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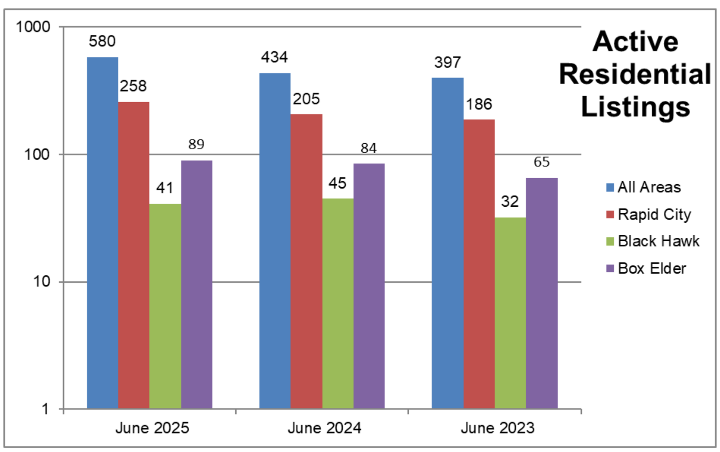
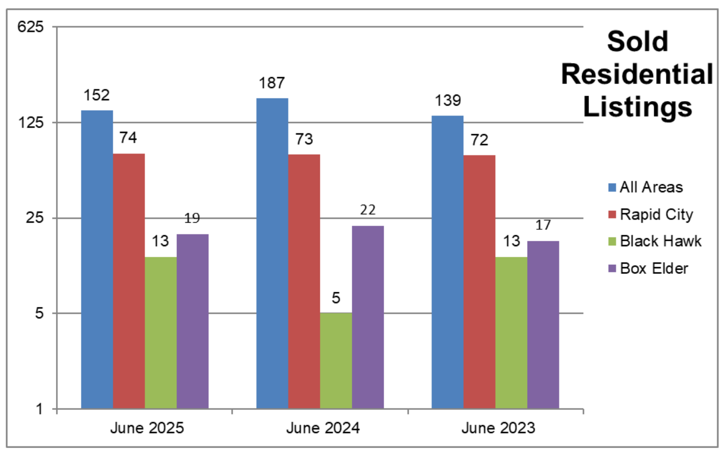
Rapid City Real Estate Update

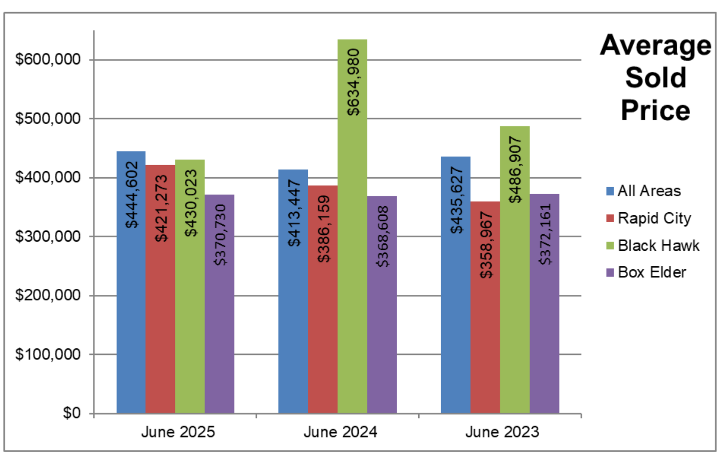
COLDWELL BANKER
BLACK HILLS LEGACY
REAL ESTATE

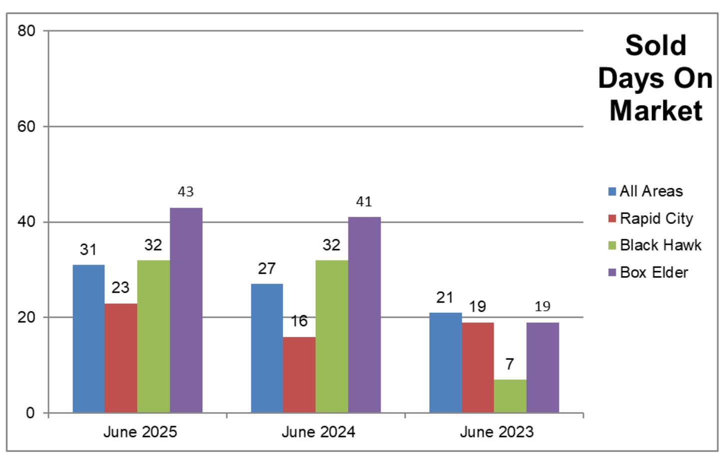
In This Issue

Rapid City & Area Market Conditions For June 2025









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How Does The Prime Rate Affect Homebuyers?

If you're shopping for a new house or considering investing in real estate, you might have encountered the term prime rate. The prime rate impacts current mortgage rates and loans, and at its core, it's equal to the best interest rate at any given lender or financial institution that will be offered to the most creditworthy clients.

Basics of the Prime Rate

The prime rate is the mortgage rate that's the best possible that a lender will offer a borrower for any amount of money.

That said, the prime rate is typically unavailable to the everyday buyer or consumer.

Shifting the prime rates can also pressure interest rates charged on mortgages and other financial products like credit cards.

Usually, only corporations and institutions are actually eligible for the prime rate because they're seen as the lowest-risk clients for a financial lender.

The Federal Open Market Committee's federal funds rate determines the prime lending rate. The Fed funds rate is the rank banks use to lend money to each other, also known as the overnight rate. A bank will typically use a combination of the federal funds rate plus three for determining the prime interest rate.

Applications of the Prime Interest Rate

While you might not get the prime rate, it's a benchmark for lenders. It's often described as an underlying index used to determine consumer rates and the costs of borrowing money through credit cards, mortgages, home equity loans, lines of credit, and more. If you apply for a financial product, the current prime rate will ultimately affect your rate. It's like a starting point for lenders to set their rates and decide on the profit margin they'd like to see.

Another relevant term here is the mortgage margin in real estate. It's the difference between the index, the prime rate in this situation, and the interest rate charged on a loan. It's a percentage of the difference the lender charges for whatever they lend.

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What To Know Before You Change Your Home's Layout

When you're planning a home renovation project, there is one of two categories it's likely to fall into. The first is a simple cosmetic refresh. For example, maybe you're going to reface your cabinets and change out the light fixtures, but there's no major work to be done. Changing floors is another example of a cosmetic project.

Then, there are those large-scale projects that involve taking out walls and changing the layout of your home.

Big projects involving layout can be I ntimidating, so what should you know?

Is Reconfiguration the Right Choice?

Before you start hiring or knocking down walls, are you sure that reconfiguration is the right choice?

Think about what your current limitations are with your layout and think about if you're better off with an addition, a change in floorplan, or maybe both. As you're weighing the decision, don't start thinking about finishes and furniture just yet. Those are largely superficial elements of home design. You need to get the logistics right first, and then the other things come later.
Think about what challenges you currently face and the solutions most likely to address those.

Opening Up Your Floorplan

One of the primary reasons to change a home's layout is to open up the main living areas. For example, you might want an open-concept kitchen, living area, and dining area.

If you're going to open up a floorplan, you're likely going to be taking out at least one wall. If so, you should talk to an architect to figure out which walls are load-bearing and what you can do to make up for the loss of those. For example, you might use beams or pillars. Maybe you need both. You'll also probably need a permit if you're changing a load-bearing wall and plumbing or electrical work that might be required.

If you're planning to create an open floor plan, the cost is usually anywhere from $8 to $15 per square foot of affected space, and you might be able to get a return on your investment of anywhere from 54 to 60%.

What About Making Rooms from Open Spaces?

While most people prefer open concepts, some people want to go in the opposite direction. They want to create more enclosed rooms out of open spaces. For example, maybe you want to create a formal dining room.

Adding a wall will also probably require you to get permits, especially if the changes will involve electrical work. You'll probably work with a contractor, but not necessarily an architect if you're adding rooms.

Creating a Master Bedroom

If you have a master bedroom now that's small and you want to expand into another bedroom, for example, you will again need an architect if you plan to take out walls. What a lot of homeowners will do is reduce the size of a connecting bedroom and then add a master bathroom suite and perhaps a large closet.

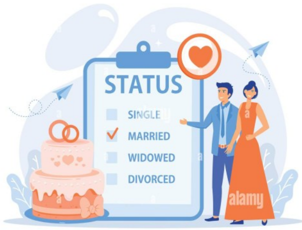
In a project like this, a general contractor can be valuable because they can keep your workflows moving along efficiently, and they can manage subcontractors so you don't have to.

Adding a Bathroom

Finally, if you want to add a bathroom, you may choose to use space that's already connected to an existing bedroom. You might also turn a bedroom, back-to-back closets, storage area, or walk-in closet into a bathroom.

As with the circumstances above, you will need full permits. You also will want to hire a general contractor. It will be more expensive, time-consuming, and generally a larger headache if you try to hire everyone on your own unless you already have people you know and trust such as a carpenter, electrician and plumber.

Courtesy of Realty Times



Why Does Marital Status Matter?

Seems like a funny question. Especially as it relates to getting approved for a home loan. Seems kind of personal, right? And it is. After all, shouldn't a lender care about my credit and whether I have enough income to qualify? Certainly. Those are two of the most important factors that lenders review. But your marital status does matter. Not whether or not you'll be approved, though. For other reasons.

Single

This means you're unmarried. Obvious, right? It also means that any items that appear on your credit report are yours and yours alone. Fairly cut and dried. Add up your income and add up all your credit obligations, and there's your basic qualifying criteria.

Married

If you're married, lenders will add up your income and your spouse's income. In addition, all your monthly credit obligations and any joint accounts you might have are lumped together when calculating debt-to-income ratios. One note here, though, most people have credit accounts before they tie the knot and own the account individually. In this instance, the cumulative totals in income and debt are essentially treated the same as being single. It might only matter when getting married.

Separated

Okay, now we're getting a little deeper. First, there are two types of separation a lender will consider. When two people decide to live apart and let things cool down a little before heading straight for divorce court, even with an agreement between the couple as to who is responsible for what debt, a lender wasn't a part of that agreement. If you both took on credit accounts jointly, lenders will still hit up debt ratios regardless of any personal agreement.
The flip side is a formal separation agreement, one that is reviewed and approved by attorneys and a judge.

Here, there is a legal document, approved by a judge, clearly stating who is responsible for various debts. Still, if one of the spouses pays more than 30 days past the due date, it could still be chalked up as a late payment on the other spouse's credit report, regardless of the formal agreement. In this instance, when someone is separated and applying for a mortgage individually, the formal agreement will likely need to be reviewed by the lender.

Finally, in the unfortunate instance of a divorce, the divorce decree will clearly state who is responsible for each individual credit account. Even in this instance where the decree clearly states that one party is responsible for a credit card account, some lenders want to see a timely payment history by that individual. Sometimes for as much as two years.

If you're wondering whether or not any of these situations, especially a separation or a divorce, apply to you, it's time to pick up the phone and talk to your loan officer about the proper steps you'll want to take to avoid any speed bumps along the road to an approval.

Courtesy of Realty Times

June Real Estate Roundup

"Borrowers should find comfort in the stability of mortgage rates, which have only fluctuated within a narrow 15-basis point range since mid-April. Although recent data show that home sales remain low, the resulting available inventory provides homebuyers with a wider range of options to consider when entering the market. This week, the 30-year fixed-rate mortgage rose slightly higher. Aspiring buyers should remember to shop around for the best mortgage rate, as they can potentially save thousands of dollars by getting multiple quotes."

- 30-year fixed-rate mortgage (FRM) averaged 6.77 percent for the week ending June 26, 2025 down from last month when it averaged 6.89 percent. A year ago, at this time, the 30-year FRM averaged 6.86 percent.

- 15-year FRM this week averaged 5.89 percent, down from last month when it averaged 6.03 percent. A year ago, at this time, the 15-year FRM averaged 6.16 percent.

Courtesy Of Realty Times

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The rates are noted as the annual percentage rate (APR). If you have an excellent credit history and score, your rate might be the prime plus 9% for a credit card. For example, if you had a lower score, it could be prime plus 15%.

Because the prime rate is used as a baseline by most banks, increases or decreases will lead to a fluctuation in adjustable-rate mortgage payments and new loan applications are also affected.

As of May 2023, the prime rate is 8.25%. It went up from the March rate of 8.00% to the February rate of 7.75%.

Throughout 2020 it was between 3-4%, and in 2022 it varied greatly. Early in 2022, it was around 3.5%, and by the end of the year, it went up to 7.50%.

Overall, the prime rate has been increasing since May 2022, around the same time the Fed started increasing interest rates to combat soaring inflation. Institutions aren't required to raise prime rates following the actions of the Fed, but most banks and financial services providers note Fed changes and use them to justify their prime rates.

Along with changing based on the federal funds rate, other factors like loan demand and inflation can lead to changes in the prime rate.

As well as affecting an adjustable-rate mortgage, your interest rate could be based on your prime rate if you already have an existing home equity loan or line of credit. If the prime rate goes up, you might see increases in these loans' interest rates.

Unrelated to mortgages, if you have a credit card with a variable interest rate, it might be based on the prime rate. If the prime rate increases, your credit card interest rate may too. Fixed-rate loans or lines of credit aren't impacted if there's a change in the prime rate.

There's no limit on how much prime rates can rise, and while it can adjust at any time, it's usually only going to shift in any significant way when a benchmark is adjusted.

To sum up, a prime rate is geared toward corporate clients, but when it comes to real estate, it's like a barometer of what you might expect on mortgage interest rates and payments.

Courtesy of Realty Times

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Black Hills Events

Sturgis Motorcycle Rally
August 1 - 10
Sturgis

Mount Rushmore Rodeo at Palmer Gulch
August 2, 9 & 16
Mount Rushmore KOA Resort at Palmer Gulch Resort

Movies on Main
August 11
Main Street Square, Rapid City

Black Hills Threshing Bee
August 15 - 17
13380 Alkali Rd, Sturgis

Central States Fair
August 15 - 23
Central States Fairgrounds, Rapid City

Kool Deadwood Nights
August 15 - 23
Deadwood

Fall River Hot Air Balloon Festival
August 22 - 24
Centennial Park, Hot Springs

Summer Sunset Festival
August 23
Main Street Square, Rapid City