

March 2011 Archive

Ignorance is not bliss on home coverage

WASHINGTON – March 25, 2011 – Your homeowners insurance policy probably isn't something you review as often or as closely as bank statements or tax documents – but staying in the dark can cost you, experts say.

Nearly a third of consumers polled by MetLife last June didn't know how much their home, condo or townhouse was insured for.

Checking up on a homeowners insurance policy isn't typically on an average customer's to-do list, but it doesn't have to be hard, says Madelyn Flannagan, the Independent Insurance Agents & Brokers of America's vice president of agent development, education and research. Insurers are required to send renewal notices each year, reflecting changes in coverage and premium charges. And insurance information often comes with annual interest statements from your mortgage company, she says.

"That's a great opportunity to take a look at your homeowners policy," and can help determine if you need to adjust coverage to reflect changes in your home or lifestyle in the past year, Flannagan says.

Homeowners need to track construction costs more closely than real estate values when determining how much to insure a home for, industry experts say. The price to rebuild has surged in the past few years due to labor, materials and energy costs, while home values have fallen. Some consumers have mistakenly lowered the amount of coverage they're buying for their home to reflect how much it would sell for now that the housing bubble has burst, leaving them underinsured. "It has been a trend in areas hit hard by a bad real estate market," says Amy Danise, senior managing editor of consumer website Insure.com.

There are smarter ways to save on coverage, says Jeanne Salvatore, senior vice president of public affairs at the Insurance Information Institute. "The biggest issue, I think, recently is that some people are very misguided and have thought, 'Well my home is not worth so much anymore, I can safely drop or reduce insurance,'" she says.

The housing market has also pushed many homeowners to build additions or make improvements when they can't sell their home. Not getting this new construction added to insurance policies is a common error. "They get wrapped up in the remodeling and never even think of picking up the phone to let home insurance companies know," says Danise.

The risk of disaster or insufficient coverage surges when those improvements take place in the basement, insurance experts say. Flood insurance doesn't come standard with most home policies, and basements are also susceptible to seepage and pump backups.

If the new construction and possessions within, such as fancy TVs and furniture, aren't covered, homeowners will come up short in the case of a natural disaster or break-in. A finished basement automatically adds to the usable square footage of a house, affecting the cost to rebuild if homeowners needed to start from scratch.

Consumers are particularly misinformed when it comes to knowing how much money they'll get from insurers to replace belongings in the house, MetLife found. Close to half of those polled didn't know how much their belongings were covered for, and nearly three-quarters said they

would be reimbursed for the full cost to replace personal belongings in case of disaster.

The average homeowners policy covers possessions at a fixed percentage (typically, 50 percent to 70 percent) of the value that the home is insured for, according to the Insurance Information Institute. Consumers should still pay attention to the worth of their belongings, though, as the allotted coverage for personal possessions can easily fall short if a house is stocked with costly art, furnishings, electronics and other valuables.

Homeowners insurance typically covers inside possessions in two ways: replacement value or cash value. The latter takes into account how items such as furniture and electronics have depreciated, while replacement value gives you the money to repurchase an item at its current cost.

Cash-value insurance costs less in premium payments, but could leave homeowners strapped if they're forced to replace their goods after a fire, flood or break-in. If you're looking to save on monthly payments, raise the deductible rather than opting for the cash-value coverage, says Salvatore.

Experts suggest regularly photographing and videotaping possessions to know what you have and whether your coverage is sufficient. There's an app for that. The National Association of Insurance Commissioners offers a free iPhone mobile application called myHOME Scr.APP.book for taking an inventory of possessions. The application lets users capture and store images, descriptions and product serial numbers. It can sort the information room by room, and provides a backup file to be shared via e-mail.

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10 Pieces of Paper You Must Round Up to Buy (or Sell) a Home

Home buyers and -sellers alike often bristle with anticipatory irritation at the mere thought of all the paperwork they expect they'll have to come up with to do their transaction, above and beyond the basic loan application, contract, disclosures and closing docs. And these worries start way in advance; it's as though, before they even start visiting open houses, buyers begin to visualize - and dread - spending hours upon hours in the dank catacombs of the Vatican (à la Da Vinci Code) combing through ancient files, seeking some rare and precious artifact documenting their childhood dental history or genealogy.

In some respects, this vision of the experience of obtaining a home loan might not be far off - there are oodles of hoops through which to jump and, occasionally, the loan underwriter requests something sort of bizarre. But more commonly, there's a pretty finite universe of documents you'll really need to scrounge up to get your home bought - or sold. Here they are:

- 1. ID (e.g., driver's license, state-issued ID, passport). Who must produce it?** Buyers and sellers. **Why?** Uh, hello!?! Lender wants to know that you are who you say you are, buyers, and the title insurance company wants to make sure, sellers, that you actually have the right to sell the home. Funny enough, this commonly goes unrequested until you get to the closing table, when the notary requests to see it before signing, but some mortgage brokers and even some real estate brokers and agents may ask to see it earlier on.
- 2. Paycheck Stubs. Who must produce it?** Any buyer financing their purchase with a mortgage. Sellers, usually only in the case of a short sale. **Why?** Buyers' purchase price ranges are determined, in part, by their income. And short sellers have to prove an economic hardship.
- 3. Two months' bank account statements. Who must produce it?** Buyers getting

financing; sellers selling short. **Why?** Buyers' lenders now require proof of regular income and proof that the down payment money is your own. Short sellers? It's all about the hardship.

4. **Two years' W-2 forms or tax returns. Who must produce it?** Mortgage-seeking buyers and short selling sellers. **Why?** Banks want to see a stable, long-term income. They also limit you to claiming as income the amount on which you pay taxes (attn: all business owners!). And in short sales, again, they want documentation of every single facet of your finances.

5. **Updated everything. Who must produce it?** Buyer/mortgage applicants. **Why?** Because things change, and because the time period between the first loan application and closing can be many months - even years! - on today's market. During the time between contract and closing it's not at all unusual for underwriters to demand buyers produce updated mortgage statements, checks stubs, and such - and it's quite common for them to call your office the day before closing to request a last minute verification of employment!

6. **Quitclaim deed. Who must produce it?** Married buyers purchasing homes they plan to own as separate property. Married sellers selling homes that they own separately, or joint owners selling their interests separately. **Why?** With the Quitclaim Deed, the other spouse or owner signs any and all interests they even might have had in the property over the the selling owner, making it possible for the title insurer to guarantee clear, undisputed title is being transferred in the sale.

7. **Divorce decree. Who must produce it?** Buyers and sellers who need to document their solo status or the property-splitting terms of their divorce. **Why?** Again, to ensure that the seller has the right to sell. Recently single buyers might need to prove that they shouldn't be held to account for their ex's separate debts or credit report dings.

8. **Gift letters. Who must produce it?** Buyers using gift money toward their down payment. **Why?** The bank wants to be sure the gift came from a relative, and is their own money to give. They also want the relative to confirm in writing that it's a gift, not a loan - a loan would need to be factored into your debt load.

9. **Compliance certificates. Who must produce it?** Usually sellers, but sometimes buyers, by contract. **Why?** Some local governments require various condition requirements be met before the property is transferred, like some cities which require a sewer line be video scoped and repaired, cities which require a checklist of items be met before a certificate of occupancy be issued (usually relevant to brand new and really old homes, the latter of which are often subject to lead paint concerns) and energy conservation ordinances which require low-flow toilets and shower heads to be installed. Ask your real estate pro for advice about which, if any, such ordinances apply in your area.

10. **Mortgage statements. Who must produce it?** Any seller with a mortgage. **Why?** the escrow holder or title company will need to use them to order payoff demands from any mortgage holder who has to get paid before the property's title can be transferred.

By no means is this an exhaustive list. Agents: what documents do you see buyers and sellers struggle to scrounge up during their home buying transactions?

Freddie Mac turns to YouTube to dispel common foreclosure myths

McLEAN, Va. – March 23, 2011 – Freddie Mac wants to help consumers separate foreclosure fact from fiction using a new video series launched today on its YouTube Channel.

Each 90- to 120-second video dispels one of five common myths that could prevent people from keeping their homes if they face foreclosure. Freddie Mac based the content on its "Get the Facts on Homeownership" education and outreach materials.

"The videos provide information and resources that just might keep individuals from losing their home," says Dwight Robinson, Freddie Mac senior vice president of Corporate Relations and Housing Outreach.

The videos each cover one of the following "myths":

Myth 1: If my house is foreclosed, I can never buy a house again – the foreclosure will stay on my record forever.

Truth 1: Foreclosure can have a devastating effect on your finances and you personally, but you can recover. Use the time after foreclosure to prepare yourself for successful homeownership the second time around by creating a spending and savings plan, and rebuilding your credit.

Myth 2: I should stop paying my mortgage so I can get assistance with my mortgage payments.

Truth 2: Stopping payment on your mortgage only hurts your situation and can expose you to foreclosure and credit difficulties that could require years to rebuild.

Myth 3: If I'm late on my monthly payments, I'll lose my house.

Truth 3: If you have a financial hardship and fall behind, it's possible to keep your house and get back on track if you contact your lender as soon as possible to discuss your options. You can also contact a HUD-approved housing counselor by calling the Homeowner's HOPE Hotline at (888) 995-HOPE (4673).

Myth 4: I am getting many offers for help from a variety of people. They are probably all scams.

Truth 4: Scam artists often target homeowners who are struggling to meet their mortgage commitment or are anxious to sell their home. It's important to always open and respond to communications from your lender, particularly if you've already missed a mortgage payment. In addition, if you are in a financial crisis or facing foreclosure, make sure you work with your lender or a HUD-approved counseling agency to avoid common scams.

Myth 5: My lender is not responding to my inquiries, so I should just give up and face foreclosure.

Truth 5: Whatever you do, don't walk away and don't give up. It may take several attempts to reach your lender because their call volume can be very high.

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Don't cut home insurance, experts say

BALTIMORE – March 22, 2011 – Many homeowners are considering a reduction to their homeowners insurance coverage since their property's value has dropped. But experts warn that's not a good idea and could leave homeowners with insufficient coverage if disaster strikes.

Market value of a home is not the same as insurance value, and each dollar figure relies on different assumptions and calculations. The insurance value is based on what it would cost to rebuild the house – not on what you paid for it. Even though housing prices have dropped in many markets, rebuilding costs have not.

For homeowners looking for savings, they might instead consider increasing their deductible. For example, increasing a deductible to \$1,000 from \$500 could lower the premium by 25 percent.

Source: "Don't Cut Home Insurance," Baltimore Sun (March 13, 2011)

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First-time buyers prepare for best market in recent history

CAMPBELL, Calif. – March 22, 2011 – Inexperienced first-time buyers may not know if the time is right to make a move into real estate.

"It's not about timing the market. It's about time in the market," says Steve Berkowitz, chief executive officer at Move Inc., the online company that oversees operation of Realtor.com. "Once you know how long you expect to own a home, look at the historical value performance of properties in the neighborhood. Be confident about your own job security, downpayment resources and tolerance for upkeep, as well as the lifestyle you want today and in the near term. Today's housing market, especially for first-time buyers, makes it almost impossible not to think about the possibilities."

To help first-time buyers decide if they're ready, Move created a "reality checklist."

Get your financial house in order

Before you decide to buy a home, make sure your credit is in good shape and repair any damage previously done. Know your credit score: Thirty-five percent of successful buyers recently reported they didn't know their credit score when they went house shopping, according to a national survey fielded for MortgageMatch.com. Having enough money set aside for a downpayment is a key component. Also, don't put all your money in the downpayment as other fees or unexpected expenses often arise after closing.

Don't fall in love with a house you can't buy

Find out how much you can afford, including how much money will be required for a downpayment and closing costs. Look for special loans available from FHA and government-sponsored loans for first-time homebuyers that reduce the amount of money required to get into a home.

Learn the lingo

Since first-time buyers are new to the market and will finance a significant portion of their purchase, it's important to get familiar with the processes and terminology associated with home buying. Here are a few key terms from MortgageMatch.com:

- **Bait Rate:** Misleading mortgages with low rate promises and no contingencies generally for those with extraordinary credit. Rates are based on: credit, debt-to-income and loan-to-value ratios, the size and type of loan, property location and the day you lock your rate, etc. The loan isn't locked until the application is accepted. By then, it may be too late to find a better rate from another lender.
- **Basis Point:** A term used in the mortgage industry, which simply means 1/100th of 1 percent.
- **Closing Costs:** The fees required to process and close your loan. They're a cash obligation running from three to five percent of the purchase price. Motivated sellers might pay a portion of

these costs.

- **FHA:** Federal Housing Administration, the federal government agency that oversees the U.S. housing market. FHA loans are loans insured by the U.S. Department of Housing and Urban Development.
- **FRM and ARM:** A fixed-rate mortgage loan (FRM) is a loan where your interest rate stays the same for the life of the loan. ARMs are adjustable rate mortgages with variable interest rates that fluctuate based on an agreed-upon index.
- **GFE:** The Good Faith Estimate (GFE) is a document explaining all costs involved in getting a loan.
- **TIL:** The Federal Truth-in-Lending Form is a document that spells out the costs and fees of the loan.
- **Lis Pendens:** An official notice that there is a pending lawsuit over real estate.
- **Per Diem Interest:** Interest you pay per day, from the day you close to the last day of the month.
- **Underwriting and Underwriting Fees:** Underwriting is a process the lender performs to qualify a borrower for a loan, and the fee is what you pay the lender at closing to cover evaluating the risk involved with loaning you money.
- **Warranty Deed:** A legal document guaranteeing the seller has a right to sell a property, which is very important if you are considering a distressed or discounted property.

If now isn't the right time, prepare for your future purchase

If now isn't the right time to buy a home, make a plan with a target date for when you expect to be ready. Improving your credit, paying down debt, stabilizing your work history and calculating exactly how much you can afford, are the best ways to prepare for your future home purchase. It's also important to refrain from making any new large purchases or applying for new credit.

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Poll: Americans still believe deeply in homeownership

WASHINGTON – March 18, 2011 – Despite a historic real estate market upheaval that sent foreclosure rates skyrocketing and home values plummeting, Americans still have a deep attachment to homeownership. Furthermore, they consider homeownership an integral part of an American Dream in which they still believe, according to poll results announced today by The Allstate Corporation and National Journal.

The eighth quarterly Allstate-National Journal Heartland Monitor Poll revealed that nearly nine out of 10 homeowners say they would buy their homes again. That percentage held true even among homeowners who said their home values had declined. Seven of 10 Americans say they would advise a friend or family member to buy a home as a long-term asset. However, while homeownership is perceived as a good personal decision, there is much greater uncertainty about whether expanding homeownership should be a government priority.

Although only 35% of respondents expect their personal financial situations to improve over the next year, three-fourths of those surveyed said it is still possible for people like them to achieve the American Dream, which the poll defined as the ability to advance as far as their talents will take them and live better than their parents did. A total of 59% said they currently are living the American Dream. Respondents identified owning your own home as one of the most critical parts of the American Dream, second only to raising a family.

"Owning a home continues to be the bedrock of the American Dream – even as incomes are down, jobs are scarce and families struggle to make ends meet," said Thomas J. Wilson, Allstate chairman, president and chief executive officer. "Homeownership is viewed positively by the vast majority of Americans as both a place to raise a family and a sound investment. As a result, financial institutions and the government must work together to ensure that those who can afford their homes stay in them and this opportunity remains a viable alternative for all Americans."

Despite their positive statements about owning a home, only 42% of those polled said that government's push to expand homeownership created more stable communities, while 51% said these policies made communities less stable because it "encouraged people to take on too much debt" and led to foreclosures. Those surveyed split exactly in half – 46% on each side – on the broad question of whether Washington should continue or scale back its efforts to promote homeownership through policies such as tax incentives for first-time buyers and the mortgage interest deduction.

"Homeownership retains a powerful, almost tidal, grip on the American imagination," said Ronald Brownstein, editorial director of National Journal Group. "Even the economic experiences of the last several years don't seem to have dimmed the yearning for ownership. But we do see that the public is much more ambivalent about whether the nation's focus on expanding homeownership is a good thing for the country overall."

Key findings from the eighth Allstate-National Journal Heartland Monitor Poll include:

1) Americans still believe in homeownership as a sound investment. A solid majority (70%) of Americans would advise a family member or close friends to buy a home to build long-term assets.

* Just 27% disagree with this statement and say homeownership is too risky. This measure is essentially unchanged since the first Heartland survey in April 2009.

* Young Americans (aged 18-29) are less convinced, with 49% who agree that homeownership is a sound investment and 49% who say it is too risky.

* Asked to name the best investment, 24% of Americans say "buying a home," which ranks behind "investing in retirement savings" (38%), but ahead of "saving money in the bank" (20%), and "investing in the stock market" (6%).

* Most Americans (63%) believe that the current housing crisis is temporary and will improve over the next several years.

* Surprisingly, 58% of those who believe the housing crisis will remain a serious problem would still recommend buying a home.

2) Most Americans (59%) say they are living the American Dream.

* Those most likely to disagree include groups that typically have less of a safety net in a struggling economy: low-income households (51% disagree), those with a high-school education or less (43%), African-Americans (46%), and single mothers (68%).

* Three-quarters of Americans believe the American Dream is still achievable for people like them.

* 58% of Americans believe that the ability to achieve the American Dream is affected more by their own skills and hard work than by the state of the economy. This belief in hard work cuts across every demographic and socioeconomic subgroup.

For more results or to download the poll, go [here](#).

The poll was conducted March 4-8, 2011, among 800 adults via landline and 200 adults via cell phone.

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Tax time less taxing for homeowners

WASHINGTON – March 17, 2011 – “Owning a home offers myriad benefits throughout the year, but some of the financial advantages of homeownership are most apparent at tax time,” said NAR President Ron Phipps. “As many of today’s hard-working American families are feeling a financial squeeze, the tax benefits that can come from owning a home can be a welcome relief.”

A number of tax deductions and credits are still available for homeowners; these include deductions – with specific limits – for mortgage interest and capital gains on home sales, and credits for certain energy-efficient home improvements. Even with these benefits, homeowners pay 80-90 percent of all U.S. federal income taxes.

“It’s been suggested that many of today’s tax incentives for homeownership primarily benefit wealthy individuals, but that’s simply not true,” said Phipps. “As today’s public debate continues about what homeownership means for families, communities and the nation’s economy, there’s no question that for many, owning a home is still the best way to begin building wealth.”

Ninety-one percent of homeowners who claim the mortgage interest deduction earn less than \$200,000 a year, and the ability to deduct the interest paid on a mortgage can mean significant savings at tax time. For example, a family who bought a home in 2010 with a \$200,000, 30-year, fixed-rate mortgage, assuming an interest rate of 4.5 percent, could save nearly \$3,500 in federal taxes when they file this year.

“Realtors see the very real positive impact of homeownership every day with our clients,” said Phipps. “Recent proposals to reduce or eliminate the mortgage interest deduction and remove government support of the housing finance market could have disastrous consequences for the economy, not to mention making it harder or nearly impossible for millions of families to own their own homes. We believe America must continue to invest in homeownership, for the future of our families and our nation.”

For homeowner tax season tips, visit www.HouseLogic.com. NAR’s HouseLogic is a free source of information that helps homeowners maintain and enhance the value of their homes, and engage

in issues that affect their local communities.

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More legal snags jeopardize real estate deals

NEW YORK – March 15, 2011 – With a real estate market filled with complex deals, legal disputes from real estate transactions are on the rise. Legal snags from short sales, foreclosures, and disclosures are prompting more real estate deals to end up in court.

Legal disputes stemming from short sales, in particular, are increasing, from how banks handle defaults to disclosures and contract performance sections of the sale.

Some sellers are taking legal action against their real estate agents, accusing agents of pushing through short sales and failing to inform them of their possible loan deficiency and tax obligations, such as how the amount forgiven by lenders may be subject to income taxes.

To help avoid legal disputes in short sales, some real estate professionals are using an attorney for reviews.

“The attorney does the complete negotiation with the lender on the deficiency,” says Bill Gasset at RE/MAX Executive Realty in Hopkinton, Mass. “There are a lot of [real estate agents] doing this negotiating. I don’t think that’s a good idea.”

Other legal pitfalls on the rise in real estate transactions include foreclosure disputes that accuse banks of taking shortcuts on foreclosing on homes, as well as legal problems from inadequate home sale disclosures. In most states, sellers are required to disclose defects on a property.

And in other disputes, sometimes real estate agents are suing homeowners who don’t close on a good offer in short sale deals, or even buyers who walk away from a deal because it’s taken too long to close.

Source: “Legal pitfalls plague housing, more than before,” Investor’s Business Daily (March 10, 2011)

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Citizens Ins. approves cheaper aluminum wire fix

TALLAHASSEE, Fla. – March 15, 2011 – The state-owned Citizens Property Insurance Corp. on March 14 approved two alternative methods to make aluminum branch wiring safe and insurable for Florida homeowners – a relief to homeowners who thought they had to invest a lot of money upgrading their electrical system.

Since last summer, Citizens and all private insurers in Florida had said they would no longer write new insurance policies on homes with aluminum wiring because it’s considered a fire hazard.

Citizens spokeswoman Christine Ashburn says the organization has now approved two types of electrical wire connectors – known as AlumiConn and Copalum – as acceptable methods to avoid

rewiring.

"This is big, big news for the Panhandle. The total rewire has been terrifying to many of our constituents," says Florida Rep. Doug Broxson (R-Gulf Breeze). "We don't understand why this issue is unique to the Panhandle, but we want to make sure people are not spending \$8,000 to \$10,000 on a total rewire when there is going to now be a fix that is much less expensive."

Broxson has been meeting with Citizens representatives for the past six weeks on the matter of researching alternative methods to rewiring aluminum.

"Now we have an option and, hopefully, this will encourage the other homeowner insurance markets to do the same," he says.

Source: Pensacola News Journal (FL) (03/15/11) Page, Jamie

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Americans confident of real estate recovery

WASHINGTON – March 11, 2011 – The majority of America's potential homebuyers and sellers – 68 percent – believe that the real estate market and property values will recover in the next year or two, according to a survey released by Prudential Real Estate and Relocation Services Inc. That's up from the 47 percent in a similar survey conducted in April 2010, underscoring a more bullish outlook for the real estate market today.

In addition, 86 percent of Americans still believe real estate is a good investment, despite the recent market volatility.

Attitudes

The survey found that six in 10 respondents are more interested in buying real estate (58 percent); and 59 percent are optimistic about buying given the momentum of the economic recovery. And although the price of many Americans' homes declined during the recession, 89 percent recognize they can now buy a house at a lower price.

The survey tried to determine why some buyers who want a home are not yet shopping. The top reason (77 percent) was a fear about selling an existing home, followed by concern about getting a fair price for the home (67 percent) and emotions (58 percent).

Sellers

For those who sold a home in the past year, 78 percent report satisfaction with the sale. Of these, 32 percent were very satisfied with the final price, and 46 percent were grateful they were able to sell given market conditions. A relatively small number (22 percent) were disappointed or resentful about the price they received for their home.

Buyers

Of the 45 percent of survey respondents looking to trade up, 64 percent want more space or property, 49 percent a nicer house and 41 percent a better neighborhood. Only 21 percent want to scale down, while 34 percent want a similar home.

The survey highlighted the importance of listing a home at the right price: 74 percent of buyers believe that many homes could meet their needs, making price a significant consideration; and

26 percent will pay top dollar for a home that specifically suits their needs. In setting the right price, however, sellers were split, with 53 percent wanting to price right at, or slightly below, market rate to attract more bids; but 47 percent wanting to price slightly higher than market and hoping some buyer will pay more.

Real estate agents

The majority of respondents highlighted the importance of real estate agents in the process of buying or selling their home. Seventy-five percent said that an agent is very important or essential, with only 24 percent saying agents are helpful but not imperative.

The Prudential Real Estate Outlook Survey of 1,253 Americans between the ages of 25-64 in the market for buying a home was conducted Jan. 20-27, 2011.

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Help buyers beat shady contractors

[The Contractor Agreement: 7 Steps to an Iron-Clad Contract](#)

[Contractor Dispute? Local Licensing Authorities are On Your Side](#)

[How to Resolve a General Contractor Dispute: Your Legal Options](#)

[The Contractor Bond: When a Handshake Isn't Enough Assurance](#)

[How To Fight Back Against a Bad Contractor](#)

Popular kitchen remodeling trends

NEW YORK – March 9, 2011 – When remodeling a kitchen, the latest trends lean toward stylish kitchens with cleaner lines, built-in dining and pops of color.

1. Built-in dining areas. Eat-in kitchens are in high demand as more remodelers opt for extensions in counters that resemble a table, either in lower or higher height to the countertop. The counter extension is different than bar seating because diners can sit around the edge and face one another – not just sit in a row. The counter extension saves space, offers an extra buffet service and more kitchen storage, says Deanna Carleton of Kitchen Design Group.

2. Dressing up the kitchen with lighting. An affordable way to upgrade a kitchen is just by switching out the lights, designers say. For example, hand-blown glass shades on pendant lights, contemporary drum shades and chandeliers quickly update a kitchen. Layers of light continue to be popular, such as with a ceiling lighting fixture combined with under-counter lighting as well as ambient lights behind a glass-front door, designers say. LED under-counter lighting and LED recessed ceiling lights are also popular.

3. Pops of color. Neutral colors in the kitchen are a safe preference, but more kitchens are adding bolder pops of color – such as in persimmon or pomegranate – to spice up the kitchen. Colored knobs, kitchen accessories and even appliances are bringing in these pops of color. Designers say pops of color can also be brought in by the fabric choice in kitchen seats or window valances.

4. Striving for simplistic luxury. Clean lines and transitional designs are “in” while ornate Tuscan and French country kitchen styles are falling out of favor in the kitchen. Betty Nairn of

Cabinet-S-Top in Granger Township, Ohio, says "simplistic luxury" is the kitchen trend nowadays.

Source: "8 areas to pay attention to when updating your kitchen," RISMedia (March 5, 2011)

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Curb appeal even more important today

PHILADELPHIA – March 8, 2011 – In normal market times, the National Association of Realtors says, 49 percent of buying decisions are based on curb appeal.

These are not normal times – in fact, some Realtors call current market conditions the "new normal." Yet curb appeal is still of major importance, especially with so many houses for sale.

It's unlikely to get you more money for your house. But it will get buyers' eyes on your prize.

In effect, curb appeal is "outdoor staging," said Center City Realtor Joanne Davidow, of Prudential Fox & Roach. Even if the interior decor is Buckingham Palace-quality, no one will ever know if the place isn't appealing from the street – because no one will ever ring the doorbell to see it.

In fact, Davidow said, she is working on a listing now where the interior is wonderful, but the doorbell is hanging off.

"You need to pay attention to outside as well as the indoors," she said.

Still, Marilou Buffum of Eichler & Moffly, Realtors in Philadelphia's Chestnut Hill neighborhood, who concentrates on Northwest Philadelphia properties, cautioned that curb appeal "depends upon what a buyer is looking for."

"If you have an urban-oriented buyer, a house with a lovely lawn isn't high on the list," Buffum said. "Clean windows, paint that isn't peeling, an attractive front door, nice plantings, leaves raked and the lawns mowed set the tone of what the buyer thinks the house should be."

There are challenges to curb appeal everywhere.

"The city is the best place to live, and I wouldn't live anywhere else," said Prudential Fox & Roach agent Jeff Block, who focuses on the Center City real estate market. "But city properties do deal with unique curb-appeal issues. "One is simply windblown bags, wrappers and leaves," he said. "You can sweep your sidewalk every day, but if the wind blows right before an appointment, the buyer doesn't know that."

Also affecting curb appeal may be the condition of neighboring houses.

"We deal mostly with townhouses and twins," Block said, "so sellers can point their brick, paint their door and trim, and the house can look perfect. But it does not help if the attached house is beaten up."

Said Buffum: "You have to look at your neighbor's house when considering curb appeal. If there are issues, and you get along well with your neighbor, you might ask if they wouldn't mind trimming hedges or cleaning their yards."

In some cases, sellers have even paid to have the house next door painted, she said. "Remember, you are selling your neighborhood, not just your house."

Among the easier-to-fix curb-appeal issues are the weeds that pop up between pavers on sidewalks and patios, said Weichert Realtors agent Carolyn L. Sabatelli. "Bushes should be trimmed neatly, and plant beds should be trimmed out," she said. "If driveways are asphalt, they should be nice and clean, and, if needed, another coat of blacktop applied."

Think mulch, agents say. Fresh dark mulch adorning even barren landscapes gives them a warmer look.

Except for when a property cries out for professional help, boosting curb appeal does not have to be expensive, Buffum said.

"A fresh coat of paint or windows washed and fixed don't add up to much of an expense," she said. "Will you get the money back on your investment? Not necessarily, but you are making your house more appealing to buyers," she said. "It gives buyers the impression that you care."

Some agents recommend having at-the-ready photos that show how your house looks in other, more colorful seasons. In fact, Buffum and other agents make booklets of such pictures and leave them inside the house for prospective buyers to see.

But "I don't think you should put those photographs in the MLS (Multiple Listing Service), because buyers will see right through it," she said.

"Not only that, but if it is winter and the photo of the house was taken in the spring, people will think the house has been lingering on the market for that long."

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5 Tax Tips, Tricks and Traps for Homeowners

Ask a roomful of homeowners what's so great about owning versus renting, and you'll hear them holler in unison: "the tax deductions!" And it's true – homeowners who itemize their taxes are able to deduct 100% of their mortgage interest and property taxes from their income tax returns.

That means that if you're in a 28% tax bracket, Uncle Sam effectively subsidizes about a third of your borrowing costs or more, making your home more affordable or allowing you to buy a larger home than you could have otherwise. Also, big chunks of your closing costs are tax deductible, and hundreds of thousands of dollars of any profit (or capital gains) that you realize when you sell your home are exempt from income taxes.

At tax time, it's critical to know what you're entitled to, so you can claim it. So, here are five essential need-to-knows about home-related income tax tips to help you get the most tax-reducing bang out of your home-owning buck – and to avoid hefty home ownership-related tax traps.

1. You Have to Itemize Your Return to Claim Your Deductions

During the recent debate on Capitol Hill about whether the mortgage interest deduction should be eliminated (it won't be, not anytime soon), it came out that nearly 40% of homeowners lose out on their major tax advantages every year when they fail to itemize their income taxes. If you own a home and otherwise have a fairly simple return, it might be tempting just to take the standard deduction – and if your mortgage, property taxes and income are low enough, the standard deduction might outweigh your homeowners' deductions. But you'll never know if you're losing out on the tax advantages of itemizing unless you try; before you grab a pen and start filling in that 1040-EZ grab those forms from your mortgage company and answer the questions on tax software like TurboTax, which will automatically do the math on whether itemizing or taking the standard deduction will result in the lowest tax bill – or the highest tax refund – for you.

2. Plan Ahead and Be Strategic When Taking a Home Office Deduction

According to the Small Business Administration, the average home office deduction is \$3,686 – multiply that by your tax bracket – 15%, 20%, 30% or whatever it is, and that's what you'll save on your taxes by writing off your home office. Know, though, that the space you designate as your home office cannot be exempted from capital gains tax when you sell your home later. The \$250,000 (single)/ \$500,000 (married filing jointly) income tax exemption for capital gains is only good on your personal residence, after all – not including any space in your home you've claimed as your tax-advantaged office. If you foresee selling your home for much more than you bought it in the future, near or far, discuss this with your tax preparer to see if the few hundred bucks you save is worth the capital gains complication later.

3. Tax Relief for Loan Modifications, Short Sales and Foreclosures Is Only Around Through 2012

While the long-term housing outlook is beginning to look up, 2011 is projected to be the peak year for foreclosures during this market cycle. Distressed homeowners who are on the brink of a short sale, loan modification or foreclosure should be aware that normally, any mortgage balance that is wiped out by one of these outcomes is taxed as what the IRS calls Cancellation of Debt Income, or CODI.

Under the [Mortgage Debt Forgiveness Relief Act of 2007](#), the IRS is currently not charging income taxes on CODI incurred through a loan mod, short sale or foreclosure on most primary residences through 2012. But right now, banks are taking many months, or even years, to work out mortgages in all of these ways; the average foreclosure in New York state right now occurs only after 22 months of missed mortgage payments. If you foresee any of these outcomes in your future, don't put things off. Do what you can to get to closure on your distressed home and loan, ASAP, while you won't have income taxes to add as the insult on top of your significant housing injury.

4. Project the Income Tax Consequences of a Refinance or Property Tax Appeal

Homeowners everywhere are working on applying for a lower property tax bill on the basis of the last few years' decline in their home's value. Those who have equity have flocked en masse to refinance their 7% home loans into the 4% to 5% rates of the last few months. These strategies offer some of the heftiest household savings out there for the corresponding investment in time and money they take. But here's a caveat for savvy homeowners who slash these costs: remember that property taxes and mortgage interest, the very costs you're minimizing, are also the basis for the major tax benefits of being a homeowner. So plan ahead for your income tax deductions to go down along with your taxes and interest.

5. Don't Forget Those Closing Costs

If you bought or refinanced your home in 2010, you may be so focused on your mortgage interest and property tax deductions that you forget all about your closing costs. Any origination fees or discount points that were paid to your mortgage lender at closing are tax deductible on your 2010 return, get this – even if the seller paid your closing costs. If you can't figure out exactly what you paid, look for your HUD-1 settlement statement, that legal sized paper full of line item credits and debits that you should have received from your escrow provider or title attorney at, or just after, closing. Can't find it? Drop your real estate agent or mortgage broker an email; they can usually get a copy to you quickly.

Source: [Trulia](#)

Canceled debt often must be reported as income

WASHINGTON – March 7, 2011 – One can only imagine all the high-fives and fist-bumps that erupt once a can't-make-ends-meet borrower finally, finally talks a lender into forgiving \$3,000 in credit card debt.

Now let's picture that same person months later handing over a little piece of paper called a 1099-C to a tax preparer.

The tax preparer must break the bad news: Most times, canceled debt is treated like income. And \$3,000 of forgiven credit card debt must be reported as income on state and federal income tax returns.

"Sort of what you did is you switched creditors," said George W. Smith IV, a certified public accountant and partner at George W. Smith & Co. in Southfield, Mich.

"I had one guy storm out of here saying, 'I'm not going to report it,'" Smith said.

If you don't report it, you can expect the Internal Revenue Service to come calling.

"The IRS gets a copy of that 1099," said Jim Van Grevenhof, senior tax analyst for the tax and accounting business of Thomson Reuters. "They're going to be looking for that on your tax return. And if you don't deal with that, they're going to ask why."

A Form 1099-C is issued when a debt of \$600 or more is forgiven or canceled. According to the IRS, the number of 1099-C forms filed with the federal government by creditors and debt collectors grew from fewer than 1 million forms in 2003 to more than 1.987 million in 2008. Some estimates project 2.8 million 1099-C forms will be sent out in 2011 for the 2010 tax year, according to CreditCards.com.

What's unsettling, of course, is that people who couldn't afford to pay their debt now owe thousands in taxes.

"It's very unlikely they have several thousand dollars sitting in the bank that they can use to make an unexpected tax payment," said Ben Woolsey, director of marketing and consumer research for CreditCards.com.

They're going to need to borrow money – or enter into installment payment plans with the IRS.

"We've seen this issue more frequently in the past several years, both with credit card debt and home mortgages," said Marshall Hunt, certified public accountant and director of the tax-assistance program of the Accounting Aid Society in Detroit. If you'd need to add \$50,000 in canceled debt to your income, you could be looking at another \$15,000 owed on a tax bill.

All canceled or forgiven debt, though, is not treated the same.

For example, if student loan debt is canceled as part of a forgiveness program for working in a particular field, such as health care in an underserved community, the debt that is forgiven is tax-free. The same is true for public service loan forgiveness programs, said Mark Kantrowitz, publisher of Fastweb.com and author of "Secrets to Winning a Scholarship."

But the forgiveness of the remaining student loan balance after 25 years in an income-based repayment program is taxable.

Given the complex rules, you should provide the 1099-C to the tax preparer.

There is a special provision that allows up to \$2 million of canceled debt on a mortgage to be excluded from income. This applies only to a principal residence – not a second home. And the exclusion applies only if a foreclosure or short sale takes place from 2007 through 2012.

The canceled debt must have been incurred to buy, build or improve your main home.

Consider this example from Van Grevenhof: Say a couple paid \$500,000 for their home. But the house's value tumbled to \$350,000 after the collapse of the housing market. Their mortgage was for \$450,000. One person lost a job and the couple couldn't afford the monthly mortgage. They handed the deed to the bank and walked away.

The bank sold the house for \$350,000. The house sold at a \$150,000 loss, and the couple had \$100,000 in canceled debt.

The loss is not deductible. But that \$100,000 in income now is covered by the "Principal Indebtedness Exclusion." So this foreclosure does not drive up their tax bill.

Who faces the most headaches?

Watch out if you tapped into the equity of the house to make an investment in a sure bet, but later lost your shirt and walked away from that debt.

"You had a buddy who said 'I've got a great deal for you' – and you put it in a Ponzi scheme," Smith said.

You could end up with an extra \$50,000 showing up as income on your tax return.

And if you faced foreclosure on your vacation property, you would have to report that forgiven debt and would owe taxes on it.

"All of a sudden, I'm saying 'Guess what? Here's your tax problem,'" Smith said.

What you should know

If you had debt forgiven, here's what you need to know at tax time:

- A 1099-C is sent to the borrower and the IRS if a creditor or debt collector agrees to forgive \$600 or more in debt.
- You would want to look at Box 2 of Form 1099-C for the amount to be reported as “other income” on Form 1040.
- Make sure to dig deep into your mail to find all Form 1099-Cs that you would receive from a federal government agency, credit union or bank.
- Complex rules exist for mortgages and some student loan debt. You need to know rules about when forgiven or canceled debt can be excluded from income. For example, a special exclusion exists for health care professionals who have student loans forgiven and they work in underserved communities.
- Other exclusions apply, too. For example, cancellation of debt income that occurs during bankruptcy proceedings is excluded from income, as is cancellation of debt income to the extent of the borrower’s insolvency immediately before the debt forgiveness event occurs. Also, there is no cancellation of debt income if the mortgage was nonrecourse or seller financed.

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Picky first-time buyers may lose out on great deals

WASHINGTON – March 7, 2011 – Finding a “move-in ready” home was important to 87 percent of 300 first-time buyers recently polled by Coldwell Banker Real Estate. Some agents say first-timers are being more selective; and some are even turning away from well-priced homes because they do not have granite countertops, need a new carpet or have wall colors not to their liking.

Zillow says higher downpayments and stricter underwriting standards mean today’s buyers want to ensure their homes need few – or at least inexpensive – improvements.

According to real estate agents, HGTV and other cable channels have made today’s buyers more knowledgeable about home design, and some worry that such programming also has given buyers unrealistic expectations.

“You can’t have the big yard, the top-line updates, and all that in a starter home,” says Cindy Westfall of Lake Oswego, Ore.-based Prudential NW Properties. “You’ve got to compromise somewhere or else you’ll never buy anything.”

Source: Washington Post (03/05/11) P. E2; Harney, Kenneth R.

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2011 rebound: Prices low, investors back

NEW YORK – March 4, 2011 – Plenty of signs point to the housing market finally bottoming out

and moving into rebound mode this year, experts say in a recent article in The Wall Street Journal.

Investors, who were burned when the housing bubble burst in 2006, are back on the market, betting on a rebound and snagging up houses and condos in all-cash deals.

What's more, housing is at the most affordable it has been in decades nationwide — when home prices and average incomes are taken into account, according to analysts at Moody's Analytics. The cost of a house is equal to about 19 months of income for an average family, which is at the lowest level in 35 years. (Prices generally average nearly two years of pay.)

"Pricing is down so much in some markets that when you analyze renting versus owning it makes much more sense to own," Michael Larson, a real-estate analyst at Weiss Research in Jupiter, Fla., told The Wall Street Journal.

Housing prices likely will bottom in 2011, says Scott Simon, a managing director at the money-management firm Pimco in Newport Beach, Calif. While he expects housing prices to possibly drop another 5 percent, he says that is a small amount when some markets prices have dropped by half or more since housing prices started falling in 2006.

Source: "Why 2011 may be the end of the housing crash," The Wall Street Journal (Feb. 27, 2011)

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5 markets with the largest price drops

MIAMI – March 4, 2011 – The number of homes where sellers have cut their asking price is up 17.6 percent, according to a ZipRealty survey that analyzed MLS-listed properties in 26 markets.

"In more than half of the surveyed markets, sellers are averaging at least two reductions in price," says John Oldham, director of marketing for ZipRealty. "Inventory has grown throughout much of the year. As sellers face the pressure of more buying options, they seem to be discounting to attract buyers resulting in list prices being cut for over 46 percent of the homes."

The median reduction amount has averaged 1.7 percent or \$19,088.

Florida leads the nation in the largest percentage discount off the original list price, with Orlando (12.5 percent discount), Jacksonville (12.1 percent), and Miami/Fort Lauderdale/Palm Beach (11.9) leading the pack.

The top 5 markets with the largest overall median price reduction in absolute dollars include:

1. San Francisco: \$32,500 median price reduction
2. Orange County, Calif.: \$31,000
3. San Diego: \$29,100
4. Miami/Ft. Lauderdale/Palm Beach: \$25,000
5. Seattle: \$25,000

Source: "ZipRealty's monthly price reduction index reports double digit increase in number of price reduced home listings over last year," ZipRealty (Feb. 10, 2011)

Stubborn sellers stand firm on price

COLUMBIA, S.C. – March 3, 2011 – Some sellers say they are unwilling to lower their home's price to reflect the current real estate market, which some housing experts say is contributing to high inventories and souring the real estate market in their areas.

For example, in Columbia, S.C., some sellers are keeping their prices high and waiting for the market to change, which is causing home sales in the city to continue to slump, even though other parts of the country are already seeing a rebound. The median price for single-family homes in Columbia rose 3.3 percent in January compared to January 2010, but the number of homes sold fell 11.6 percent in January. Home sales have dropped 40 percent since its peak in 2006 in the area.

"This is a price-driven market," says Doug Bridges, a real estate agent with Coldwell Banker United, Realtors®, in Northeast Richland, S.C. "You've gotta have your house better positioned than the next guy's." By not lowering the price, the homes linger on the market or have to be put up on the market multiple times, and a buyer often never comes forward.

Seller Jim Brodeur says he refuses to lower the \$149,000 price on his two-bedroom, 1,200-square-foot bungalow in Columbia, S.C. He has unsuccessfully put the home up for sale himself three times in the past six years.

Brodeur says a lot of home buyers are looking for a steal nowadays, and "I don't feel the urge to help anybody steal anything," says Brodeur. "I don't have to sell it, and I'm not going to give it away. If I lost my job, it would be different."

Meanwhile, Bridges suggests sellers get an up-to-date appraisal of their property and have it available to buyers. He says buyers shouldn't expect to nab the same price they could get a few years ago when housing prices were at their peak.

Source: "Many home sellers won't budge on price," The State (Feb. 27, 2011)

More Americans confident about homeownership

WASHINGTON – March 2, 2011 – Americans are more confident about the stability of home prices than they were at the beginning of 2010, according to Fannie Mae's latest national housing survey, conducted between October 2010 and December 2010.

And when it comes to homeownership, younger Americans are particularly optimistic, the survey finds.

Nearly 80 percent of all respondents, including homeowners and renters, said they thought housing prices would hold steady or increase over the next 12 months – that's up from 73 percent expecting rising prices in January 2010. In fact, survey respondents expressed more

confidence over the stability of home prices than they did about the overall strength of the economy – sixty-one percent said the economy is heading on the wrong track.

Young Americans, Hispanics and African-Americans had the most positive views about homeownership among the general population, according to the survey. Nearly 60 percent of Generation Y respondents (those between 18-34 years old) say that buying a home offers a lot of potential as an investment. Also, more than one-third of Hispanics and African Americans say they plan to buy a home within the next three years, compared to one in four of the general population.

“We are also seeing encouraging signs in the positive attitudes toward homeownership among younger Americans, despite the severe impact of the housing crisis on Generation Y,” says Doug Duncan, Fannie Mae’s chief economist. “But most respondents to our survey continue to lack confidence in the strength of the economic recovery, and they are less optimistic about their ability to buy a home in the years ahead. This sense of uncertainty is weighing on the housing recovery today and reshaping expectations for housing for the future.”

Source: “Fannie Mae’s latest national housing survey shows key changes in American’s attitudes toward housing and the economy,” RISMedia (March 1, 2011)

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Sellers better off using a Realtor

EMERYVILLE, Calif. – March 1, 2011 – Real estate website HomeGain conducted a survey of 1,000 sellers to gauge their opinion on For Sale By Owner (FSBO) compared to using a Realtor.

Of the sellers surveyed, 83 percent used a Realtor while 17 percent attempted to sell their house on their own. Of those who used a Realtor, 59 percent sold their home; of FSBOs, only 39 percent successfully found a buyer and closed.

Of the successful sellers who used a Realtor, 88 percent said they would do so again; of all Realtor-represented sellers, 81 percent said they would use a Realtor again.

Of FSBOs who successfully sold their homes on their own, 71 percent would attempt to do so again.

However, the survey also found that nearly a quarter of FSBOs ultimately turned to a Realtor to help them sell their properties.

Source: RISMedia (02/25/11)

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What’s behind low appraisals?

WASHINGTON – March 1, 2011 – Low appraisals are hampering home sales, but whether they’re inaccurate is in dispute.

Ten percent of the nation's Realtors said they had sales canceled because appraisals came in below the prices buyers agreed to pay, according to a January survey by the National Association of Realtors. Another 15 percent said contracts were renegotiated after appraisals came in too low. Sellers dropped prices or buyers put up more cash.

A third of home builders said they had lost sales because of low appraisals, according to an August survey by the National Association of Home Builders. That was up from 26 percent in a 2009 survey.

Lenders often require appraisals before approving a mortgage to ensure that the house's value exceeds the loan.

Low appraisals were rarely an issue during the housing boom, when prices rose steadily. But the bust revealed how inflated appraisals had contributed to the housing bubble. Now appraisal and lending standards are both tighter.

Lenders and appraisers say falling home prices, not flawed valuation practices, drive low appraisals. U.S. home prices are 30 percent off their 2006 peak, and many economists expect them to fall more.

"In a rapidly moving market, the appraisal process becomes more difficult," says Robert Davis, executive vice president of the American Bankers Association. "Home prices are still falling, and there's a lot of people who can't believe they're that low."

Foreclosures are a key factor. Market researcher RealtyTrac says foreclosed homes accounted for almost 26 percent of sales last year, fetching 28 percent less on average than non-foreclosed homes. In some markets, foreclosed homes are a greater share of sales.

Appraisers may count those to determine values of non-distressed properties, and the appraisals may not reflect the superior condition of the latter, says NAHB Chief Economist David Crowe.

Beazer Homes, a national home builder, said in a recent Securities and Exchange Commission filing that "appraisals continue to be negatively impacted by foreclosure comparables," boosting home sale cancellation rates in some markets.

Also, since 2009, new rules have aimed to lessen lenders' ability to influence appraisers. That's led to more lenders outsourcing appraisal selection to other firms. They may hire appraisers who aren't as familiar with the neighborhoods of the houses they're valuing, Realtors say.

"You get people from one end of the state appraising stuff in the other end," says Don Hammer, manager of Realty Executives in Paradise Valley, Ariz. In his office, about half of all canceled sales are appraisal-related, he says.

In Lake Arrowhead, Calif., million-dollar homes are across the street from \$250,000 weekend cabins, says Steve Keefe, owner of Coldwell Banker Sky Ridge Realty. Low appraisals led to canceled sales for about six of the 48 homes his office has handled this year. In many cases, appraisers had never been to the area before, Keefe says.

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