



LOVE IT OR LIST IT



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BY LINDA BARRETT

LOVE IT OR LIST IT?

Should you improve your current home or look for a new one?

You love your neighborhood, your neighbors, and the school district, but something about your house just doesn't suit your family any more. Is it time to move to a new home? Or are there things you can do to make your existing home work?

If you've ever watched the popular HGTV television show "Love It or List It," you've seen couples facing this same decision. In the show, couples are presented with two situations: to find a new home with real estate agent David Visentin, or trust interior designer Hilary Farr to renovate their existing space. After renovations are completed, the homeowners are given a tour of their current home to see what Farr was able to do within their budget. Then they are asked to either "Love It," meaning they will stay in their current home, or "List It," meaning they will

sell their house and purchase one of the homes Visentin has shown them.

Homeowners here in Northern Virginia face the same dilemma. They may love where they are, but the house is older and doesn't fit what they need now. Here are some of the benefits of renovating.

"Some of the unforeseen costs of moving include: hiring a realtor and paying both sides of the transaction (possibly 6% of the sales price), fees for selling and closing on a home, moving costs and taxes. By the end of it all, you're looking at 8-9% of the sales price to move. For a \$500,000 house, this can add up to around \$45,000 in costs," explained Graham Pruitt, Senior Loan Officer at MVB Mortgage. "This is in addition to the fact that you must start over with a new neighborhood and neighbors, the hassle of moving, and time you have to take off from work."

"This is money you don't have to spend on moving," Pruitt continued. "You can put that same money into a brand new kitchen, bath, cabinets, appliances or flooring, for example, or take out a construction loan using the equity in your home to renovate or expand the footprint with an addition."

Your mortgage loan officer will review your credit, what you owe currently, and the value of your property after the renovation. This helps determine how much can be loaned and how much cash the homeowner must have on hand. Once the numbers are determined and conditions are met, the loan is closed and construction begins.

Under a construction loan, the lending institution creates the milestone and payment schedules for the builder. "This helps protect homeowners—and our investment—against the builder not performing the way they should, materials costing more, the job taking longer, or the homeowner not being happy with the work. We won't release money to the builder if the job isn't up to standards," Pruitt said. "It also protects the homeowner from being taken advantage of by the builder."

With a construction loan, you are essentially looking at a refinancing of your current mortgage, with the exception that construction loan fees are much lower than a standard refinance. For example, there are no mortgage recording fees. It will slightly increase the mortgage amount going forward, but saves the homeowner from having to use cash from a savings or retirement account.

If the house is already paid off, the homeowner can take out a mortgage or a home equity line of credit (HELOC) to do the job. "If

it is a large project, the HELOC can be risky because the interest rate on that money is not fixed—it is variable. And its interest may not be deductible as it is on a mortgage," Pruitt advises.

"People buy a home because of location, and want to stay there because they like their community, church, neighbors, commute, and proximity to the city," said Deirdre McSorley, Business Development Manager of Schroeder Design/Build. "It may be cheaper to stay in their house now with what is left on the mortgage, and forego the increased costs of starting over with a new, possibly more expensive mortgage. And when people move to a new home to meet their needs, they may get some of the needs of their wish list, but not all of them. If you stay in your home and customize it, you'll definitely get what you want and need."

"We're seeing a lot of homeowners adding space to allow additional loved ones to move in. They are renovating their area above a garage or downstairs, or creating an addition," McSorley said. "One big trend is to take out walls to create an open floor plan for entertaining, centering the home around the kitchen instead of having segregated rooms. We're also seeing people turning decks and screen porches into four-season rooms."

"There are a lot more possibilities than people think, and it may not cost as much as they assume because we may have a creative solution. Don't throw in the towel too soon," McSorley recommends.

The least expensive renovation, according to McSorley, is an interior remodel as opposed to adding to the footprint and dealing with foundational issues. "Ideally, we want to ask 'What is the function you want' and 'What is not working,' as opposed to 'What do you want to do?' As a true design/build firm, we can find a solution."

Other options for renovations include creating an area that can be converted to income-producing property; adding luxury features into kitchens, baths, closets and master suites; or creating cool spaces for exercise or gaming.

When facing the question of "love it or list it," think about how you can redesign your home, and how you can create just what you want and need without having to move right away. A home renovation will not only improve your living space, it will also increase the resale value of your home should you wish to list it in the future. ♦

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