



January 2006

REAL ESTATE *Update*

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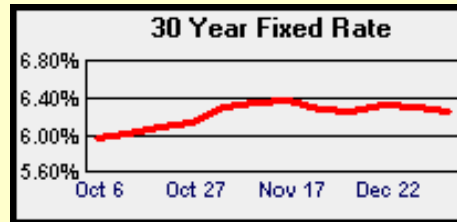
**Mortgage Rates
Tick Down****I**n Freddie Mac's Primary Mortgage

Market Survey the 30-year fixed-rate mortgage (FRM) averaged 6.26 percent, with an average 0.6 point, for the week ending December 22, 2005. Last year at this time, the 30-year FRM averaged 5.75 percent.

"Long-term mortgage rates dipped because of recently released inflation indicators for November," said Frank Nothaft, Freddie Mac vice president and chief economist. "Although mortgage rates by and large are higher than

Mortgage Rates

Source: Realty Times



U.S. averages as of December 22, 2005:

30 yr. fixed: 6.26%
15 yr. fixed: 5.79%
1 yr. adj: 5.22%

they were at the start of this year, they've only risen about one percentage point since hitting a four-decade record low in June of 2003."

**NAR Anticipates Near
Record Sales In 2006****T**he housing market

for 2005 is headed for a fifth consecutive annual record, and sales activity in 2006 is expected to be the second best year in history, according to the National Association of Realtors® (NAR).

David Lereah, NAR's chief economist, said that market conditions are still favorable for housing. "The slowdown amounts to a tapping of the brakes on a hot market," said Lereah. "Home sales are coming down from the mountain peak, but they will level-out at a high plateau -- a plateau that is higher than previous peaks in the housing cycle. This transition to a more normal and balanced market is a good thing."

Existing-home sales, expected to rise 4.7 percent to 7.10 million in 2005, are likely to decline 3.7 percent in 2006 to 6.84 million. New-home sales, projected to increase 7.0 percent to 1.29 million in 2005, are forecast to drop 4.8 percent to 1.23 million in 2006 -- also the second best on record. Total housing starts for 2005 should grow 5.8 percent to 2.06 million units, the highest since 1972, and then decline 4.8 percent to 1.92 million next year.

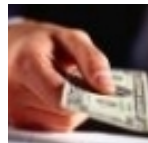
NAR President Thomas M. Stevens from Vienna, Va., said that housing has always been the soundest investment for most families. "As the old saying goes, homeownership beats the heck out of a drawer full of rent receipts," said Stevens. According to the Federal Reserve Survey of Consumer Finances, the median net wealth of a homeowner household is 36 times higher than a renter household.

**Boomers, Economy
Bolster 2nd-Home Market****T**hough the

second-home market usually is the first to experience a downturn, experts say this niche will remain strong for at least the next decade.

David Berson, Fannie Mae chief economist, says the strong economy and the massive number of baby boomers entering their prime years for buying a second home will bolster the market over the next 10 years or more. According to Loyola University demographer Kenneth Johnson, baby boomers will continue to move to scenic, rural areas that are in close proximity to their jobs and primary residences in major cities.

Prices on the East and West coasts, and in popular ski and resort areas continue to rise.

**Kitchen, Bathroom
Touch-Ups Pay Off****S**imple home

renovations that enhance livability, while not being too customized, make a big impression on potential buyers.

Although buyers in hot markets are more likely to pay top dollar for homes that have undergone elaborate renovations, well-done touch-ups in the kitchen and bathroom can be just as effective at helping a home sell in a more moderate real estate market.

Elise Haeussler, head of a Baltimore design firm, recommends smaller touch-ups in the kitchen, such as new cabinet fronts and sink replacements. Major kitchen renovations typically recoup more than 90 cents on the dollar; while minor jobs will recoup almost 100 percent of the cost.

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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 hot 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. See your broker 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 brokers for details -- what's covered, what's not covered, how long coverage lasts, what costs you face if you have a claim, whether you can continue an existing 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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Safety and Home Improvement

By Debbie L. Sklar



Just when you thought you could do it yourself, you really can. With home improvements stores popping up left and right and television shows giving first class instruction on how to be your own carpenter, painter, etc., it's now easier than ever to take care of your home on your own.

But, while the number of do-it-yourselfers who choose to perform home improvement projects on their own has grown dramatically over the years, unfortunately, so have the number of injuries.

Spending on home-repair and remodeling materials has grown to an expected \$170 billion this year from about \$105 billion in 1990. While doing that work last year, homeowners sustained more than 300,000 injuries.

Since do-it-yourself projects have increased so much in the last few years, many more people have begun working with tools for the first time. What sometimes begins as a dream home improvement project can end up as much more of a nightmare if homeowners aren't fully prepared.

According to recent annual statistics from the Consumer Product Safety Commission, more than 157,000 people were injured in incidents relating to using ladders in their homes. Nearly 100,000 received treatment for hand saw-related and power saw-related injuries. Screwdrivers claimed about 10,000 victims and hammers pounded wounds in more than 42,000 do-it-yourselfers. Bottom line: Do your homework before beginning.

Homeowners need to use their tools safely when performing home improvement projects. Whether it's a simple "fix-up" task or an extensive project, it is always important to follow some key safety precautions. Here are some simple home improvement safety tips to keep in mind:

- Always read the manufacturers' instructions before using any equipment and heed all safety warnings.
- Always wear safety goggles to protect eyes from debris.
- When working around electrical outlets, shut off the electricity. Cleaning or working around these areas could result in an electrical shock.

- Wear heavy gloves to protect hands when working with sharp objects.
- Dress appropriately for the project. Long pants, long-sleeved shirts and proper footwear can help reduce injuries from flying debris. Also make sure long hair does not interfere with the work.
- Increase the ventilation in the workspace to reduce fumes and dust.
- Wear a mask to reduce inhalation of dust and other particles.
- Keep tools away from children and pets.
- Store tools properly and keep them in good, working condition.
- Use tools only for the purpose they are intended.

In addition to using common sense, homeowners should also realize that using the right tool for the right job is also an extremely important safety issue.

For example, there are different types of circular saw blades and handsaws for cutting different types of material. Depending on the material that needs to be cut -- wood, plastic or metal -- a different saw blade is needed for each one. Using the wrong blade can result in potentially serious injuries.

The same can be said for drill bits. Certain drill bits must be used for certain jobs. Improper equipment use could result in kickbacks that can damage the material used in the home improvement project, or even worse, lead to a severe injury. Local home improvement and hardware stores can offer help with tool information.

It's also important to keep in mind while doing your own projects that cutting and drilling are serious tasks. The right equipment and knowledge is essential in preventing damage to the project, tools and, more importantly, avoiding injuries to the user.

Knowing the correct tools to use and how to safely use them are two things that every do-it-yourselfer should learn before beginning a home improvement project, so get your goggles ready before picking up that hammer!

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Are Pets Soiling Your Chances of Selling Your Home?

By Blanche Evans



Pets are often so loved by their owners that they are allowed the run of the house. At their worst, doggie and kitty dictators mark their territory with pungent odors and unsightly stains. When you love these little furry friends, it's hard to realize how much these pets may be hurting your marketing efforts in selling your home.

If you are like most pet lovers, you may be a little on the sensitive side. If your listing agent is having a hard time communicating with you about your pets and their effect on buyers and other agents, perhaps a look at this neutral third-party list of suggestions may help you understand the problem better:

- If it smells, it won't sell. Your pet may be perfectly well mannered, but that doesn't mean your home is odor-free. Most pet odor comes from fur and dander. Pets mark their territory by rubbing their fur on objects. That's why your kitty rubs your ankles with her sides. Minimize pet odors by not allowing your pets to sleep on couches and carpets. Provide them with a cuddly bed of their own and reward them lavishly whenever they use it. Deodorize often with Febreze, a product found on most grocery store shelves. Keep pets bathed and groomed more often than usual, so as not to add to existing odor.
- Stains don't have to be permanent. There are many good products to clean pet stains. Just visit your local pet store or key "pet stains" into your favorite search engines. What you will find are companies with advice and products, such as Planet Urine (<http://planeturine.com>), featured on The Tonight Show with Jay Leno. Pet stores sell a product called Nature's Miracle which also works beautifully. Hospital supply companies are also a great source for heavy duty stain and odor control products.
- Vacuum daily. While your home is being marketed, vacuum the carpets daily with an odor deodorizer. You can find them in the cleaning supplies section of the grocery store. Remember to change bags more frequently than usual. Treat your home to a professional carpet cleaning. Also, open the windows and let some fresh air in. Pull back the drapes. Open vents. A closed in home will hold more odor than it should.

- Keep pets from showings. Many buyers are suggestible. If they don't see a pet, they'll look at the home more objectively. If they spot your dog or cat, they will be alerted to look for stains and odors. Arrange to have your pet off the property for showings, and put their food dishes and toys out of sight, too. Keep cat boxes and backyard doggie loos scooped daily. If you have to board your pet to it from doing further damage or soiling new replacement fixtures, do so. You will be rewarded with a higher selling price for your home. When you are in your new home, you can welcome your pet back from its "holiday" with a favorite treat and lots of snuggles.
- Stains and odors may have to be disclosed. In many states, stains and odors that can't be removed must be disclosed to the buyer or you may be held liable. That will automatically put you in a poor bargaining position with the buyer. If you aren't sure what the extent of your pet's damage is, you can purchase, rent or borrow a hand-held black light to shine on carpets and other fixtures. Some carpet cleaning kits include a black light for this purpose. Viewing your carpet this way will help you decide whether to clean or replace the carpet. Your agent will most likely advise you to replace the carpet. It will cost you much less money than a buyer's discount.
- Perception is everything. If your home doesn't pass the sniff or stain test, it will adversely affect the way other agents and their buyers perceive your home. Your agent is depending upon other Realtors to show your home to their buyers. Many Realtors insist on showing only pristine homes to their clients. Once word gets around, you may find yourself with few showings which will cause the value of your home to drop.
- Be realistic about your home's value. A home is only really worth what a buyer is willing to pay. If your home has suffered damage due to your pets, it may be devalued in the marketplace. The only cure is taking action to eliminate the problem *before* your home goes on the market. Listen to your Realtor and follow his/her advice. She or he will have suggestions and solutions that will put you right back on the marketing track.

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Is Your Insurance Up To Par?

By Peter G. Miller



The first of the year is upon us. We are soon to make New Year's resolutions -- and not long after we are fairly certain to break them.

But the turn of the calendar is also a good time to do something in real estate that has become increasingly important: Check your insurance coverage.

I bring this up not only because we have recently seen various hurricanes, floods, tornadoes, fires, windstorms, earthquakes and other tribulations of historic proportions, but also because the nature of homeowners insurance is changing.

To start, it's perfectly plain that homeowners insurance is something one never uses except in a dire and substantially-expensive emergency. Small claims are foolish -- they can lead to higher rates and outright cancellations.

Since small claims are hazardous to your coverage, it makes sense to increase your deductible. Instead of \$500 go to \$1,000 or more. After all, you're not going to jeopardize coverage over \$500 so why have such a small deductible?

A higher deductible will reduce premium costs and that's a good way to start the New Year.

It also makes sense to speak with your insurance broker every so often -- and now is the time. You want to know about the status of your policy (whether it's in force), whether coverage should be tweaked in light of changing home valuations and if any new coverage is required.

You want to ask questions because your mortgage lender requires that you have fire, theft and liability coverage. To make sure this requirement is being met lenders carefully check insurance policies. Unfortunately, paperwork is sometimes botched and needs to be clarified. If there is a lapse in your coverage, or if there is thought to be a lapse, you are likely to get a letter from your lender demanding proof that you actually have coverage. If you do not have coverage, the loan can be called.

For those with rental properties the situation is both similar and different. The cost to insure a rental unit is less than the expense to cover a residence of equal value. The reason for

the lower insurance cost is that the rental-unit policy provides less owner coverage.

What's not covered in a rental-unit policy for property owners is the stuff owned by tenants and some of their liability. This is not a gap that should be re-assuring to anyone: Owners should make certain that tenants have renter's insurance so that if tenant goods are damaged or there is an insurable claim against them the tenants will have coverage. Also, if there is a problem and tenant furnishings or other property is destroyed, potential claims against an owner will be held to a minimum since the tenant already has coverage.

To protect themselves -- and their tenants -- owners should insist as a condition of the lease that tenants get renter's insurance. This is fair, after all if the mortgage company can require insurance from borrowers to protect the value of the loan's underlying security (the house), landlords can also shift costs and require that tenants get appropriate coverage.

Renter's insurance tends to be inexpensive, all the more reason to require it. Moreover, such coverage can be enormously valuable.

A number of years ago a tenant cooking breakfast somehow set a kitchen on fire. It was an accident, such things happen and it is why one has insurance. What wasn't burned was soaked by the fire department and holes were made in the walls to check for hidden fire and smoke. The cost to repair the damage was well into five figures.

The house was filled with smoke detectors so no one was hurt. But still, there was the matter of paying for the damage.

The way it worked was that owner's policy paid for the repairs, the renter's insurance paid the owner's insurance company and the tenant paid the deductible. While an unwanted fire is never a good thing, in this case everyone's damages were held to a minimum, in large measure because both the owner and the tenant had proper insurance. Years later the tenant is still at the property.

So pick-up that phone and dial your insurance broker. A little chat once a year can be very re-assuring.

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**New Homes Promise
Breath of Fresh Air***By Phoebe Chongchua*

It's probably ranked one of the top 10 most hated chores. Vacuuming, especially in a multilevel home, can not only be tedious but also back-breaking work. Lugging around an upright vacuum up and down several levels of stairs is enough to send homebuyers looking for single-story houses.

But these days, limited land space is forcing builders to build up instead of out. So many developers are getting creative with their homes by offering conveniences that were at one time just seen in luxury homes. These builder additions are making housework nearly as satisfying as breathing in a breath of fresh air.

In El Cajon, California, Priest Homes is building new housing completely pre-plumbed for central vacuum technology.

"It's mainly convenience and air quality," says Douglas Thigpen, IT Manager for Priest Development Corporation.

Priest Homes is the developer and builder of two new projects. Prospect Glen in Santee offers 48 new detached, two-story homes, while their Park Avenue development offers 103 multilevel single-family row homes.

"It's a lot easier to lug a tube or the hose for the vacuum up and down the stairs or throughout the house and just plug it in any of the walls, rather than lug a full upright vacuum up and down three-story homes," says Thigpen.

It seems like homes are being modeled after an episode of the cartoon show *The Jetsons* where everything is about ease and comfort in a snap. In a highly busy, overloaded world homeowners are seeking housing that offers standard options that lighten the load and simplify housework.

"The vacuum unit itself is located, in our projects, in the

garage. There are little openings on the floor in each room that you plug in a hose or in the kitchen there is a kick plate that you can hit a button next to the kick plate with your foot and it'll open up and you can sweep stuff into it and it gets sucked out into the vacuum in the garage," says Thigpen.

Okay, so there's no robot maid like Rosie from *The Jetsons* that comes along and does 100 percent of the cleaning; but Thigpen says these types of vacuum systems are not only easier but also cleaner and cheaper than most high-end upright vacuums.

"With traditional upright vacuums, the dust stirs around the air ... with central vacuums the [dirt] gets sucked out of the living space completely. So you don't have the dust hanging around," says Thigpen.

Priest Homes uses the Beam System for its homes; however, there are many different types of central vacuums.

Basically, the systems are built-in vacuums that link a hose and some sort of attachment such as an electric lightweight powerbrush to a central power unit and a collection canister. The piping is installed through the interior walls, crawl spaces, basement, attic areas or wherever necessary.

Central vacuums only represent about two percent of the total U.S. vacuum category, but industry experts say central systems are growing rapidly. According to one study on the technology, as much as 70 percent of vacuum sales volume is generated through builder channels for new home construction.

If you're not in the market for a new home industry experts say about 95 percent of existing homes can be retrofitted for central vacuum systems.

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Selling Your House May Have to Satisfy Three "Buyers"

By M. Anthony Carr



When placing a house on the market, the seller must remember early and often that there are going to be three "buyers" who must be satisfied with the eventual price of the property. The buyer, appraiser and underwriter must all agree with the price of the house before it can go to settlement (particularly if there is no large down payment involved.) Here's how it happens.

The Buyer: When you go to the grocery store and look at prices of produce, you normally don't walk up to the check out and offer less than what's on the sticker. The eggs are \$1 per dozen all day long and most everyone will pay that amount or go without eggs.

In real estate (and other large ticket items), the price is not necessarily what you're going to pay. It's the list price or asking price. While real estate agents may have a handle on if a house is overpriced or under priced, they're not buying the house -- so the real decision maker is the buyers. Thus, the buyers must be convinced that the value of the house is reflected in the price and/or terms.

The smart seller will make sure the price s/he is asking for is as close to the realistic price to draw offers. In particular, in a transitional market or dropping sales price environment -- don't waste time "waiting for the right buyer" to come along and pay your price. Price trending is price trending both ways -- up and down. Thus the smart seller will recognize the trend and move in front of it.

For sellers over the last few years in various markets -- they have had the benefit of price trending upward. Negotiation for buyers kind of went up on its head -- "You want \$350,000. What, are you crazy? I'll pay \$375,000 and not a dollar less." Of course, they got beat out by the guy willing to pay \$400,000 and include a vacation for the sellers.

When a market levels or begins trending downward, get in front of the trend. This is even more important than a market heading upward if you don't want your house sitting on the market. Every week you wait you literally lose money -- sometimes thousands of dollars each week. Don't wait. When prices trend downward, sellers must forget what their neighbor's

sales price two months ago -- it has no bearing the day you receive your contract.

Thus the buyer must believe the house is worth the asking price. Next, you have to convince the appraiser.

The Appraiser: Despite what others may say, this is the most important visitor you're going to have come by your house. Sometimes even the appraiser downplays his/her visit to the property. I've had some say, "Oh, don't worry about cleaning up. I'm going to just be a few minutes." Famous last words.

If you have to "wow" the buyer to write a contract, then you better "mesmerize" the appraiser. This is the person who is going to take a first stab and confirming that the seller and buyer have come up with a realistic price for the property.

With a contract price of \$351,990 you want an appraisal of \$351,990 or higher. If the appraisal is high, it has no bearing on the contract. If the price comes too far below, and the buyer doesn't have enough down payment funds to cover the difference, then the buyer and seller will have to renegotiate who is going to take the financial hit to make the loan work. Is the seller coming down in price, the buyer up in price or are they going to split the difference?

The Underwriter: Finally, you have to satisfy the person in the back office, the underwriter of the mortgage. Underwriters are determining risk factors for the lending company or group of investors. If they underestimate the risk of default on a loan and the buyer defaults on the mortgage in the future, their investors lose or they must sell the loan at a loss. Because of this, while they are not on the street watching housing prices increase, if their analysis demonstrates that the house may not be worth what the contract is asking, they can halt the loan process and the negotiations must begin anew.

So, for example, I could love to sell my house for \$1 million. The problem is, while I might think it's worth that amount, I keep running into buyers who don't agree. Thus it's worth \$1 million in my mind alone. I must satisfy three other people to get my price. In pricing my property, I must keep these three other people in mind if I want my "asking" price to become my "sold" price.

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Rates, Not Home Prices, Worst Enemy In Affordability*By M. Anthony Carr*

With all the talk of softening markets, many buyers have moved to the sidelines hoping to wait out high prices, believing that lower prices will help them along the path to homeownership or to move up into the house they really want. Instead of prices, buyers should really keep their eyes on interest rates -- the most powerful component of the home-buying process.

In a nut shell, if you wait for prices to level and drop while interest rates increase -- your ability to purchase that now-affordable home may have just vanished with interest rates running up along side the price drops.

An information sheet came to my desk from a national mortgage company comparing buying power on a household annual income of \$100,000 to demonstrate this point and it was quite telling. Now, I know the national median household income is about half that amount, however, the principles are the same of how powerful interest rates affect purchase power.

For instance, in this example, if you're waiting for prices to drop \$50,000 before you buy, hoping to get a better deal -- well, quit waiting. If interest rates increase as the Mortgage Bankers Association of America forecasts, your payment won't come down with the lower prices. In fact, you may still sit on the sidelines.

MBAA is predicting 6.7 percent rates into next year. Even with that level of increase, historically, that rate is some of the lowest rates you'll ever see. However, at that amount, the above buyer will only be able to buy about \$399,411 worth of house. Last June (just 5 months ago) that same borrower could have borrowed \$450,000 at 5.63 percent on a 30-year fixed mortgage. Neither the buyer's income nor the home price decreased the buyer's buying power -- just the interest rate.

Here are the nitty gritty details:

The 30-year fixed rate mortgage for \$450,000 at 5.63 percent would cost a borrower \$2,591.87 per month. For that

same borrower waiting for prices to drop, but watching interest rates jump to 6.7 percent, that same \$2591.87 will only fund a mortgage of \$401,667.91.

If you want to see what that would do in a lower financial stratosphere: let's say it's a loan for a \$60,000 household budget, instead of \$100,000. The purchasing power for this buyer would be roughly \$1,550 per month -- that's a loan for \$217,024 at 5.63 percent (including \$300 for taxes and insurance). That same money at 6.7 percent will only purchase \$193,715 -- a difference of roughly \$24,000.

Two words of advice. To those who are thinking about buying -- look at all your options and run your personal numbers. How long can you wait for prices to reduce while interest rates are on the march upward before you're priced out of your favorite home again. If housing inventory is on the rise in your market area -- then move sooner than later. Smart sellers are willing to negotiate again -- you may be able to get that lower price just by asking for it.

Case in point: Just a couple weeks ago in the D.C. market, a Realtor told me of how he saved his buyers nearly \$75,000 from sellers who realized they needed to get going instead of hanging on to their price. In essence, make an offer -- the worst that can happen is the seller will counter your offer or reject it. What is it they say? Nothing ventured ...

Secondly, if you know you're going to buy -- lock in early and move in on the contract. By locking in you save money by having a lower rate for your mortgage. Some mortgage programs let you lock in for up to 120 days.

Average interest rates have risen by more than half a percentage point in just the last 6 months from 5.62 percent to 6.28 percent, according to Mortgage-x.com's rate calendar. Depending where rates go, even one month delay in locking in your rate could make a difference of several hundred dollars on your monthly payment.

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January 2006

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January Real Estate Update

Mortgage Rates Tick Down

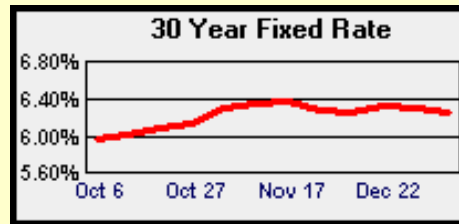
In Freddie Mac's Primary Mortgage

Market Survey the 30-year fixed-rate mortgage (FRM) averaged 6.26 percent, with an average 0.6 point, for the week ending December 22, 2005. Last year at this time, the 30-year FRM averaged 5.75 percent.

"Long-term mortgage rates dipped because of recently released inflation indicators for November," said Frank Nothaft, Freddie Mac vice president and chief economist. "Although mortgage rates by and large are higher than

Mortgage Rates

Source: Realty Times



U.S. averages as of December 22, 2005:

30 yr. fixed: 6.26%
15 yr. fixed: 5.79%
1 yr. adj: 5.22%

they were at the start of this year, they've only risen about one percentage point since hitting a four-decade record low in June of 2003."

NAR Anticipates Near Record Sales In 2006

The housing market



for 2005 is headed for a fifth consecutive annual record, and sales activity in 2006 is expected to be the second best year in history, according to the National Association of Realtors® (NAR).

David Lereah, NAR's chief economist, said that market conditions are still favorable for housing. "The slowdown amounts to a tapping of the brakes on a hot market," said Lereah. "Home sales are coming down from the mountain peak, but they will level-out at a high plateau -- a plateau that is higher than previous peaks in the housing cycle. This transition to a more normal and balanced market is a good thing."

Existing-home sales, expected to rise 4.7 percent to 7.10 million in 2005, are likely to decline 3.7 percent in 2006 to 6.84 million. New-home sales, projected to increase 7.0 percent to 1.29 million in 2005, are forecast to drop 4.8 percent to 1.23 million in 2006 -- also the second best on record. Total housing starts for 2005 should grow 5.8 percent to 2.06 million units, the highest since 1972, and then decline 4.8 percent to 1.92 million next year.

NAR President Thomas M. Stevens from Vienna, Va., said that housing has always been the soundest investment for most families. "As the old saying goes, homeownership beats the heck out of a drawer full of rent receipts," said Stevens. According to the Federal Reserve Survey of Consumer Finances, the median net wealth of a homeowner household is 36 times higher than a renter household.

Boomers, Economy Bolster 2nd-Home Market



Though the

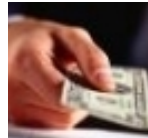
second-home market usually is the first to experience a downturn, experts say this niche will remain strong for at least the next decade.

David Berson, Fannie Mae chief economist, says the strong economy and the massive number of baby boomers entering their prime years for buying a second home will bolster the market over the next 10 years or more. According to Loyola University demographer Kenneth Johnson, baby boomers will continue to move to scenic, rural areas that are in close proximity to their jobs and primary residences in major cities.

Prices on the East and West coasts, and in popular ski and resort areas continue to rise.

Kitchen, Bathroom Touch-Ups Pay Off

Simple home



renovations that enhance livability, while not being too customized, make a big impression on potential buyers.

Although buyers in hot markets are more likely to pay top dollar for homes that have undergone elaborate renovations, well-done touch-ups in the kitchen and bathroom can be just as effective at helping a home sell in a more moderate real estate market.

Elise Haeussler, head of a Baltimore design firm, recommends smaller touch-ups in the kitchen, such as new cabinet fronts and sink replacements. Major kitchen renovations typically recoup more than 90 cents on the dollar, while minor jobs will recoup almost 100 percent of the cost.

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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 hot 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. See your broker 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 it's 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 brokers for details -- what's covered, what's not covered, how long coverage lasts, what costs you face if you have a claim, whether you can continue an existing 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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Safety and Home Improvement

By Debbie L. Sklar



Just when you thought you could do it yourself, you really can. With home improvements stores popping up left and right and television shows giving first class instruction on how to be your own carpenter, painter, etc., it's now easier than ever to take care of your home on your own.

But, while the number of do-it-yourselfers who choose to perform home improvement projects on their own has grown dramatically over the years, unfortunately, so have the number of injuries.

Spending on home-repair and remodeling materials has grown to an expected \$170 billion this year from about \$105 billion in 1990. While doing that work last year, homeowners sustained more than 300,000 injuries.

Since do-it-yourself projects have increased so much in the last few years, many more people have begun working with tools for the first time. What sometimes begins as a dream home improvement project can end up as much more of a nightmare if homeowners aren't fully prepared.

According to recent annual statistics from the Consumer Product Safety Commission, more than 157,000 people were injured in incidents relating to using ladders in their homes. Nearly 100,000 received treatment for hand saw-related and power saw-related injuries. Screwdrivers claimed about 10,000 victims and hammers pounded wounds in more than 42,000 do-it-yourselfers. Bottom line: Do your homework before beginning.

Homeowners need to use their tools safely when performing home improvement projects. Whether it's a simple "fix-up" task or an extensive project, it is always important to follow some key safety precautions. Here are some simple home improvement safety tips to keep in mind:

- Always read the manufacturers' instructions before using any equipment and heed all safety warnings.
- Always wear safety goggles to protect eyes from debris.
- When working around electrical outlets, shut off the electricity. Cleaning or working around these areas could result in an electrical shock.

- Wear heavy gloves to protect hands when working with sharp objects.
- Dress appropriately for the project. Long pants, long-sleeved shirts and proper footwear can help reduce injuries from flying debris. Also make sure long hair does not interfere with the work.
- Increase the ventilation in the workspace to reduce fumes and dust.
- Wear a mask to reduce inhalation of dust and other particles.
- Keep tools away from children and pets.
- Store tools properly and keep them in good, working condition.
- Use tools only for the purpose they are intended.

In addition to using common sense, homeowners should also realize that using the right tool for the right job is also an extremely important safety issue.

For example, there are different types of circular saw blades and handsaws for cutting different types of material. Depending on the material that needs to be cut -- wood, plastic or metal -- a different saw blade is needed for each one. Using the wrong blade can result in potentially serious injuries.

The same can be said for drill bits. Certain drill bits must be used for certain jobs. Improper equipment use could result in kickbacks that can damage the material used in the home improvement project, or even worse, lead to a severe injury. Local home improvement and hardware stores can offer help with tool information.

It's also important to keep in mind while doing your own projects that cutting and drilling are serious tasks. The right equipment and knowledge is essential in preventing damage to the project, tools and, more importantly, avoiding injuries to the user.

Knowing the correct tools to use and how to safely use them are two things that every do-it-yourselfer should learn before beginning a home improvement project, so get your goggles ready before picking up that hammer!

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Are Pets Soiling Your Chances of Selling Your Home?

By Blanche Evan



Pets are often so loved by their owners that they are allowed the run of the house. At their worst, doggie and kitty dictators mark their territory with pungent odors and unsightly stains. When you love these little furry friends, it's hard to realize how much these pets may be hurting your marketing efforts in selling your home.

If you are like most pet lovers, you may be a little on the sensitive side. If your listing agent is having a hard time communicating with you about your pets and their effect on buyers and other agents, perhaps a look at this neutral third-party list of suggestions may help you understand the problem better:

- If it smells, it won't sell. Your pet may be perfectly well mannered, but that doesn't mean your home is odor-free. Most pet odor comes from fur and dander. Pets mark their territory by rubbing their fur on objects. That's why your kitty rubs your ankles with her sides. Minimize pet odors by not allowing your pets to sleep on couches and carpets. Provide them with a cuddly bed of their own and reward them lavishly whenever they use it. Deodorize often with Febreze, a product found on most grocery store shelves. Keep pets bathed and groomed more often than usual, so as not to add to existing odor.
- Stains don't have to be permanent. There are many good products to clean pet stains. Just visit your local pet store or key "pet stains" into your favorite search engines. What you will find are companies with advice and products, such as Planet Urine (<http://planeturine.com>), featured on The Tonight Show with Jay Leno. Pet stores sell a product called Nature's Miracle which also works beautifully. Hospital supply companies are also a great source for heavy duty stain and odor control products.
- Vacuum daily. While your home is being marketed, vacuum the carpets daily with an odor deodorizer. You can find them in the cleaning supplies section of the grocery store. Remember to change bags more frequently than usual. Treat your home to a professional carpet cleaning. Also, open the windows and let some fresh air in. Pull back the drapes. Open vents. A closed in home will hold more odor than it should.

- Keep pets from showings. Many buyers are suggestible. If they don't see a pet, they'll look at the home more objectively. If they spot your dog or cat, they will be alerted to look for stains and odors. Arrange to have your pet off the property for showings, and put their food dishes and toys out of sight, too. Keep cat boxes and backyard doggie loos scooped daily. If you have to board your pet to it from doing further damage or soiling new replacement fixtures, do so. You will be rewarded with a higher selling price for your home. When you are in your new home, you can welcome your pet back from its "holiday" with a favorite treat and lots of snuggles.

- Stains and odors may have to be disclosed. In many states, stains and odors that can't be removed must be disclosed to the buyer or you may be held liable. That will automatically put you in a poor bargaining position with the buyer. If you aren't sure what the extent of your pet's damage is, you can purchase, rent or borrow a hand-held black light to shine on carpets and other fixtures. Some carpet cleaning kits include a black light for this purpose. Viewing your carpet this way will help you decide whether to clean or replace the carpet. Your agent will most likely advise you to replace the carpet. It will cost you much less money than a buyer's discount.

- Perception is everything. If your home doesn't pass the sniff or stain test, it will adversely affect the way other agents and their buyers perceive your home. Your agent is depending upon other Realtors to show your home to their buyers. Many Realtors insist on showing only pristine homes to their clients. Once word gets around, you may find yourself with few showings which will cause the value of your home to drop.

- Be realistic about your home's value. A home is only really worth what a buyer is willing to pay. If your home has suffered damage due to your pets, it may be devalued in the marketplace. The only cure is taking action to eliminate the problem *before* your home goes on the market. Listen to your Realtor and follow his/her advice. She or he will have suggestions and solutions that will put you right back on the marketing track.

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Is Your Insurance Up To Par?

By Peter G. Miller



The first of the year is upon us. We are soon to make New Year's resolutions -- and not long after we are fairly certain to break them.

But the turn of the calendar is also a good time to do something in real estate that has become increasingly important: Check your insurance coverage.

I bring this up not only because we have recently seen various hurricanes, floods, tornadoes, fires, windstorms, earthquakes and other tribulations of historic proportions, but also because the nature of homeowners insurance is changing.

To start, it's perfectly plain that homeowners insurance is something one never uses except in a dire and substantially-expensive emergency. Small claims are foolish -- they can lead to higher rates and outright cancellations.

Since small claims are hazardous to your coverage, it makes sense to increase your deductible. Instead of \$500 go to \$1,000 or more. After all, you're not going to jeopardize coverage over \$500 so why have such a small deductible?

A higher deductible will reduce premium costs and that's a good way to start the New Year.

It also makes sense to speak with your insurance broker every so often -- and now is the time. You want to know about the status of your policy (whether it's in force), whether coverage should be tweaked in light of changing home valuations and if any new coverage is required.

You want to ask questions because your mortgage lender requires that you have fire, theft and liability coverage. To make sure this requirement is being met lenders carefully check insurance policies. Unfortunately, paperwork is sometimes botched and needs to be clarified. If there is a lapse in your coverage, or if there is thought to be a lapse, you are likely to get a letter from your lender demanding proof that you actually have coverage. If you do not have coverage, the loan can be called.

For those with rental properties the situation is both similar and different. The cost to insure a rental unit is less than the expense to cover a residence of equal value. The reason for

the lower insurance cost is that the rental-unit policy provides less owner coverage.

What's not covered in a rental-unit policy for property owners is the stuff owned by tenants and some of their liability. This is not a gap that should be re-assuring to anyone: Owners should make certain that tenants have renter's insurance so that if tenant goods are damaged or there is an insurable claim against them the tenants will have coverage. Also, if there is a problem and tenant furnishings or other property is destroyed, potential claims against an owner will be held to a minimum since the tenant already has coverage.

To protect themselves -- and their tenants -- owners should insist as a condition of the lease that tenants get renter's insurance. This is fair, after all if the mortgage company can require insurance from borrowers to protect the value of the loan's underlying security (the house), landlords can also shift costs and require that tenants get appropriate coverage.

Renter's insurance tends to be inexpensive, all the more reason to require it. Moreover, such coverage can be enormously valuable.

A number of years ago a tenant cooking breakfast somehow set a kitchen on fire. It was an accident, such things happen and it is why one has insurance. What wasn't burned was soaked by the fire department and holes were made in the walls to check for hidden fire and smoke. The cost to repair the damage was well into five figures.

The house was filled with smoke detectors so no one was hurt. But still, there was the matter of paying for the damage.

The way it worked was that owner's policy paid for the repairs, the renter's insurance paid the owner's insurance company and the tenant paid the deductible. While an unwanted fire is never a good thing, in this case everyone's damages were held to a minimum, in large measure because both the owner and the tenant had proper insurance. Years later the tenant is still at the property.

So pick-up that phone and dial your insurance broker. A little chat once a year can be very re-assuring.

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New Homes Promise Breath of Fresh Air

By Phoebe Chongchua



It's probably ranked one of the top 10 most hated chores. Vacuuming, especially in a multilevel home, can not only be tedious but also back-breaking work. Lugging around an upright vacuum up and down several levels of stairs is enough to send homebuyers looking for single-story houses.

But these days, limited land space is forcing builders to build up instead of out. So many developers are getting creative with their homes by offering conveniences that were at one time just seen in luxury homes. These builder additions are making housework nearly as satisfying as breathing in a breath of fresh air.

In El Cajon, California, Priest Homes is building new housing completely pre-plumbed for central vacuum technology.

"It's mainly convenience and air quality," says Douglas Thigpen, IT Manager for Priest Development Corporation.

Priest Homes is the developer and builder of two new projects. Prospect Glen in Santee offers 48 new detached, two-story homes, while their Park Avenue development offers 103 multilevel single-family row homes.

"It's a lot easier to lug a tube or the hose for the vacuum up and down the stairs or throughout the house and just plug it in any of the walls, rather than lug a full upright vacuum up and down three-story homes," says Thigpen.

It seems like homes are being modeled after an episode of the cartoon show *The Jetsons* where everything is about ease and comfort in a snap. In a highly busy, overloaded world homeowners are seeking housing that offers standard options that lighten the load and simplify housework.

"The vacuum unit itself is located, in our projects, in the

garage. There are little openings on the floor in each room that you plug in a hose or in the kitchen there is a kick plate that you can hit a button next to the kick plate with your foot and it'll open up and you can sweep stuff into it and it gets sucked out into the vacuum in the garage," says Thigpen.

Okay, so there's no robot maid like Rosie from *The Jetsons* that comes along and does 100 percent of the cleaning; but Thigpen says these types of vacuum systems are not only easier but also cleaner and cheaper than most high-end upright vacuums.

"With traditional upright vacuums, the dust stirs around the air ... with central vacuums the [dirt] gets sucked out of the living space completely. So you don't have the dust hanging around," says Thigpen.

Priest Homes uses the Beam System for its homes; however, there are many different types of central vacuums.

Basically, the systems are built-in vacuums that link a hose and some sort of attachment such as an electric lightweight powerbrush to a central power unit and a collection canister. The piping is installed through the interior walls, crawl spaces, basement, attic areas or wherever necessary.

Central vacuums only represent about two percent of the total U.S. vacuum category, but industry experts say central systems are growing rapidly. According to one study on the technology, as much as 70 percent of vacuum sales volume is generated through builder channels for new home construction.

If you're not in the market for a new home industry experts say about 95 percent of existing homes can be retrofitted for central vacuum systems.

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Selling Your House May Have to Satisfy Three "Buyers"

By M. Anthony Carr



When placing a house on the market, the seller must remember early and often that there are going to be three "buyers" who must be satisfied with the eventual price of the property. The buyer, appraiser and underwriter must all agree with the price of the house before it can go to settlement (particularly if there is no large down payment involved.) Here's how it happens.

The Buyer: When you go to the grocery store and look at prices of produce, you normally don't walk up to the check out and offer less than what's on the sticker. The eggs are \$1 per dozen all day long and most everyone will pay that amount or go without eggs.

In real estate (and other large ticket items), the price is not necessarily what you're going to pay. It's the list price or asking price. While real estate agents may have a handle on if a house is overpriced or under priced, they're not buying the house -- so the real decision maker is the buyers. Thus, the buyers must be convinced that the value of the house is reflected in the price and/or terms.

The smart seller will make sure the price s/he is asking for is as close to the realistic price to draw offers. In particular, in a transitional market or dropping sales price environment -- don't waste time "waiting for the right buyer" to come along and pay your price. Price trending is price trending both ways -- up and down. Thus the smart seller will recognize the trend and move in front of it.

For sellers over the last few years in various markets -- they have had the benefit of price trending upward. Negotiation for buyers kind of went up on its head -- "You want \$350,000. What, are you crazy? I'll pay \$375,000 and not a dollar less." Of course, they got beat out by the guy willing to pay \$400,000 and include a vacation for the sellers.

When a market levels or begins trending downward, get in front of the trend. This is even more important than a market heading upward if you don't want your house sitting on the market. Every week you wait you literally lose money -- sometimes thousands of dollars each week. Don't wait. When prices trend downward, sellers must forget what their neighbor's

sales price two months ago -- it has no bearing the day you receive your contract.

Thus the buyer must believe the house is worth the asking price. Next, you have to convince the appraiser.

The Appraiser: Despite what others may say, this is the most important visitor you're going to have come by your house. Sometimes even the appraiser downplays his/her visit to the property. I've had some say, "Oh, don't worry about cleaning up. I'm going to just be a few minutes." Famous last words.

If you have to "wow" the buyer to write a contract, then you better "mesmerize" the appraiser. This is the person who is going to take a first stab and confirming that the seller and buyer have come up with a realistic price for the property.

With a contract price of \$351,990 you want an appraisal of \$351,990 or higher. If the appraisal is high, it has no bearing on the contract. If the price comes too far below, and the buyer doesn't have enough down payment funds to cover the difference, then the buyer and seller will have to renegotiate who is going to take the financial hit to make the loan work. Is the seller coming down in price, the buyer up in price or are they going to split the difference?

The Underwriter: Finally, you have to satisfy the person in the back office, the underwriter of the mortgage. Underwriters are determining risk factors for the lending company or group of investors. If they underestimate the risk of default on a loan and the buyer defaults on the mortgage in the future, their investors lose or they must sell the loan at a loss. Because of this, while they are not on the street watching housing prices increase, if their analysis demonstrates that the house may not be worth what the contract is asking, they can halt the loan process and the negotiations must begin anew.

So, for example, I could love to sell my house for \$1 million. The problem is, while I might think it's worth that amount, I keep running into buyers who don't agree. Thus it's worth \$1 million in my mind alone. I must satisfy three other people to get my price. In pricing my property, I must keep these three other people in mind if I want my "asking" price to become my "sold" price.

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Rates, Not Home Prices, Worst Enemy In Affordability

By M. Anthony Carr



With all the talk of softening markets, many buyers have moved to the sidelines hoping to wait out high prices, believing that lower prices will help them along the path to homeownership or to move up into the house they really want. Instead of prices, buyers should really keep their eyes on interest rates -- the most powerful component of the home-buying process.

In a nut shell, if you wait for prices to level and drop while interest rates increase -- your ability to purchase that now-affordable home may have just vanished with interest rates running up along side the price drops.

An information sheet came to my desk from a national mortgage company comparing buying power on a household annual income of \$100,000 to demonstrate this point and it was quite telling. Now, I know the national median household income is about half that amount, however, the principles are the same of how powerful interest rates affect purchase power.

For instance, in this example, if you're waiting for prices to drop \$50,000 before you buy, hoping to get a better deal -- well, quit waiting. If interest rates increase as the Mortgage Bankers Association of America forecasts, your payment won't come down with the lower prices. In fact, you may still sit on the sidelines.

MBAA is predicting 6.7 percent rates into next year. Even with that level of increase, historically, that rate is some of the lowest rates you'll ever see. However, at that amount, the above buyer will only be able to buy about \$399,411 worth of house. Last June (just 5 months ago) that same borrower could have borrowed \$450,000 at 5.63 percent on a 30-year fixed mortgage. Neither the buyer's income nor the home price decreased the buyer's buying power -- just the interest rate.

Here are the nitty gritty details:

The 30-year fixed rate mortgage for \$450,000 at 5.63 percent would cost a borrower \$2,591.87 per month. For that

same borrower waiting for prices to drop, but watching interest rates jump to 6.7 percent, that same \$2591.87 will only fund a mortgage of \$401,667.91.

If you want to see what that would do in a lower financial stratosphere: let's say it's a loan for a \$60,000 household budget, instead of \$100,000. The purchasing power for this buyer would be roughly \$1,550 per month -- that's a loan for \$217,024 at 5.63 percent (including \$300 for taxes and insurance). That same money at 6.7 percent will only purchase \$193,715 -- a difference of roughly \$24,000.

Two words of advice. To those who are thinking about buying -- look at all your options and run your personal numbers. How long can you wait for prices to reduce while interest rates are on the march upward before you're priced out of your favorite home again. If housing inventory is on the rise in your market area -- then move sooner than later. Smart sellers are willing to negotiate again -- you may be able to get that lower price just by asking for it.

Case in point: Just a couple weeks ago in the D.C. market, a Realtor told me of how he saved his buyers nearly \$75,000 from sellers who realized they needed to get going instead of hanging on to their price. In essence, make an offer -- the worst that can happen is the seller will counter your offer or reject it. What is it they say? Nothing ventured ...

Secondly, if you know you're going to buy -- lock in early and move in on the contract. By locking in you save money by having a lower rate for your mortgage. Some mortgage programs let you lock in for up to 120 days.

Average interest rates have risen by more than half a percentage point in just the last 6 months from 5.62 percent to 6.28 percent, according to Mortgage-x.com's rate calendar. Depending where rates go, even one month delay in locking in your rate could make a difference of several hundred dollars on your monthly payment.

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