trend," he says.

New construction homes offer many advantages over resale properties.

"New construction comes with low maintenance costs, including modern plumbing, appliances, and HVAC. Also, similar to a car, they typically come with a warranty, which means customers can buy with confidence knowing the builder will cover the cost of any issues during the warranty period – such as a leaky roof or broken water heater," notes Andres Mejia, senior home advisor at digital homeownership company Better in New York City.

Also, with a custom new home yet to be built, you get to choose the design of your home and the finishes, resulting in a personalized residence that matches your needs and preferences.

The drawbacks of opting for a newly built home, however, include the wait time involved if you are building from the ground up. You may need special financing, including a sepa-

rate lot loan, construction loan, and mortgage loan, or a construction-to-permanent loan that covers the land, construction, and finished home in one loan package.

"If you need to move in within a month or two and the home is not yet ready, you may have to rent temporarily or find interim shelter," Celeste cautions.

If you are prepared to purchase a move-in-ready spec home, "the negatives include cookie-cutter home plans and a lack of options as well as a lack of that personal touch," says Munaretto.

New construction usually costs more than existing homes, as well.

"According to Zillow, 75% of home buyers polled in 2020 preferred a new construction home, but only one in six of those surveyed purchased one. That translates to 4 million homebuyers who opted out of new construction during their search for a new home, usually because offerings by builders weren't right for their needs," Munaretto continues.

Anyone looking to customize a home to their specifications should consider new construction, recommends Mejia.

"If you are also worried about home repairs and want to be in a modern community with the latest features, new construction can be a great option for you," says Eric Kucharik, a Realtor with Realty One Group Supreme in Philadelphia.

But consider matters carefully before committing to a new construction home.

"Do you get that sinking feeling when interviewing contractors? Are you worried that they are going to take advantage of you and cut corners? You may get that same feeling when interviewing builders. A builder is a contractor who is responsible for everything in your new house, so you need to make sure you are doing business with a trustworthy builder who has a great reputation – otherwise, you might get stuck with a bad or incomplete house," suggests Kucharik.





RUGBY ROAD continued from page 7

The main house at 3002 Rugby Road, which features sophisticated brickwork and classical details, was designed by Richmond-based H. Carl Messerschmidt (1891-1994) for local contractor Edward J. Keegan and his wife, Jane.

Messerschmidt was a prolific architect who was active from 1915 to 1958, O'Leary said. But he's principally known today for the Art Deco-style façade of Perly's Restaurant (1930) at 111 East Grace Street and the Art Deco- and International-style Cary Street Park and Shop Center (1938) in Richmond's Carytown. (It's now known as Cary Court.)

"It was one of the South's first shopping centers with adjoining parking space," O'Leary said.

Messerschmidt's commercial work – stores, factories and warehouses – was extensive. His residential designs are rare. The house at 3002 Rugby Road is among the standouts.

"The house has beautiful detailing on all sides, including a three-level cornice trim and a fanlight at the rear," O'Leary said.

The front elevation's neoclassical doorway is especially noteworthy, with an elegant fanlight, Doric columns and full Greek entablature, O'Leary said.

The Townsends and the Smiths are avid gardeners, and they've used plantings and garden beds to tie the new wing seamlessly into Messerschmidt's original design.

Other, more recent renovation projects include the main house's kitchen, which the Townsends returned to its original layout. "We went for a year without having a kitchen to cook in," Karen said.

In the process of replacing the kitchen floor, they discovered the original heart-pine floorboards were still intact under two more recent layers of flooring. "It's some of the last old-growth pine from Louisiana," Karen said. "We prize it."

Other standouts in the kitchen remodel include a double-drain board, cast-iron sink, which the Townsends found in New England. It's roughly the same age as the house.

Readers interested in touring the house and the garden are in luck because the property's going to be a part of this year's Historic Garden Week in Virginia, along with four other houses on Rugby Road. The event will take place on April 27.

The Council of Historic Richmond, which partners with the Garden Club of Virginia for the event, organized the walking tour for Rugby Road.

This will be the second time the house at 3002 Rugby Road has been on the tour. The first was in 2005 – the last time the tour featured the Carillon historic district.

"3002 is a wonderful example of how historic houses can be transformed to fit the current needs of its owners and extended family, a thoughtful and respectful marriage of historic architecture and new construction," said Susan Fisher, an associate broker with Virginia Properties, Long & Foster and a Carillon resident. She's also a board member and council member for Historic Richmond.

She added: "The Townsends and Smiths have done a fabulous job of hardscaping and landscaping to make everything fit together beautifully."



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