

Good Happenings

News & Insights from the Ron Sitrin Team

When losing leads to winning

BY RON SITRIN

I was talking to my friend Sara Weiser about a multiple offer situation that a client and I were recently negotiating. I was absolutely certain we were going to win and couldn't imagine anybody having a stronger offer than ours. However, when there are twelve offers on a property, no matter how much cash is in the bank, no matter how many contingencies you waive, no matter how much over list price you're willing to go – there's always a chance someone is willing to go a bit further. Despite my being so certain of winning, we came in second – which for all intents and purposes is the same as coming in last.

It was painful for me and even more disappointing for the buyers. The property was their dream home. They had imagined living in it forever. I could hear the tears in her voice when I had to let her know that our offer fell just short.

These kinds of losses, especially when I know how hard they are on my clients, can sometimes send me into a downward spiral. This one hit me hard and I knew I had to stop myself from sinking too low. **My usual, give it two hours and one beer, was not going to be enough.**



Sara missed out on her first six home offers, but ended up with what turned out to be the perfect place.

I found consolation when Sara shared a story with me. It was back in 2003, a super hot market, and Sara was looking to buy her first home. She lost out on the first six offers that she made. Each miss left her more depressed than the next. However, she was finally able to win the seventh house.

The house she won was in a different neighborhood than the prior six. She said...

“You know, if I had won any of those other six houses my life would not have turned out nearly as good as it did. That first neighborhood didn't appreciate nearly as fast as the neighborhood where I ended up buying. The extra appreciation gave me

enough equity to refinance my house and buy my current business. This changed the entire trajectory of my life and career.”

Ironically, the name of Sara's business is **Good Beginnings**. They provide occupational and physical therapy services for children. Sara has since grown her business into two locations with 21 occupational and physical therapists.

I guess the message here is, it's easy to feel the pain when we lose and even get a bit depressed, but in the end, we never know what the future holds. Sometimes losing is really the start of **Good Beginnings** that help make **Good Things Happen**.

Who are Fannie Mae and Freddie Mac?

BY RON SITRIN

Did you know that in the 1930s, in order to get a mortgage to buy a house, you needed to put between 50% to 80% down. Not only that, if you got a loan, you would have to pay it back in five to seven years. This made the dream of homeownership unattainable for most Americans.

Banks operated this way to protect their cash reserves. The problem was that once a bank loaned money to a borrower it could not easily replenish their cash reserves. This meant the bank needed to wait until the mortgage was paid back by the borrower before they could use that money to make a new loan.

Eventually, the United States government created two organizations (Fannie Mae and Freddie Mac) to establish a market where banks could sell their mortgages. This way, when a bank loaned a homeowner money for a house, the bank could now sell that loan to Fannie or Freddie and get their money back.

Once the bank got their money back from selling the loan, they could then use that money to make a new loan to somebody else. This created more liquidity in the home mortgage market so banks could make more loans to more people.

Fannie and Freddie not only helped the banks, but they also helped borrowers. They created guidelines that lowered down payment requirements and lengthened the payback periods. No longer did a buyer need to put 50% down and pay off the mortgage in seven years. Now borrowers could put 20% down and pay it back over 30 years.

As a result of Fannie and Freddie and the ever-growing home market, the United States quickly became a country with more homeowners than nearly any other nation. In doing so, Americans put down roots, became invested in their communities and achieved a higher standard of living.

As home prices appreciated, so did the homeowners' net worth. They could use the equity to fund higher education, provide savings for retirement, or pass on the wealth to their children.

One hidden aspect of homeownership is that it gives people the space and capital to dream. The

list of companies that started in American basements and garages is staggering. Hewlett Packard. Nike. Walt Disney. Bill Gates. Steve Jobs. Jeff Bezos. Even today, who knows how many future inventions are currently being cooked up in someone's home.

There's certainly a lot of talk about government and what it does right and what it does wrong. One thing it really did right, that has contributed greatly to American homeownership, is the creation of Fannie Mae and Freddie Mac.

How did Freddie and Fannie get their names?

Like many things related to the Federal government, the names Fannie Mae and Freddie Mac don't make a lot of sense, at least on the surface.

Created in 1970, Fannie Mae was known as the **Federal National Mortgage Association**, or FNMA. With a little imagination it's not too hard to see how the acronym began to be voiced as Fannie Mae.

The name Freddie Mac made more of a leap from its acronym to nickname. Officially named the **Federal Home Loan Mortgage Corporation**, or FHLMC, it somehow morphed into Freddie Mac.

I guess the bureaucrats needed to humanize the original tongue twisting names.

Most Americans have heard the names Fannie and Freddie, however, they do not know what they do. In essence, **they made homeownership available to middle class America and this led to an endless number of Good Things Happening in our society.**

Thank you Fannie and Freddie.



Apple Computer got its start in this Palo Alto, CA home.

And now, Meet Howard (county)

BY RON SITRIN

New clients, Ben and Salin, were describing what they wanted in a house. They had three must haves. Ben wanted a big lot, Salin needed a reasonable commute, and they both wanted a very good school district.

Based on Salin's daily commute to Lanham Md, they felt that the eastern parts of Montgomery County or most of Howard County could work for them.

"Howard County?" I said. "Wow. You're the fourth person this month that told me they're looking to buy in Howard County."

Up until now, in a typical year, we'd help three or four clients find a home in Howard County. It's getting more and more popular and fast. I think this is happening for three main reasons, price per square foot, changing commuting patterns and school rankings.

The prices in Montgomery and Howard County are both going up. However, the difference is, you get more for your money in Howard County. On average, Montgomery County homes sell for \$100,000 more than Howard county homes. **That extra \$100,000 in Howard translates into some combination of a bigger yard, a two car garage, more modern kitchen and baths, or just a much bigger house.**

Our evolving work from home and commuting patterns give Howard county the edge. Ben works from home four days a week. For him, getting a nicer home office is a meaningful upgrade. The extra home office space is a great trade off for the slightly longer, but less frequent commute.

Both counties are known for their excellent schools. However, according to Niche (they analyze and rank every school in America) the Howard county school system is ranked # 1 in Maryland. No worries for all of us in Montgomery county, we are close behind at #2. What sets

Howard county apart is that a higher percentage of their schools get "A" ratings, whereas Montgomery county has more of an "A - B" mix of school ratings.

And that's what's driving more and more buyers to Howard County.

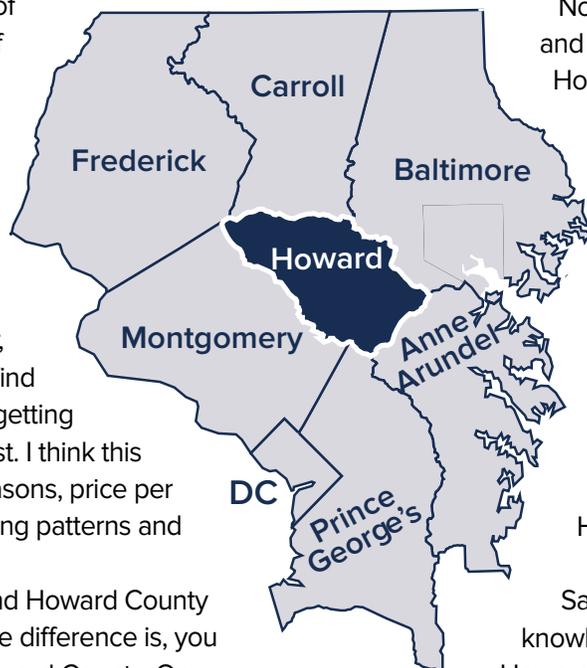
Now back to our story about Ben and Salin. We quickly discovered that Howard County was experiencing the same competitive market that we're used to here.

Quality homes, priced right, sell quickly with multiple offers. Many sell above list price.

They hit a trifecta and found a wonderful home, on a large 33,000 square foot lot, with a home office featuring built-ins, and located in the "A+" Mt. Hebron high school boundary.

We're appreciative of Ben and Salin for expanding our reach and knowledge into the multiple benefits of Howard County. We have no doubt that we'll be helping many more buyers make Good

Things Happen there, too.



Salin and Ben found more for their money – space, charm, history, and great schools – in Howard County, MD..



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Did a comet realign the housing market?

BY RON SITRIN

If you happened to be outside on the night of January 12, 2023 – and looking in just the right corner of the night sky – you might have seen a green comet flying by. The comet, officially known as Comet C/2022 E3, last passed close enough to be seen from earth about 50,000 years ago. It will be another 50,000 years before it's visible again, so there's a fairly good chance Earthlings (at least as we know them) won't ever see it again.

So was the comet just a flash in the night or did it alter the course of our real estate market?

Prior to its arrival, from Sept 1 - Jan 12, the average days on market for homes priced from \$500,000 to \$2,000,000 was an astronomical 23 days. After C/2022 E3 zipped by, our real estate market blasted off and the average days on market cratered to just seven.

Did the comet sprinkle some stardust on our real estate market...or is it just a coincidence? 🛸



Good Happenings

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Have a question, story idea or comment? Give us a shout!

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