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July 2007

REAL ESTATE *Update*

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**Rates Fall For Second
Consecutive Week****I**n Freddie Mac's results of its

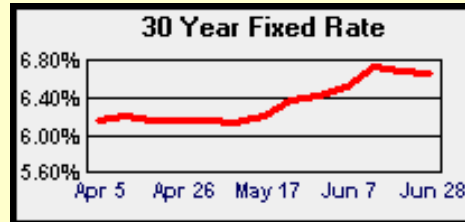
Primary Mortgage Market Survey the 30-year fixed-rate mortgage (FRM) averaged 6.67 percent for the week ending June 28, 2007, down from the previous week when it averaged 6.69 percent.

Last year at this time, the 30-year FRM averaged 6.78 percent.

"Mortgage rates edged down slightly for the second week in a row after having risen over the previous month and a half, and as financial markets prepared for the

Mortgage Rates

Source: Realty Times



U.S. averages as of June 28, 2007:

30 yr. fixed: 6.67%
15 yr. fixed: 6.34%
1 yr. adj: 5.65%

June 28th Federal Open Market Committee's announcement on monetary policy," said Frank Nothaft, Freddie Mac vice president and chief economist.

**Passing the All-Crucial
Sniff Test in Selling
The Home****I**n addition to

depersonalizing and de-cluttering, experts say home sellers need to be concerned about odors.

Sales associates polled informally by REALTOR® Magazine Online said the lingering presence of pets, tobacco, mildew, and decay in the air are major deal-breakers.

Given that not everyone smells the same odors and that people can become accustomed to a particular smell over time, it is important for home sellers to have their sales associates or another objective party inform them about unpleasant scents in their homes.

If buyers can't imagine clearing the smell, they can't imagine occupying that space.

The smell of cat urine is especially difficult to remove, with Chris Coffin of the Alexandria, Va.- based branch of the cleaning company ServiceMaster estimating that spot-cleaning carpets and replacing the carpet pad would cost home buyers upwards of \$400; removing and replacing saturated floors would cost much more.

Coffin adds that it often takes three cleanings to remove nicotine odors from walls, and some cases involve the replacement of insulation.

Experts urge home buyers to be wary of air fresheners, candles, and other scents when touring homes, as they could be used to conceal offensive odors. A better solution for sellers, they say, is to clean drapes, sheets, and pet bedding as well as to air out the house.

**Inexpensive Ways to
Revitalize a Kitchen****H**ere are some quick,

affordable ways to give your kitchen an update:

- Replace the flooring.

Install laminate floor over old linoleum, vinyl, or chipped tile. It costs just \$1 to \$5 a square foot and looks like wood, stone, or tile.

- Replace the lighting. A new ceiling fixture costs less than \$100 and will brighten up the place. Adding some under-the-cabinet lights will illuminate work surfaces.

- Give the cabinets a new life. A coat of paint and new knobs is the cheapest way to go.

- Update the backsplash. Replace the space between your cabinets and the countertop with fashionable stone, tile, or wallpaper.

**Using IRA Money
For Real Estate****T**he rules and

regulations for investing an IRA in real estate are complex. Accountant Ed Slott, founder of the IRAhelp.com Web site, offers these suggestions:

- Set up a separate IRA for real estate investments. Even if only a small portion of the IRA is used for real estate, the IRS could penalize the entire balance in a prohibited transaction.

- Check the investment scenario with professionals who have experience in these transactions and can spot red flags.

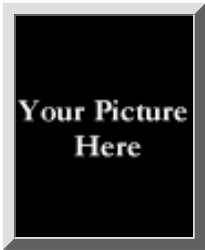
- If possible, choose to invest in a Roth IRA. The money in the Roth has already been taxed and any distributions, including capital gains, are generally tax-free.

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When Should Homebuyers Jump In?

By Blanche Evans



Investors who time any market hope to buy at the nadir and sell at the zenith, but homebuyers have a trickier time knowing when to sit on the sidelines and when to jump in. The reason? There are several.

Buying a home is one of the largest financial investments a homebuyer will make. Transaction costs are expensive enough that homeowners remain in their homes approximately six years before trading up or down. As the recent buyer's market shows, homes aren't liquid, and may not find buyers at the price and in the time frame that sellers prefer.

On the other hand, homeownership provides significant benefits including property rights, tax benefits and other government subsidies including support for a mortgage lending market, quality of life, appreciation, and equity.

Since two factors move markets -- fear and greed -- it's easy for buyers to be overanxious to buy in a seller's market and reluctant in a buyer's market. In a seller's market, prices rise, sellers hold firm, inventories are short and days on market are short. In a buyer's market, buyers are fearful that home prices will either flatten or drop below what they paid, causing inventories to rise, days on market to increase, prices to drop, and sellers to sweeten deals.

If buyers pay attention to housing news, they can be discouraged: interest rates are near year-ago highs, builder confidence is down, and some predict that housing will drop in value for the first time since 1968.

So is it the time to buy?

Here are a few factors for you to consider:

According to a recent article, "When The Housing Rebound Comes," by George Mannes for Money Magazine, the time for buyers to jump in is when conditions improve. Mannes suggests that buyers look for four signposts: declining inventory (preferably under 6.5 months of inventory on hand); houses selling faster; Realtors opinions of local market conditions growing more favorable; and signs that sellers are less desperate, such as fewer incentives and homes selling closer to asking price.

For some buyers, the lesson that it's time to buy is a hard

one. They may wait so long that the home they hoped would go down in price sells to someone else. They have to start their search over finding that the remaining homes don't compare to the "one that got away." They may wait for interest rates to drop, and find that they stubbornly stay at higher rates. They're knocked out of the neighborhood and price range they wanted to buy into and find themselves looking at homes with fewer features, less square footage, or more distance from work, family and friends.

When those scenarios happen, buyers learn that there's an opportunity cost for waiting.

If you're a buyer, you sadly realize that to get the home you want -- at both the price and interest rate you want -- will be nearly impossible. If you're lucky, you'll get two out of three. So, if you're waiting to see what other buyers are going to do, you'll soon find that once buyers move collectively, they will either drive prices down or drive them up. If prices are down, but likely to recover, do you really want to compete with other buyers on the way back up?

In other words, the price of feeling more comfortable about buying is inevitably paying higher prices and having less to choose from.

So here are some surefire ways to tell that it's really time to buy:

- You found the home you really want.
- It's affordable.
- You can get a reasonable loan.
- It will serve you and your family for years to come.
- You're not looking for perfection. No home is perfect.
- You've given up trying to beat the market.
- You're comfortable with your compromises, whether it's location, size, price, features, or condition.
- You're confident the home you chose is desirable enough that you will be able to sell it in any market.

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Feds Say Current Disclosures Muddy Mortgage Morass



By Broderick Perkins

It's not that too much or too little is disclosed about home loans. It's that the disclosures themselves need a disclosure form alerting consumers to the fact they are old, outdated and not very revealing. That irony recently appeared on the front lines of the war against predatory lending when the Federal Trade Commission released a report, "Improving Consumer Mortgage Disclosures -- An Empirical Assessment of Current and Prototype Disclosure Forms".

In plain language, the report says today's outdated mortgage disclosure forms fail to convey key mortgage costs and terms to most consumers. "Mortgage disclosures designed more than 30 years ago can be confusing even for simple loans, and they do not address the variety and complexity of today's mortgage products," according to FTC chair Deborah Platt Majoras.

"Although mortgage disclosures, alone, will not prevent deceptive lending practices, consumers who understand mortgage terms and choices are less likely to fall victim to these practices," she added.

Consumer education has long been heralded as key to acquiring the best deal on a home loan, to acquiring a loan that best fits the household budget and, ultimately, to homeownership survival. Unfortunately, today's disclosures, supposedly designed to enlighten consumers at a crucial point in the home purchase transaction, do just the opposite.

Some change is coming.

A final provision in the "Interagency Guidance on Nontraditional Mortgage Product Risks", which federal monetary agencies adopted to strengthen mortgage consumer protection late last year, is a voluntary mortgage disclosure form. The forms are designed to ensure that consumers have clear and balanced information about nontraditional mortgages before choosing a mortgage product or before selecting a payment option for an existing mortgage.

Lenders can choose from among three types of new disclosures, which the federal agencies provided in illustrations; a narrative explanation of nontraditional mortgage products; a chart comparing interest-only and payment option adjustable rate mortgages (ARMs) to a traditional fixed-rate loan; or a table that could be included with monthly statements for a payment option ARM showing the impact of various payment options on the loan balance.

Lenders can opt to provide information based on the disclosure illustrations or provide the consumer information

described in the guidance in an alternate format. The FTC found, that by using an updated disclosure prototype in its report, disclosures can be designed to do what they are supposed to do -- inform, rather than baffle.

A test of more than 800 recent mortgage customers, half of whom read current disclosure forms, found among those reading current mortgage disclosures:

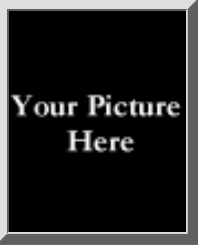
- Approximately 20% could not identify the annual percentage rate (APR), the amount of cash due at closing, or the monthly payment and whether it included escrow (holding account) for taxes and insurance.
 - More, 25%, could not identify the amount of the settlement costs.
 - About 33% could not identify the interest rate or which of two loans was less expensive.
 - One third also did not recognize that the loan included a large balloon payment or that the loan amount included money borrowed to pay for settlement charges.
 - Half could not correctly identify the loan amount.
 - Two-thirds did not recognize that they would be charged a prepayment penalty if in two years they refinanced with another lender.
 - Nearly 75% did not recognize that substantial charges for optional credit insurance were included in the loan.
 - Almost 80% did not know why the interest rate and APR of a loan sometimes differ.
 - Approximately 90% could not identify the total amount of up-front charges in the loan.
- Those in the study who used prototype disclosures were much less baffled.
- Respondents viewing the current disclosure forms answered an average of 61% of the test questions correctly, compared to an 80% correct rate for those using the prototype.
 - Only 29% of those reading current disclosures managed to get 70% or more of the questions correct, compared to 80% of the respondents viewing the prototype form.
 - The prototype performed better than the current disclosures in 17 of the 21 questions in the simple-loan scenario and 23 of the 25 questions in a complex-loan scenario.

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What Your Homeowners Insurance Does, Doesn't Cover

By Broderick Perkins



A standard homeowners insurance policy doesn't cover what you think it does -- not flood or earthquake damage, not stolen or damaged vehicles on your property, not a break in the water service or sewage line and not termites moving in nor pets stolen away.

Many homeowners are under the mistaken impression that a standard homeowners policy provides more insurance protection than it does and that could mean large unexpected out of pocket expenses -- when you can least afford them.

The National Association of Insurance Commissioners (NAIC), an organization of state insurance regulators, found that 33% of U.S. heads of household still hold the false belief that flood damage is covered by a standard homeowners policy -- despite extensive post-Hurricane Katrina news coverage of scores of homeowners with claims turned down because they didn't have the required flood insurance from the National Flood Insurance Program.

"Many homeowners learned the hard way that their insurance policies did not provide flood protection," said Walter Bell, NAIC President and Alabama Insurance Commissioner. "As we enter the 2007 hurricane season, we strongly encourage consumers in flood-prone areas to check whether they are properly covered."

That's not all. NAIC also found:

- 68% who think vehicles such as cars, boats and motorcycles stolen from or damaged on their property are covered, could get run over by unexpected costs.
- 51% who think damages from a break in the water line on their property supplying water to their home are covered will be swamped in bills which they, not the insurance company, will have to pay.
- 37% who think damages due to a break in the sewer line on their property that connects to their municipal sewer system are covered are making a really foul mistake.
- About one in three who believe damages from earthquakes, mold, termites or other infestation are covered, could wind up crawling with bills.
- 22% who think pets stolen from or injured on their property are covered.
- Perhaps worse of all the NAIC survey revealed that 24% of

respondents indicated their policies insured their homes for the actual cash value, while 64% said their policies covered the replacement cost. Another 12% said they did not know which type of coverage -- actual cash value or replacement cost -- they purchased.

Actual cash value is the amount it would take to repair or replace damage to a home and its contents after depreciation. Replacement cost coverage, the better option, will cover the amount it would take to replace or rebuild a home or repair damages with materials of similar kind and quality, without deducting for depreciation. NAIC's InsureUOnline website offers the following tips:

- Add insurance coverage as you enhance the value of your home, and acquire expensive possessions, such as furniture, computers, stereos and televisions and other electronics. Keep in mind computers and other high-end electronics may require special coverage.
- Alert your insurance company when making any major home improvements that cost \$5,000 or more. Update your homeowners insurance policy to reflect the new enhancements and prevent being underinsured.
- Maintain your property by clearing clutter and other dangerous conditions to reduce the potential for liability suits. In many states, you could be held legally responsible for the actions of anyone who drinks in your home and then has an accident in your house or after leaving it. Your policy should protect you against lawsuits due to these types of liability issues.
- Backyard items, such as a trampoline, pool, hot tub or spa may require you to increase your liability coverage through an umbrella policy.
- As you acquire more valuables -- jewelry, family heirlooms, antiques, art -- consider purchasing an additional "floater" or "rider" to your policy to cover these special items. They're typically not covered by a basic homeowners or renters policy.
- It's a good idea to make an inventory of all of your personal property, along with a photograph or video of each room. Also, save your receipts for major items and keep them in a safe place away from your house or apartment so you'll have them if you need to file a claim and substantiate value.

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Avoiding 7 Costly Mistakes of Selling Your Home

By M. Anthony Carr



There are inappropriate steps sellers can take when it comes time to put their house on the market.

For instance, the seller in Virginia, who thought the half bath the builder had located at the front of the house would really be better situated toward the back of the main level (though all the other similar models had the powder room in the same place for the previous 20 years). He got hung up on this detail so much, that he just had to move it -- and did -- for thousands of dollars, just so he could get it on the market the "right way." His hang-up may have settled some deep-seated emotional need for him, but it didn't draw any more buyers, and it drained his bottom line. You might say, that was a costly mistake.

Real estate broker and author Sid Davis has identified in his book, "A Survival Guide to Selling a Home," seven costly mistakes that many sellers make when it comes time to put their home on the market. In my business, I've seen each one of these mistakes played out and it just makes me shake my head as to why sellers forge ahead with unwise strategies, instead of listening to the voice of an experienced professional.

Mistake 1: Putting the home on the market before it's ready. Most times this happens because the seller gets impatient or is a procrastinator and has pushed himself up against a moving deadline without getting the pre-sale work done. So it comes on the market with the horrible carpet (that gets replaced during the marketing of the home); or they are painting it while it goes on the market. Presentation is everything -- so get the work done before marketing the property.

Mistake 2: Over improving the home for the neighborhood. This happens with additions, bump outs, and upgrades that make the home stick out from among its competitors so much that it's an anomaly, instead of a nice addition to the community.

Mistake 3: Pricing the home based on what the seller wants to net. This pricing strategy always ends in failure. Sellers can

control the "asking" price, but they don't control the "sales" price. The market does. It doesn't matter what the seller wants, the price is determined by the black-and-white, matter-of-fact reality of the market.

Mistake 4: Hiring an agent based on non-business factors. It might be nice to hand over your largest asset to your nephew who just got his license -- but make sure you understand the consequences if your deal starts going south.

Mistake 5: Getting emotionally involved in the sale of the home. This is one of the biggest challenges home sellers face when putting their house on the market. Once you decide to sell your house, it's no longer a home, but a commodity. It needs to be prepared as a commodity, marketed as a commodity, and priced as a commodity. It doesn't matter what you "want," only what the market can bear on pricing. People are going to come in to kick the tires, so to speak, and you can't get emotional about how they may or may not appreciate the nuances of your home of seven years.

Mistake 6: Trying to cover up problems, or not disclosing them. Most states have a property disclosure/disclaimer form -- use it wisely. Just because you disclaim doesn't mean you cannot be sued later for the leaky basement, or dilapidated heating/air system that's discovered 30 days after settlement.

Mistake 7: Not getting your ducks lined up before trying to sell. This would involve financing, reading the fine print on your current mortgage to ensure no pre-payment penalties, not listening to the particulars of your local market, etc. If your local market is dictating lower home prices, then lower it early, not later -- it will cost you more. If the local market dictates selling your home first, then buying second, do it in that order, or vice versa.

Avoiding these mistakes is not that difficult. Your REALTOR® is there to help you step over the pitfalls.

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Secrets About Buying A Second Home

By Broderick Perkins



"Top," "Best," and "Most" lists rarely tell the whole story, but they do serve a useful purpose.

As literary distillations of larger stories, lists offer the kind of on-the-go information we need so we can pocket more time -- the real currency of the New Millennium.

The best of the best of these lists are presented with a pinch of intrigue, turn of phrase, or perhaps a dash of humor. They hold our interest captive for the few fleeting moments we have to spare, but then leave us sated with pointed information.

Craig Venezia, author of the new, "Buying A Second Home: Income Getaway or Retirement," offers one such list for the second home crowd.

Venezia is a contributing real estate writer for the San Francisco Chronicle who telecommutes to work from his Boston-area home. He also served as a Wells Fargo executive, worked closely with ETrade Financial and knows the ins and outs of structuring private loans between family and friends.

No matter how time-starved you may be, a full read of the book -- from deciding why you want a second home to the forms you need should you decide to hire a property management firm -- will send you to the head of the class. Instead of saving the best for last, Venezia makes the read easy by getting you quickly into the tome with his "Seven Secrets About Buying a Second Home."

Here's what he says.

- Know the right time to buy. One of those times is now. The correcting real estate market is shining on the second home sector. More properties on the market, relatively low interest rates and motivated sellers have combined to put the buyer back in the driver's seat.
- Know if a second home purchase makes financial sense. A second makes sense in the first place if you can create a realistic, affordable budget in advance so that you buy within

your means. Stretching here is not very healthy. Take stock of your current and projected income, expenses and rental income (if you plan to rent out the property) and do the math. Your accountant and financial planner can help you weigh the financial risks.

- Know where to go. Venezia says choose a location based both on the potential for property's value to appreciate -- especially if you aren't going to rent it -- and guest-preferred destinations. Real estate agents can provide the market research you need.
- Know and understand the tax consequences. In some cases, buying a home across the city border can trim your annual property tax or any occupancy or "hotel" tax collected by some local jurisdictions, but you'll still bask in the glow of the location.
- Know about nontraditional financing. This isn't about those risky nontraditional loans that are costing homes, but relative loans -- loans from your family bank. A loan from a family member can save you thousands in interest over the life of the mortgage with cheaper family rates and, perhaps, keep the money in the family instead of sending it to the bank.
- Know about rental income that can offset your expenses. Rent your property out for just part of the year and you can subsidize the cost of owning a second home, says Venezia. "Keep in mind that being a landlord doesn't mean sitting back and watching rent checks roll in. It takes time, money and commitment. Know what you're getting into before you venture too far down that path," he says.
- Finally, know how to protect your investment. Whether your second home is a pure investment, a weekend getaway, or a place to eventually enjoy when you retire, real estate is an investment. Maintain the property, keep it fully insured, have it inspected regularly, and watch your equity grow.

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Protect Your Interests When Buying a Home

By Peter G. Miller



Even though real estate has changed substantially in recent years with the use of new technologies, the fact remains that buying a home still requires a series of traditional protections and defenses. Why? Because buying a home is inherently complex and professional assistance is both appropriate and reasonable.

In practical terms, this means that if you're a buyer there are steps you should take to protect your interests. As a place to start, here are several basic issues to consider:

- Get a home inspection. Don't let the stiff competition in seller's markets persuade you to forego a home inspection on a home you want to buy.

By misusing a home inspection as a negotiating tool, the house you succeed in buying may cost you a fortune in the long run as you rush to correct problems a qualified home inspector would have easily been able to point out.

It is not the inspector's job to tell you whether or not you should buy the house. That is your decision alone. The inspector's job is to provide you with thorough and accurate information to help you make the decision.

What about new homes? You certainly want a home inspection as part of the final walk-through -- make sure you allow several hours for this process. But, even better, use a three-step process for new homes: Inspect once the foundation is in place, inspect when the walls are up but not closed, and inspect before closing.

- Get an appraisal. An appraisal satisfactory to the lender is required when a home is financed by a traditional mortgage source. Consumers pay for this appraisal, but lenders get to choose the appraiser.

Independent appraisers assure lenders that a home is not over-priced and thus that they are not making an inflated and risky loan. If you're buying with seller financing (where there is no outside lender) or all-cash, you still need to make your offer dependent on an appraisal satisfactory to you. Speak with your real estate agent for details.

- Get a termite inspection. Wood-boring insects cannot demolish a home with cartoon-like speed, but they can cause damage. Before or at closing, lenders will want evidence showing that the property is free and clear of active termite infestations.

It's sometimes asked why a termite inspection is needed for new homes. It may seem like an odd requirement at first, but the concern is that lumber may be infested before it's cobbled together to create the home.

- Get a title examination. A home purchase is a huge investment, so it makes sense to make sure that the seller actually owns the property and has a right to sell it. A title inspection looks at the property's history as it is shown on public records to establish a trail of ownership.

- Get title insurance. About that title examination -- it's based on a check of public records, but those records may be wrong or incomplete. It could be that a former owner was insane, an alcoholic, drug-addicted, a bigamist, or not legally competent -- factors which may all make it difficult to offer good and marketable title when it's time for you to sell, thus reducing your ability to make a sale -- or a profit.

Title insurance is a one-time charge that protects against title claims. For details, ask your broker and the party that conducts closing. Ask about "re-issue" rates (you may be entitled to a discount under certain conditions), endorsements, limitations, and exceptions. If you're in Iowa, be aware that title insurance is generally not used there -- ask how you are protected in the event of title problems.

- Get a survey. A survey shows the quantity of property being sold and its location. A survey will show whether "your" plot improperly includes someone else's land -- think of a garage or fence that extends six inches over a property line and the ability of a neighbor to charge for the use of that land or to order the removal of your improvements. A survey can also show "encroachments," the improper use of your land by someone else.

- Get a limited "warranty." There are warranties for new homes, and service contracts for existing properties. What individual policies include varies by state and by program, so you need to ask your agent for details -- what is covered, what is not covered, how long coverage lasts, what costs you face if you have a claim, whether you can continue an existing home policy after the initial term, etc.

Do these various inspections and checks cost money. You bet. Are they worth it? Sure.

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**Is Credit Card Debt Keeping You
Locked Out of Homeownership?***By Phoebe Chongchua*

It's a painful position -- mounting credit card debt with increasing interest rates and no real vision of how to crawl out from underneath all that financing.

According to the Consumer Credit Counseling Service of Santa Clara and Ventura County, California, (CCCS) what got most people in financial troubles are: overspending (25 percent), reduced income or unemployment (31 percent), medical reasons (11 percent), divorce or separation (8 percent).

The non-profit agency helps people alleviate their financial burdens and provides financial education and counseling on preparing to buy a home. Last year 7,043 households were counseled and received financial education which, included developing a budget, a debt payout plan, analysis of assets and liabilities, and an action plan to solve their financial concerns. An additional 1,604 households received pre-discharge education and another 1,014 received reverse mortgage counseling.

Those figures are from just one non-profit of the many agencies throughout the country that aim to help consumers with their finances. It's no wonder many wannabe homeowners are finding themselves locked out of the housing market. But there is hope.

"We help anybody who has a debt with as little as \$3,000 up to \$100,000. We've seen it all," says Sonie May, Counseling and Education Manager, of CCCS.

May says the average consumer that the agency sees has approximately \$30,000 of debt. She says what tends to happen is the credit card companies rapidly increase consumers' interest rates when they miss a payment and that causes the downward financial spiral of paying out more money and not being able to save to buy a home.

"It's hard to get out of that cycle because the minimum payments are so high; it's hard to get out of that hole that they're in," says May. The most important advice if you are considering purchasing a home is to find out exactly how much money you bring in, how much money is spent each month, and how much money you can pay out for a monthly mortgage.

The CCCS helps you understand and assess your financial position and what can be done if you have credit card debt.

"We have relationships with most of the creditors," says May. When clients come in, "we develop a repayment plan to get the consumer debt-free within a five-year period with low

interest rates and low payments."

May says most of the interest rates negotiated for clients are between seven and 18 percent, but she says some are as low as zero percent. "From 30 percent that's a big, big difference -- we save them thousands of dollars not only on a monthly basis but also over the long run we will save them thousands of dollars of interest that they would have paid if they hadn't come to see us," says May.

The CCCS collects the payment from the client and then disburses it to each of the creditors. A monthly fee is charged by CCCS for participation in the payment program.

Of course, while working with the CCCS, clients are strongly urged to not use credit cards or incur any more debt. Once the program is completed, clients are free to borrow again including taking out a mortgage.

"We have heard success stories from many of our clients who were able to purchase homes after they have completed the program," says May.

The CCCS can help with planning to purchase a home. The agency has its clients evaluate and analyze what their future expenses will be once they own the home. They remind clients that homeownership expenses include more than just the mortgage, property taxes, and homeowner's insurance. The agency promotes savings for the unexpected expenses: needing a new roof or the loss of a job.

Always be sure that when you calculate your expenses, you set a portion aside to pay yourself in addition to paying for your new home and other necessities. The other very important advice the CCCS gives is to completely understand the type of mortgage you are getting. May says it's important for homebuyers to know if the monthly mortgage payment will increase.

"If it's a variable rate loan, when will the interest rate go up -- after six months or a year? -- and would they be ready if that mortgage payment were to increase," says May.

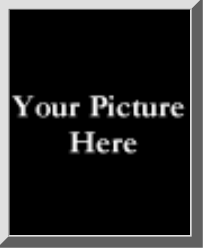
Too often, as we're seeing now, in the housing industry, consumers either weren't informed or didn't consider the result of an increase in their mortgages' interest rate and thus are forced to financially buckle down or, in worst case scenarios, foreclose. Another CCCS company in the San Francisco area says help is available for homeowners who are facing foreclosure.

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July Real Estate Update

Rates Fall For Second Consecutive Week

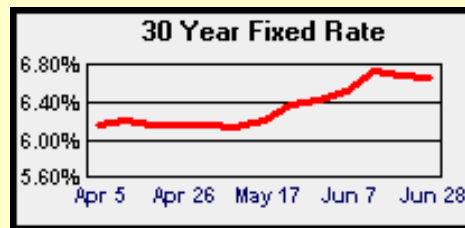
In Freddie Mac's results of its Primary Mortgage Market Survey the 30-year fixed-rate mortgage (FRM) averaged 6.67 percent for the week ending June 28, 2007, down from the previous week when it averaged 6.69 percent.

Last year at this time, the 30-year FRM averaged 6.78 percent.

"Mortgage rates edged down slightly for the second week in a row after having risen over the previous month and a half, and as financial markets prepared for the

Mortgage Rates

Source: Realty Times



U.S. averages as of June 28, 2007:

30 yr. fixed: 6.67%
15 yr. fixed: 6.34%
1 yr. adj: 5.65%

June 28th Federal Open Market Committee's announcement on monetary policy," said Frank Nothaft, Freddie Mac vice president and chief economist.

Passing the All-Crucial Sniff Test in Selling The Home

In addition to



depersonalizing and de-cluttering, experts say home sellers need to be concerned about odors.

Sales associates polled informally by REALTOR® Magazine Online said the lingering presence of pets, tobacco, mildew, and decay in the air are major deal-breakers.

Given that not everyone smells the same odors and that people can become accustomed to a particular smell over time, it is important for home sellers to have their sales associates or another objective party inform them about unpleasant scents in their homes.

If buyers can't imagine clearing the smell, they can't imagine occupying that space.

The smell of cat urine is especially difficult to remove, with Chris Coffin of the Alexandria, Va.- based branch of the cleaning company ServiceMaster estimating that spot-cleaning carpets and replacing the carpet pad would cost home buyers upwards of \$400; removing and replacing saturated floors would cost much more.

Coffin adds that it often takes three cleanings to remove nicotine odors from walls, and some cases involve the replacement of insulation.

Experts urge home buyers to be wary of air fresheners, candles, and other scents when touring homes, as they could be used to conceal offensive odors. A better solution for sellers, they say, is to clean drapes, sheets, and pet bedding as well as to air out the house.

Inexpensive Ways to Revitalize a Kitchen



Here are some quick,

affordable ways to give your kitchen an update:

- Replace the flooring.

Install laminate floor over old linoleum, vinyl, or chipped tile. It costs just \$1 to \$5 a square foot and looks like wood, stone, or tile.

- Replace the lighting. A new ceiling fixture costs less than \$100 and will brighten up the place. Adding some under-the-cabinet lights will illuminate work surfaces.

- Give the cabinets a new life. A coat of paint and new knobs is the cheapest way to go.

- Update the backsplash. Replace the space between your cabinets and the countertop with fashionable stone, tile, or wallpaper.

Using IRA Money For Real Estate

The rules and



regulations for investing an IRA in real estate are complex.

Accountant Ed Slott, founder of the IRAhelp.com Web site, offers these suggestions:

- Set up a separate IRA for real estate investments. Even if only a small portion of the IRA is used for real estate, the IRS could penalize the entire balance in a prohibited transaction.

- Check the investment scenario with professionals who have experience in these transactions and can spot red flags.

- If possible, choose to invest in a Roth IRA. The money in the Roth has already been taxed and any distributions, including capital gains, are generally tax-free.

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When Should Homebuyers Jump In?

By Blanche Evans



Investors who time any market hope to buy at the nadir and sell at the zenith, but homebuyers have a trickier time knowing when to sit on the sidelines and when to jump in. The reason? There are several.

Buying a home is one of the largest financial investments a homebuyer will make. Transaction costs are expensive enough that homeowners remain in their homes approximately six years before trading up or down. As the recent buyer's market shows, homes aren't liquid, and may not find buyers at the price and in the time frame that sellers prefer.

On the other hand, homeownership provides significant benefits including property rights, tax benefits and other government subsidies including support for a mortgage lending market, quality of life, appreciation, and equity.

Since two factors move markets -- fear and greed -- it's easy for buyers to be overanxious to buy in a seller's market and reluctant in a buyer's market. In a seller's market, prices rise, sellers hold firm, inventories are short and days on market are short. In a buyer's market, buyers are fearful that home prices will either flatten or drop below what they paid, causing inventories to rise, days on market to increase, prices to drop, and sellers to sweeten deals.

If buyers pay attention to housing news, they can be discouraged: interest rates are near year-ago highs, builder confidence is down, and some predict that housing will drop in value for the first time since 1968.

So is it the time to buy?

Here are a few factors for you to consider:

According to a recent article, "When The Housing Rebound Comes," by George Mannes for Money Magazine, the time for buyers to jump in is when conditions improve. Mannes suggests that buyers look for four signposts: declining inventory (preferably under 6.5 months of inventory on hand); houses selling faster; Realtors opinions of local market conditions growing more favorable; and signs that sellers are less desperate, such as fewer incentives and homes selling closer to asking price.

For some buyers, the lesson that it's time to buy is a hard

one. They may wait so long that the home they hoped would go down in price sells to someone else. They have to start their search over finding that the remaining homes don't compare to the "one that got away." They may wait for interest rates to drop, and find that they stubbornly stay at higher rates. They're knocked out of the neighborhood and price range they wanted to buy into and find themselves looking at homes with fewer features, less square footage, or more distance from work, family and friends.

When those scenarios happen, buyers learn that there's an opportunity cost for waiting.

If you're a buyer, you sadly realize that to get the home you want -- at both the price and interest rate you want -- will be nearly impossible. If you're lucky, you'll get two out of three. So, if you're waiting to see what other buyers are going to do, you'll soon find that once buyers move collectively, they will either drive prices down or drive them up. If prices are down, but likely to recover, do you really want to compete with other buyers on the way back up?

In other words, the price of feeling more comfortable about buying is inevitably paying higher prices and having less to choose from.

So here are some surefire ways to tell that it's really time to buy:

- You found the home you really want.
- It's affordable.
- You can get a reasonable loan.
- It will serve you and your family for years to come.
- You're not looking for perfection. No home is perfect.
- You've given up trying to beat the market.
- You're comfortable with your compromises, whether it's location, size, price, features, or condition.
- You're confident the home you chose is desirable enough that you will be able to sell it in any market.

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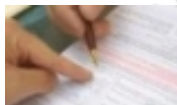
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July 2007 Real Estate Update

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Feds Say Current Disclosures Muddy Mortgage Morass

By Broderick Perkins



It's not that too much or too little is disclosed about home loans. It's that the disclosures themselves need a disclosure form alerting consumers to the fact they are old, outdated and not very revealing. That irony recently appeared on the front lines of the war against predatory lending when the Federal Trade Commission released a report, "Improving Consumer Mortgage Disclosures -- An Empirical Assessment of Current and Prototype Disclosure Forms".

In plain language, the report says today's outdated mortgage disclosure forms fail to convey key mortgage costs and terms to most consumers. "Mortgage disclosures designed more than 30 years ago can be confusing even for simple loans, and they do not address the variety and complexity of today's mortgage products," according to FTC chair Deborah Platt Majoras.

"Although mortgage disclosures, alone, will not prevent deceptive lending practices, consumers who understand mortgage terms and choices are less likely to fall victim to these practices," she added.

Consumer education has long been heralded as key to acquiring the best deal on a home loan, to acquiring a loan that best fits the household budget and, ultimately, to homeownership survival. Unfortunately, today's disclosures, supposedly designed to enlighten consumers at a crucial point in the home purchase transaction, do just the opposite.

Some change is coming.

A final provision in the "Interagency Guidance on Nontraditional Mortgage Product Risks", which federal monetary agencies adopted to strengthen mortgage consumer protection late last year, is a voluntary mortgage disclosure form. The forms are designed to ensure that consumers have clear and balanced information about nontraditional mortgages before choosing a mortgage product or before selecting a payment option for an existing mortgage.

Lenders can choose from among three types of new disclosures, which the federal agencies provided in illustrations; a narrative explanation of nontraditional mortgage products; a chart comparing interest-only and payment option adjustable rate mortgages (ARMs) to a traditional fixed-rate loan; or a table that could be included with monthly statements for a payment option ARM showing the impact of various payment options on the loan balance.

Lenders can opt to provide information based on the disclosure illustrations or provide the consumer information

described in the guidance in an alternate format. The FTC found, that by using an updated disclosure prototype in its report, disclosures can be designed to do what they are supposed to do -- inform, rather than baffle.

A test of more than 800 recent mortgage customers, half of whom read current disclosure forms, found among those reading current mortgage disclosures:

- Approximately 20% could not identify the annual percentage rate (APR), the amount of cash due at closing, or the monthly payment and whether it included escrow (holding account) for taxes and insurance.
 - More, 25%, could not identify the amount of the settlement costs.
 - About 33% could not identify the interest rate or which of two loans was less expensive.
 - One third also did not recognize that the loan included a large balloon payment or that the loan amount included money borrowed to pay for settlement charges.
 - Half could not correctly identify the loan amount.
 - Two-thirds did not recognize that they would be charged a prepayment penalty if in two years they refinanced with another lender.
 - Nearly 75% did not recognize that substantial charges for optional credit insurance were included in the loan.
 - Almost 80% did not know why the interest rate and APR of a loan sometimes differ.
 - Approximately 90% could not identify the total amount of up-front charges in the loan.
- Those in the study who used prototype disclosures were much less baffled.
- Respondents viewing the current disclosure forms answered an average of 61% of the test questions correctly, compared to an 80% correct rate for those using the prototype.
 - Only 29% of those reading current disclosures managed to get 70% or more of the questions correct, compared to 80% of the respondents viewing the prototype form.
 - The prototype performed better than the current disclosures in 17 of the 21 questions in the simple-loan scenario and 23 of the 25 questions in a complex-loan scenario.

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What Your Homeowners Insurance Does, Doesn't Cover

By Broderick Perkins



A standard homeowners insurance policy doesn't cover what you think it does -- not flood or earthquake damage, not stolen or damaged vehicles on your property, not a break in the water service or sewage line and not termites moving in nor pets stolen away.

Many homeowners are under the mistaken impression that a standard homeowners policy provides more insurance protection than it does and that could mean large unexpected out of pocket expenses -- when you can least afford them.

The National Association of Insurance Commissioners (NAIC), an organization of state insurance regulators, found that 33% of U.S. heads of household still hold the false belief that flood damage is covered by a standard homeowners policy -- despite extensive post-Hurricane Katrina news coverage of scores of homeowners with claims turned down because they didn't have the required flood insurance from the National Flood Insurance Program.

"Many homeowners learned the hard way that their insurance policies did not provide flood protection," said Walter Bell, NAIC President and Alabama Insurance Commissioner. "As we enter the 2007 hurricane season, we strongly encourage consumers in flood-prone areas to check whether they are properly covered."

That's not all. NAIC also found:

- 68% who think vehicles such as cars, boats and motorcycles stolen from or damaged on their property are covered, could get run over by unexpected costs.
- 51% who think damages from a break in the water line on their property supplying water to their home are covered will be swamped in bills which they, not the insurance company, will have to pay.
- 37% who think damages due to a break in the sewer line on their property that connects to their municipal sewer system are covered are making a really foul mistake.
- About one in three who believe damages from earthquakes, mold, termites or other infestation are covered, could wind up crawling with bills.
- 22% who think pets stolen from or injured on their property are covered.
- Perhaps worse of all the NAIC survey revealed that 24% of

respondents indicated their policies insured their homes for the actual cash value, while 64% said their policies covered the replacement cost. Another 12% said they did not know which type of coverage -- actual cash value or replacement cost -- they purchased.

Actual cash value is the amount it would take to repair or replace damage to a home and its contents after depreciation. Replacement cost coverage, the better option, will cover the amount it would take to replace or rebuild a home or repair damages with materials of similar kind and quality, without deducting for depreciation. NAIC's InsureUOnline website offers the following tips:

- Add insurance coverage as you enhance the value of your home, and acquire expensive possessions, such as furniture, computers, stereos and televisions and other electronics. Keep in mind computers and other high-end electronics may require special coverage.
- Alert your insurance company when making any major home improvements that cost \$5,000 or more. Update your homeowners insurance policy to reflect the new enhancements and prevent being underinsured.
- Maintain your property by clearing clutter and other dangerous conditions to reduce the potential for liability suits. In many states, you could be held legally responsible for the actions of anyone who drinks in your home and then has an accident in your house or after leaving it. Your policy should protect you against lawsuits due to these types of liability issues.
- Backyard items, such as a trampoline, pool, hot tub or spa may require you to increase your liability coverage through an umbrella policy.
- As you acquire more valuables -- jewelry, family heirlooms, antiques, art -- consider purchasing an additional "floater" or "rider" to your policy to cover these special items. They're typically not covered by a basic homeowners or renters policy.
- It's a good idea to make an inventory of all of your personal property, along with a photograph or video of each room. Also, save your receipts for major items and keep them in a safe place away from your house or apartment so you'll have them if you need to file a claim and substantiate value.

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Avoiding 7 Costly Mistakes of Selling Your Home

By M. Anthony Carr



There are inappropriate steps sellers can take when it comes time to put their house on the market.

For instance, the seller in Virginia, who thought the half bath the builder had located at the front of the house would really be better situated toward the back of the main level (though all the other similar models had the powder room in the same place for the previous 20 years). He got hung up on this detail so much, that he just had to move it -- and did -- for thousands of dollars, just so he could get it on the market the "right way." His hang-up may have settled some deep-seated emotional need for him, but it didn't draw any more buyers, and it drained his bottom line. You might say, that was a costly mistake.

Real estate broker and author Sid Davis has identified in his book, "A Survival Guide to Selling a Home," seven costly mistakes that many sellers make when it comes time to put their home on the market. In my business, I've seen each one of these mistakes played out and it just makes me shake my head as to why sellers forge ahead with unwise strategies, instead of listening to the voice of an experienced professional.

Mistake 1: Putting the home on the market before it's ready. Most times this happens because the seller gets impatient or is a procrastinator and has pushed himself up against a moving deadline without getting the pre-sale work done. So it comes on the market with the horrible carpet (that gets replaced during the marketing of the home); or they are painting it while it goes on the market. Presentation is everything -- so get the work done before marketing the property.

Mistake 2: Over improving the home for the neighborhood. This happens with additions, bump outs, and upgrades that make the home stick out from among its competitors so much that it's an anomaly, instead of a nice addition to the community.

Mistake 3: Pricing the home based on what the seller wants to net. This pricing strategy always ends in failure. Sellers can

control the "asking" price, but they don't control the "sales" price. The market does. It doesn't matter what the seller wants, the price is determined by the black-and-white, matter-of-fact reality of the market.

Mistake 4: Hiring an agent based on non-business factors. It might be nice to hand over your largest asset to your nephew who just got his license -- but make sure you understand the consequences if your deal starts going south.

Mistake 5: Getting emotionally involved in the sale of the home. This is one of the biggest challenges home sellers face when putting their house on the market. Once you decide to sell your house, it's no longer a home, but a commodity. It needs to be prepared as a commodity, marketed as a commodity, and priced as a commodity. It doesn't matter what you "want," only what the market can bear on pricing. People are going to come in to kick the tires, so to speak, and you can't get emotional about how they may or may not appreciate the nuances of your home of seven years.

Mistake 6: Trying to cover up problems, or not disclosing them. Most states have a property disclosure/disclaimer form -- use it wisely. Just because you disclaim doesn't mean you cannot be sued later for the leaky basement, or dilapidated heating/air system that's discovered 30 days after settlement.

Mistake 7: Not getting your ducks lined up before trying to sell. This would involve financing, reading the fine print on your current mortgage to ensure no pre-payment penalties, not listening to the particulars of your local market, etc. If your local market is dictating lower home prices, then lower it early, not later -- it will cost you more. If the local market dictates selling your home first, then buying second, do it in that order, or vice versa.

Avoiding these mistakes is not that difficult. Your REALTOR® is there to help you step over the pitfalls.

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Secrets About Buying A Second Home

By Broderick Perkins



"Top," "Best," and "Most" lists rarely tell the whole story, but they do serve a useful purpose.

As literary distillations of larger stories, lists offer the kind of on-the-go information we need so we can pocket more time -- the real currency of the New Millennium.

The best of the best of these lists are presented with a pinch of intrigue, turn of phrase, or perhaps a dash of humor. They hold our interest captive for the few fleeting moments we have to spare, but then leave us sated with pointed information.

Craig Venezia, author of the new, "Buying A Second Home: Income Getaway or Retirement", offers one such list for the second home crowd.

Venezia is a contributing real estate writer for the San Francisco Chronicle who telecommutes to work from his Boston-area home. He also served as a Wells Fargo executive, worked closely with ETrade Financial and knows the ins and outs of structuring private loans between family and friends.

No matter how time-starved you may be, a full read of the book -- from deciding why you want a second home to the forms you need should you decide to hire a property management firm -- will send you to the head of the class. Instead of saving the best for last, Venezia makes the read easy by getting you quickly into the tome with his "Seven Secrets About Buying a Second Home."

Here's what he says.

- Know the right time to buy. One of those times is now. The correcting real estate market is shining on the second home sector. More properties on the market, relatively low interest rates and motivated sellers have combined to put the buyer back in the driver's seat.
- Know if a second home purchase makes financial sense. A second makes sense in the first place if you can create a realistic, affordable budget in advance so that you buy within

your means. Stretching here is not very healthy. Take stock of your current and projected income, expenses and rental income (if you plan to rent out the property) and do the math. You accountant and financial planner can help you weigh the financial risks.

- Know where to go. Venezia says choose a location based both on the potential for property's value to appreciate -- especially if you aren't going to rent it -- and guest-preferred destinations. Real estate agents can provide the market research you need.
- Know and understand the tax consequences. In some cases, buying a home across the city border can trim your annual property tax or any occupancy or "hotel" tax collected by some local jurisdictions, but you'll still bask in the glow of the location.
- Know about nontraditional financing. This isn't about those risky nontraditional loans that are costing homes, but relative loans -- loans from your family bank. A loan from a family member can save you thousands in interest over the life of the mortgage with cheaper family rates and, perhaps, keep the money in the family instead of sending it to the bank.
- Know about rental income that can offset your expenses. Rent your property out for just part of the year and you can subsidize the cost of owning a second home, says Venezia. "Keep in mind that being a landlord doesn't mean sitting back and watching rent checks roll in. It takes time, money and commitment. Know what you're getting into before you venture too far down that path," he says.
- Finally, know how to protect your investment. Whether your second home is a pure investment, a weekend getaway, or a place to eventually enjoy when you retire, real estate is an investment. Maintain the property, keep it fully insured, have it inspected regularly, and watch your equity grow.

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Protect Your Interests When Buying a Home

By Peter G. Miller



Even though real estate has changed substantially in recent years with the use of new technologies, the fact remains that buying a home still requires a series of traditional protections and defenses. Why? Because buying a home is inherently complex and professional assistance is both appropriate and reasonable.

In practical terms, this means that if you're a buyer there are steps you should take to protect your interests. As a place to start, here are several basic issues to consider:

- Get a home inspection. Don't let the stiff competition in seller's markets persuade you to forego a home inspection on a home you want to buy.

By misusing a home inspection as a negotiating tool, the house you succeed in buying may cost you a fortune in the long run as you rush to correct problems a qualified home inspector would have easily been able to point out.

It is not the inspector's job to tell you whether or not you should buy the house. That is your decision alone. The inspector's job is to provide you with thorough and accurate information to help you make the decision.

What about new homes? You certainly want a home inspection as part of the final walk-through -- make sure you allow several hours for this process. But, even better, use a three-step process for new homes: Inspect once the foundation is in place, inspect when the walls are up but not closed, and inspect before closing.

- Get an appraisal. An appraisal satisfactory to the lender is required when a home is financed by a traditional mortgage source. Consumers pay for this appraisal, but lenders get to choose the appraiser.

Independent appraisers assure lenders that a home is not over-priced and thus that they are not making an inflated and risky loan. If you're buying with seller financing (where there is no outside lender) or all-cash, you still need to make your offer dependent on an appraisal satisfactory to you. Speak with your real estate agent for details.

- Get a termite inspection. Wood-boring insects cannot demolish a home with cartoon-like speed, but they can cause damage. Before or at closing, lenders will want evidence showing that the property is free and clear of active termite infestations.

It's sometimes asked why a termite inspection is needed for new homes. It may seem like an odd requirement at first, but the concern is that lumber may be infested before it's cobbled together to create the home.

- Get a title examination. A home purchase is a huge investment, so it makes sense to make sure that the seller actually owns the property and has a right to sell it. A title inspection looks at the property's history as it is shown on public records to establish a trail of ownership.

- Get title insurance. About that title examination -- it's based on a check of public records, but those records may be wrong or incomplete. It could be that a former owner was insane, an alcoholic, drug-addicted, a bigamist, or not legally competent -- factors which may all make it difficult to offer good and marketable title when it's time for you to sell, thus reducing your ability to make a sale -- or a profit.

Title insurance is a one-time charge that protects against title claims. For details, ask your broker and the party that conducts closing. Ask about "re-issue" rates (you may be entitled to a discount under certain conditions), endorsements, limitations, and exceptions. If you're in Iowa, be aware that title insurance is generally not used there -- ask how you are protected in the event of title problems.

- Get a survey. A survey shows the quantity of property being sold and its location. A survey will show whether "your" plot improperly includes someone else's land -- think of a garage or fence that extends six inches over a property line and the ability of a neighbor to charge for the use of that land or to order the removal of your improvements. A survey can also show "encroachments," the improper use of your land by someone else.

- Get a limited "warranty." There are warranties for new homes, and service contracts for existing properties. What individual policies include varies by state and by program, so you need to ask your agent for details -- what is covered, what is not covered, how long coverage lasts, what costs you face if you have a claim, whether you can continue an existing home policy after the initial term, etc.

Do these various inspections and checks cost money. You bet. Are they worth it? Sure.

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Is Credit Card Debt Keeping You Locked Out of Homeownership?

By Phoebe Chongchua



It's a painful position -- mounting credit card debt with increasing interest rates and no real vision of how to crawl out from underneath all that financing.

According to the Consumer Credit Counseling Service of Santa Clara and Ventura County, California, (CCCS) what got most people in financial troubles are: overspending (25 percent), reduced income or unemployment (31 percent), medical reasons (11 percent), divorce or separation (8 percent).

The non-profit agency helps people alleviate their financial burdens and provides financial education and counseling on preparing to buy a home. Last year 7,043 households were counseled and received financial education which, included developing a budget, a debt payout plan, analysis of assets and liabilities, and an action plan to solve their financial concerns. An additional 1,604 households received pre-discharge education and another 1,014 received reverse mortgage counseling.

Those figures are from just one non-profit of the many agencies throughout the country that aim to help consumers with their finances. It's no wonder many wannabe homeowners are finding themselves locked out of the housing market. But there is hope.

"We help anybody who has a debt with as little as \$3,000 up to \$100,000. We've seen it all," says Sonie May, Counseling and Education Manager, of CCCS.

May says the average consumer that the agency sees has approximately \$30,000 of debt. She says what tends to happen is the credit card companies rapidly increase consumers' interest rates when they miss a payment and that causes the downward financial spiral of paying out more money and not being able to save to buy a home.

"It's hard to get out of that cycle because the minimum payments are so high; it's hard to get out of that hole that they're in," says May. The most important advice if you are considering purchasing a home is to find out exactly how much money you bring in, how much money is spent each month, and how much money you can pay out for a monthly mortgage.

The CCCS helps you understand and assess your financial position and what can be done if you have credit card debt.

"We have relationships with most of the creditors," says May. When clients come in, "we develop a repayment plan to get the consumer debt-free within a five-year period with low

interest rates and low payments."

May says most of the interest rates negotiated for clients are between seven and 18 percent, but she says some are as low as zero percent. "From 30 percent that's a big, big difference -- we save them thousands of dollars not only on a monthly basis but also over the long run we will save them thousands of dollars of interest that they would have paid if they hadn't come to see us," says May.

The CCCS collects the payment from the client and then disburses it to each of the creditors. A monthly fee is charged by CCCS for participation in the payment program.

Of course, while working with the CCCS, clients are strongly urged to not use credit cards or incur any more debt. Once the program is completed, clients are free to borrow again including taking out a mortgage.

"We have heard success stories from many of our clients who were able to purchase homes after they have completed the program," says May.

The CCCS can help with planning to purchase a home. The agency has its clients evaluate and analyze what their future expenses will be once they own the home. They remind clients that homeownership expenses include more than just the mortgage, property taxes, and homeowner's insurance. The agency promotes savings for the unexpected expenses: needing a new roof or the loss of a job.

Always be sure that when you calculate your expenses, you set a portion aside to pay yourself in addition to paying for your new home and other necessities. The other very important advice the CCCS gives is to completely understand the type of mortgage you are getting. May says it's important for homebuyers to know if the monthly mortgage payment will increase.

"If it's a variable rate loan, when will the interest rate go up -- after six months or a year? -- and would they be ready if that mortgage payment were to increase," says May.

Too often, as we're seeing now, in the housing industry, consumers either weren't informed or didn't consider the result of an increase in their mortgages' interest rate and thus are forced to financially buckle down or, in worst case scenarios, foreclose. Another CCCS company in the San Francisco area says help is available for homeowners who are facing foreclosure.

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