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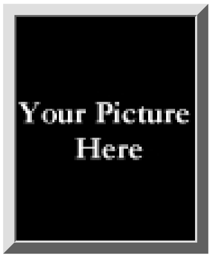

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Bond Yields Inch Up, Rates Follow

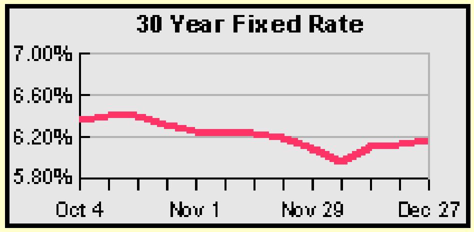
In Freddie Mac's results of its Primary Mortgage Market Survey the 30-year fixed-rate mortgage (FRM) averaged 6.17 percent for the week ending December 27, 2007, up from the previous week when it averaged 6.14 percent.

Last year at this time, the 30-year FRM averaged 6.18 percent.

"Stronger consumer spending and an increase in the core price deflator in November caused long-term bond yields to inch up, with mortgage rates following," said Frank Nothaft, Freddie Mac vice president and chief economist.

Mortgage Rates

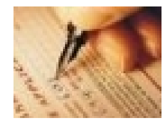
Source: Realty Times



U.S. averages as of December 27, 2007:

30 yr. fixed: 6.17%
15 yr. fixed: 5.79%
1 yr. adj: 5.53%

Credit Score Primer: What Buyers Need to Know



In the wake of the credit crisis, lenders have become much pickier about whom they lend to.

Here are some basic facts that will help potential borrowers understand what they face.

The measurement that most lenders use to assess applicants' credit risk is the FICO score developed by Fair Isaac Corp.

The score ranges from 300 to 850.

There's not one FICO score. Buyers have three: one for each of the three credit bureaus, Experian, TransUnion, and Equifax.

Each credit score is based on information the credit bureau keeps on file.

Since credit bureaus don't share their data with one another, the three FICO scores may differ, sometimes by as much as 100 points.

The components of a FICO score are:

- Payment history: 35 percent
- Amounts owed: 30 percent
- Length of credit history: 15 percent
- New credit: 10 percent
- Types of credit used: 10 percent

A consumer with a 580 credit score might qualify under FHA requirements. However, in order to qualify for a prime loan, generally a borrower must have a credit score above 620 for a conventional loan and above 720 for a loan at terms and rates most borrowers would consider desirable.

Reducing Utility Costs

Perhaps the biggest waste of energy is when heat escapes through leaks in windows, doors, fireplace dampers, ducts, wires, and pipes. A well-sealed home is an energy-efficient home that can save you as much as 10 to 15 percent on your heating bill. To make sure your home isn't losing heat through leaks, be sure to check the caulking and weather-stripping.

Fireplaces are wonderful and bring in a lot of warmth when they're in use. However, when a fire isn't burning you'll want to make sure that your damper is closed -- otherwise a lot of heat escapes. If you're leaving your home early in the morning, despite the temptation to leave the heater running so that you'll have a cozy home when you return, turn down the thermostat before you head out.

Finding Money For a Down Payment

Buyers who don't have a 20 percent down payment are finding it harder and harder to buy a home. Here are some sources of money that are still available.

- Borrowing from a 401(k). Only some companies allow this. The maximum available is $50,000 ($100,00 if both spouses have 401(k)s) and the loan must be repaid within five years.
- Withdrawing up to $10,000 from an IRA for a purchase of a first home. A potential borrower who hasn't owned a home in the past three years is considered a "first-time buyer".
- A gift. If buyers are comfortable asking for money, their parents, friends, and relatives can give a gift toward the down payment.

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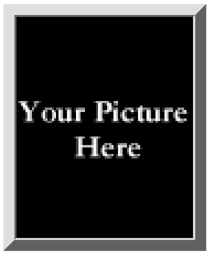

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Top 10 Tax Breaks, On The House

By Broderick Perkins

The New Year always turns thoughts to the new tax season and when it comes to taxes there's no place like home to find shelter. Your home offers a score of tax deductions and credits designed to help offset the cost of housing and to keep the housing market fueled with new buyers. Here's a look at the Top 10 Tax Breaks.

- Mortgage Loan Interest: The Mother Of All Tax Breaks, because interest payments comprises a large portion of your mortgage payment in the early years of the loan's term, mortgage interest on a maximum of $1 million in mortgage debt secured by a first and second home is deductible. Deductions reduce your taxable income against which your taxes due are calculated. The $1 million level applies to married tax filers who file jointly and single taxpayers. Married taxpayers who file separately split the maximum 50-50.

  Likewise, home equity loan interest is deductible, but limited to the smaller of $100,000 (half as much for each member of a married couple if they file separately), or the total of your home's fair market value as determined by a complicated formula.

- Home Improvement Loan Interest: The interest on a home improvement loan is also deductible, but calculated differently. You can deduct all the interest on a home improvement loan provided the work is a "capital improvement" rather than repairs, maintenance or cosmetic upgrades. Capital improvements typically increase your home's value, or prolong it's life.

- Points: Points, each equal to 1 percent of the loan principal, are charged by lenders as part of the cost of the loan. You can fully deduct points associated with a home purchase mortgage, but not a mortgage broker's commission. Refinanced mortgage points are deductible too, but only when they are amortized over the life of the loan. Once you refinance a second time, the balance of the old points from a refinanced loan offer an immediate write off, as you begin to amortize the new points.

- Property Taxes: Property taxes or real estate taxes are fully deductible. Any local city or state property tax refunds reduces your federal property tax deduction by the same amount.

- Capital Gains Exclusion: Home buying investors' best tax shelter comes from provisions in the Taxpayer Relief Act of 1997 which allows married taxpayers who file jointly to keep, tax free, up to $500,000 in profit on the sale of a home used as a principal residence for two of the prior five years. The amount is halved for those filing single or separately.

- Home-Based Business Deduction: Home offices that use a portion of your home exclusively for business could qualify you to deduct a percentage of costs related to that portion. Included are a percentage of your insurance and repair costs, utility bills and depreciation.

- Selling Costs and Capital Improvements: When you sell your home, you can reduce your taxable capital gain by the amount of your selling costs, which include real estate commissions, title insurance, legal fees, advertising and inspection fees. Cost typically stemming from decorating or repairs -- painting, wallpapering, maintenance, and the like -- are also selling costs if you complete them within 90 days of your sale and with the intention of making the home more saleable.

- Moving Costs: A move triggered by a new job comes with some deductible moving costs. To qualify, you must meet certain requirements including, moving within one year of starting your new job, moving 50 miles farther from your old home than your old job was and working full-time at the new job for 39 of 52 weeks following the move. Deductions include travel or transportation costs and expenses for lodging and storing your belongings.

- Mortgage Tax Credit: Mortgage Credit Certificates (MCCs) allow qualifying low-income, first-time home buyers to take a mortgage interest tax credit of up to 20 percent (the amount varies by jurisdiction) of the mortgage interest payments made on a home. This credit is available every year you keep the loan and live in the house purchased with the certificate. Unlike a deduction that reduces your income, the credit is subtracted, dollar for dollar, from the income tax owed.

- Energy Tax Credits: The newest home-based tax credits were made possible last year by the Energy Policy Act of 2005. Tax credits of up to $500 in 2006 and 2007 are available for upgrading heating and air conditioning systems, insulations, windows, doors and thermostats, caulking leaks, installing pigmented metal roofs and for otherwise putting the bite on energy waste in your home.

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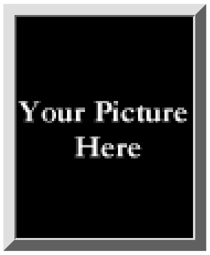

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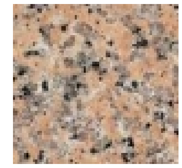
Stone is a Growing Trend for Home Décor



By Phoebe Chongchua

It's as old as time, but as popular as ever. Stone is rapidly making its way into homes as perhaps one of the fastest growing decorating trends. The European Old World look brings with it not only a luxurious style but also an ease and comfort that gives a home personality.

Homeowners are leaving behind the once-preferred 70's looks of wall-to-wall carpeting throughout the house, linoleum kitchen floors and vinyl tiles in the bathroom, and instead choosing natural stone, Versailles patterns, travertine, and limestone, with honed-matte finished surfaces. For countertops, homeowners are using two tones, finishing their kitchen island in maybe limestone and the surrounding kitchen countertops in granite materials for a unique style.

At one time granite and marble were only seen in office buildings, while rustic style stone only was used in vacation homes.

"People are trying to personalize their homes more than they did before. Before you used to go through the house and you'd do everything pretty much the same overall. Now people are bringing in different types of materials like glass tile, mosaics, different designs, different sizes, textures, into the same room. They tend to want to give each room more personality by adding different types of products," said Giovanna Gomes, President of Stones Unlimited on Miramar Road.

What is completely losing a place in homes is the white tile countertops that was the staple in every home for decades. "White tile used to be typical when building or remodeling a house. Now we're seeing all white ceramic tile is being replaced with solid surface countertops such as granite which has no grout lines and is easier to care for," said Lilliana Bosforo, Director of Fabrication for Stones Unlimited.

There are many different choices, sizes, textures and styles of stone. Pricing varies depending on the type selected. Some very expensive flooring is even brought back from old chateaus and farmhouses in Europe that are scheduled for demolition. The 100 to 200-year-old stone material is brought to the US for cleaning, sanitizing, sizing and cataloging.

The chic look and durability of stone makes it appealing to homeowners. But experts caution that before it's put in homeowners should understand the maintenance required and the issues that may come up. One of the most common problems is stains. Because stone is very porous, if you spill things on it, the stone can easily absorb the liquid. However, proper care such as sealing the stone can alleviate this problem.

Gomes also said that you should consider how much foot traffic you have in various areas of your home before putting in stone floors. "Honed surfaces are usually the best because they're matte finishes so they don't wear like a polished material would. A polished marble will scratch and if you drop something acidic it'll etch which means the polish will be removed in that particular area. So there are more maintenance issues with polished surfaces," said Gomes.

However, honed surfaces show less wear pattern. Gomes said you can also be more aggressive with your cleaning, "It'll always look beautiful."

For countertops Bosforo recommends granite because it is dense and easy to maintain. "You're going to have your least amount of problems with a granite over marbles or limestone which some people do put those in their kitchens, but we let them know that there will be more maintenance with a marble or a limestone and, of course, you'd want to do it honed," Bosforo said.

Another reason granite is recommended over marble or limestone is because acids in some foods can etch the stone and cause it to leave marks or rings on the materials. When deciding which stone to choose, keep in mind these handy tips from Stones Unlimited:

- Granite is most suitable for kitchens and bar counters because it is the most dense. It also resists hot and cold. Acidic foods will not etch the polish.
- Marble is not as dense as granite but is more so than travertine. Marble works well for bathroom flooring, on back splashes and fireplaces.
- Travertine is not as dense as marble but is more so than limestone.
- Limestone is the softest and most porous of the stones. It requires more frequent sealing.
- Slate is an excellent choice for outdoors or indoors.

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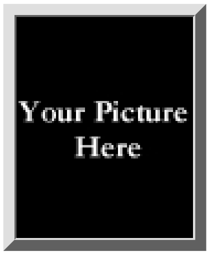

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Battle of the Warring Housing Price Indexes

By Kenneth R. Harney

We saw another "battle of the warring housing price indexes" last month, with the federal government reporting positive price appreciation in more than two-thirds of U.S. metropolitan markets -- at the same time a widely-publicized Wall Street index said home values were down by a record 4 percent for the year, and down by 5 percent in the top 20 markets.

How could there be such big differences? And which index is right? Here are the facts:

The federal government's house price index is produced quarterly by an agency called the Office of Federal Housing Enterprise Oversight (OFHEO). It measures valuation movements in a massive database of millions of homes whose loans were financed or refinanced by Fannie Mae or Freddie Mac.

The data covers nearly 300 major metropolitan markets and dozens of smaller non-metropolitan areas.

In its latest index, released November 29, OFHEO reported prices in some California and Florida markets down by 10 percent or more during the year. But it also found average price gains of 13 percent in the state of Utah, 12 percent in Wyoming, and 7 percent or higher in Montana, New Mexico, and Washington.

Plus it reported stable prices or modest gains in 204 of 287 cities, declines in 83, and an average national appreciation rate of 1.8 percent for the 12 months covered by the study.

Compare those numbers with the Standard & Poor's/Case-Shiller study that was released the same week. It found prices down in 15 of the top 20 real estate markets -- an 11 percent decline for Tampa, 10 percent for Miami and 9.6 percent for San Diego. Overall, according to Case-Shiller, average home values dropped by 5 percent for the 12 month period. What's going on here?

For starters, the two surveys are measuring very different things-even if news reports don't bother to tell you that. The Case-Shiller index has no data whatsoever from 13 states and incomplete data from 29 states. It does not cover condominiums or refinancings, but it does cover houses with subprime and jumbo loans.

The OFHEO study covers every state -- and that's very important because some of the strongest state and local housing markets today are in areas missed or incompletely covered by Case-Shiller.

But the OFHEO numbers have their own limitations-minimal coverage of houses with subprime mortgages, no jumbo loans and no FHA.

Both indexes are probably technically "correct" -- but they are not looking at the same houses or even the same local markets.

More importantly, neither of them will tell you the value change of a specific house in a specific neighborhood during a specific period of time.

For that, you need to consult your REALTOR® - - who tracks price movements every day of the week.

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Smoothing The Rough Road To Refinancing

By Broderick Perkins

Lower interest rates could offer some financial buoyancy for those looking to refinance before they get in over their heads.

Home mortgage interest rates have been flat or falling since early October. The falling average rate probably won't help those who purchased a home, a year or two ago, especially if they had a small equity stake in their home. "The problem is a lot of people in those products is they don't have any equity in the house and lenders want equity to refinance," said Glenda Queensbury, a mortgage adviser in San Jose, CA.

However, there could be a safe harbor available for others facing a resetting adjustable rate mortgage (ARM) with the potential for higher rates and unmanageable mortgage payments.

The key, say the experts, is to examine your options early.

"Absolutely. When people start feeling the pinch don't wait until you are delinquent. The more delinquent you become the more options that will start going off the table" says William Higgins, chief lending officer of online bank Ing Direct.

Higgins says it's a good idea to visit your existing lender first. That's especially true if your lender doesn't sell loans and has a vested financial interest in keeping its portfolio intact. Don't overlook other banks, credit unions and other lenders that retain loans.

"Behaviorally we might be more strict, but that's the important thing. We worry more about what happens because whatever happens to the borrower, happens to us. Portfolio lenders also have an advantage of not being in the unpredictable secondary market," Higgins said.

Higgins says in-house lenders are generally easier to work with in terms of refinance options, including loan modifications to help homeowners retain their existing loan and get out of trouble.

Queensbury said in-house lenders also have the option of trading more lenient underwriting standards for higher interest rates, a strategy that can give borrowers more wiggle room to refinance.

Trading an ARM for a fixed rate that's higher now isn't a bad deal if that ARM rate will eventually become unaffordable. A 40-year mortgage also can help offset the cost of trading an ARM for a fixed rate, due to the longer term's relatively smaller payments.

"If an in-house lender loosens qualifications, that's a risk and they have to compensate for that, but at least the person has a better chance of getting a loan," Queensbury said. Those with the most options to refinance have both equity and pristine credit, say the experts.

Homeowners thinking about refinancing should pull their credit report from the only federally-sanctioned free service, AnnualCreditReport.com. "If you have the equity, your credit must be pristine with no blemishes. If your credit is just basic or mediocre, you are not going to get a better rate," said Queensbury.

Trading one ARM for another ARM isn't out of the question as long as the new ARM is a hybrid that provides enough breathing room. "The customer needs to figure out how long they will be in the house or how long before they expect to borrow money again. A 3/1 hybrid is a hard bet. I'd see five years as short as you want to go right now," said Higgins.

Queensbury advises trading one ARM for another only if a fixed 30 year loan is unaffordable. "Consider a 10-year interest-only payment or try to get at least a five-year," she said.

An experienced mortgage broker or adviser can help homeowners sort through options from a variety of lenders to determine the most viable mortgage, fixed or adjustable. Queensbury says examine all potential options by comparing all loan costs of each refinance from a variety of sources -- in-house lenders, secondary market lenders and brokers.

"For people who are in a situation where they can refinance, sit down and let them show you and talk to you about everything they offer," she said. Above all, move fast. The mortgage market is as volatile as it's ever been. Rates could quickly reverse course and head back into choppy waters.

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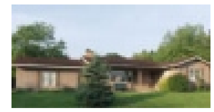
Love The Ranch-style House



By Blanche Evans

Eighty percent of existing housing was built before 1980. Most of those houses are ranch-style. You know -- the shoe-box house with the living and dining rooms on the front, the kitchen on the back and the bedrooms all together down the same hallway.

If you're a homebuyer, you either love ranch-style homes or they bore you. Either way, here are a few things you didn't know that will help you appreciate them more.

Housing is like the rings of a tree that show the age of a community. As you move further away from your town's center, you have neighborhoods of Victorian homes, then Tudor cottages, and then ranch-style homes.

All housing reflects the culture of the day. Designed for economy and functionality, ranch-style homes were mass-produced to serve post World War II families and they stayed popular while 78 million baby boomers matured into homebuyers. The 1950s through the '70s were also the age of the automobile. Ranch-style homes were built in sprawling communities, away from town centers, and mostly accessed by highways. Land was plentiful, so most of these single story or split-level homes are situated on fairly large lots.

But ranch-style homes have their downsides. They lack charm and they're so ubiquitous, they seem less than special.

But let's rethink that. These were homes designed as machines for living. They're modern, part of the design cycle of the jet age. The only thing these mid-century homes need is a little 21st century flair.

Ranch homes are easy to remodel or expand. Most load-bearing walls are on the perimeter, which makes knocking out or moving interior walls easy.

Take the kitchen, for example. In the family-centered '50s, the kitchen was the mother's magic kingdom. She would work her magic and emerge wearing her pearls and high-heels with dinner on a tray like there's nothing to it.

Fast forward 50 years, and you have frantic, two-income families. Time together is precious. Instead of being walled off, the kitchen has become part of the family room now.

When you preview a ranch-style home, don't think about what's out of date. Think about how this home can serve your needs today. These homes were built to last. Just replace those Jetson-era Formica countertops with polished concrete, hammered copper or honed granite. Install elegant French doors in place of the sliding glass patio doors. Raise the 8-foot ceilings to nine or ten feet.

Have fun decorating with the latest furniture. Open any furniture catalog and you'll see a trend toward retro low-slung modern designs, with an emphasis on machines (flat-panel TVs, computers), and family-gathering places like dens, just like the 1950s.

Retro is in because it works, and maybe you'll find the ranch-style home can work for you.

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Going Green:
Easier Than You May Think

By Phoebe Chongchua

Green may not be your favorite decorating color, but the concept of making your home environmentally green is growing in popularity as more homeowners realize that they can also save a little more green in their wallets.

The first thing to understand is that you don't have to buy a new, already green home or build a custom home to go green. There are everyday things that can be done that will not only save you some money in the operating costs of running your home but also may make your home more attractive when you want to sell it.

"Going green doesn't have to be painful. It doesn't have to cost you more money. It's more than just changing one fluorescent light bulb. It's an important consideration," says interior designer, Abbey Koplovitz.

"If you build from scratch, you're doing a residential renovation, and you build using green materials, it is going to cost you 20 to 30 percent more but again, you're already spending say $400,000, what's a little more," says Koplovitz.

But when it comes to making an existing home green, it's a lot cheaper since you often build that cost into the routine maintenance. Then the only thing is to routinely make your choice for materials be green.

"Buy a low-flow toilet. Buy a washer and dryer or a dishwasher that uses less water. A lot of my clients think about these things because they decrease the cost to run the home," says Koplovitz.

"So if you're going to buy stainless steel appliances to help sell your house because the kitchen might be a little tired, buy something that's Energy Star rated," says Koplovitz.

When you start your green-home project, first think about and identify what your priorities are. Is cost the main concern? Are you trying to eliminate a problem such as allergies by going green? Are you concerned about the environment and want to make sure the products you buy come from environmentally-friendly manufacturers?

"Typically you have to give something up. So I always tell my clients, 'What really is the most important thing to you?' If price-point is the most important thing to you, then that limits your choice of products. If color range of choices of flooring is really important to you, and you want to be environmentally green, you kind of go down different paths. So I think it's really important to identify what your goals are and how you want to be green," says Koplovitz.

She says that homeowners who have children with allergies will typically be concerned with air quality. So they'll go green by changing flooring or paint.

"You can get paints that are low or no Volatile Organic Compounds (VOC)," says Koplovitz.

But simple knowledgeable choices can keep you allergy-free and help the environment at the same time.

Koplovitz says avoid vinyl at all costs because it gives off toxic gasses. "If allergies are a concern, a really great product is linoleum; true linoleum doesn't increase your price-point very much and it's hypo-allergenic," says Koplovitz.

"If you have wood floors and you need to get them refinished or if you're putting in wood floors, you can go with latex finishes on them. Or, if you're doing carpeting, and you're not allergic to wool, there are many wool projects on the market that are made without a harsh chemical adhesive and harsh chemical processing," explains Koplovitz.

Most people paint their homes every five to 10 years. So one way that people can really contribute to the environment without spending a lot of extra money is by buying paints that have low or no VOC.

"Those are now readily available at all the major manufacturers of paint. So you don't even have to travel very far to get them," says Koplovitz.

To go green, you don't have to do it all at once. But as routine maintenance needs arise, think environmentally green when it comes to choosing materials and products and you'll likely save some money and take pride in doing your part to help protect the environment.

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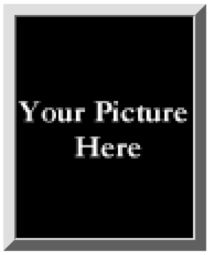

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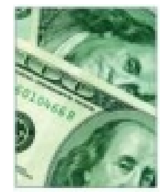
Understanding How Federal Reserve Rate Cuts Work



By Blanche Evans

Have you ever wondered how the Federal Reserve works? Here's a brief synopsis.

The Federal Reserve is the central bank of the federal government and the privately-held guardian of the U.S. economy. It's composed of 12 regional banks that report economic conditions. Together, the heads of the banks determine many economic policies.

They collectively:

- Regulate monetary and credit policies such as the buying and selling securities.
- Set the cost of credit (interest rates).
- Determine how much money and what terms are available to member banks for borrowing directly from the central bank (discount rates).
- Determine the rates and terms member banks borrow money from one another (federal funds target rates).

There are two ways banks can borrow money using Federally-insured funds. They can borrow money directly from the Fed using the "discount" rate, or they can borrow from each other using the "federal funds" interest rate. Both are short-term or overnight rates.

The discount rate is designed to improve liquidity for the banks themselves. The federal funds target rate rate is meant to impact consumer credit.

Because the Fed can't dictate what happens in the market, the Fed will issue a "target" rate for federal funds, which most banks stick close to. They can then charge consumers whatever they feel they can get away with in the form of credit card interest rates, mortgage interest rates, car loans and so on.

One thing the Fed does not do is set mortgage interest rates. The lenders do that based on such factors such as the yields from mortgage-backed securities. When the bond yields go down, interest rates follow. Bond yields go down when the market believes inflation is under control.

If that's true, mortgage interest rates will drop, and housing becomes more affordable.

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Bond Yields Inch Up, Rates Follow

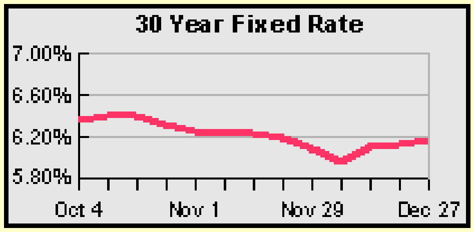
In Freddie Mac's results of its Primary Mortgage Market Survey the 30-year fixed-rate mortgage (FRM) averaged 6.17 percent for the week ending December 27, 2007, up from the previous week when it averaged 6.14 percent.

Last year at this time, the 30-year FRM averaged 6.18 percent.

"Stronger consumer spending and an increase in the core price deflator in November caused long-term bond yields to inch up, with mortgage rates following," said Frank Nothaft, Freddie Mac vice president and chief economist.

Mortgage Rates

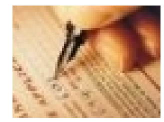
Source: Realty Times



U.S. averages as of December 27, 2007:

30 yr. fixed: 6.17%
15 yr. fixed: 5.79%
1 yr. adj: 5.53%

Credit Score Primer: What Buyers Need to Know



In the wake of the credit crisis, lenders have become much pickier about whom they lend to.

Here are some basic facts that will help potential borrowers understand what they face.

The measurement that most lenders use to assess applicants' credit risk is the FICO score developed by Fair Isaac Corp.

The score ranges from 300 to 850.

There's not one FICO score. Buyers have three: one for each of the three credit bureaus, Experian, TransUnion, and Equifax.

Each credit score is based on information the credit bureau keeps on file.

Since credit bureaus don't share their data with one another, the three FICO scores may differ, sometimes by as much as 100 points.

The components of a FICO score are:

- Payment history: 35 percent
- Amounts owed: 30 percent
- Length of credit history: 15 percent
- New credit: 10 percent
- Types of credit used: 10 percent

A consumer with a 580 credit score might qualify under FHA requirements. However, in order to qualify for a prime loan, generally a borrower must have a credit score above 620 for a conventional loan and above 720 for a loan at terms and rates most borrowers would consider desirable.

Reducing Utility Costs

Perhaps the biggest waste of energy is when heat escapes through leaks in windows, doors, fireplace dampers, ducts, wires, and pipes. A well-sealed home is an energy-efficient home that can save you as much as 10 to 15 percent on your heating bill. To make sure your home isn't losing heat through leaks, be sure to check the caulking and weather-stripping.

Fireplaces are wonderful and bring in a lot of warmth when they're in use. However, when a fire isn't burning you'll want to make sure that your damper is closed -- otherwise a lot of heat escapes. If you're leaving your home early in the morning, despite the temptation to leave the heater running so that you'll have a cozy home when you return, turn down the thermostat before you head out.

Finding Money For a Down Payment

Buyers who don't have a 20 percent down payment are finding it harder and harder to buy a home. Here are some sources of money that are still available.

- Borrowing from a 401(k). Only some companies allow this. The maximum available is $50,000 ($100,00 if both spouses have 401(k)s) and the loan must be repaid within five years.
- Withdrawing up to $10,000 from an IRA for a purchase of a first home. A potential borrower who hasn't owned a home in the past three years is considered a "first-time buyer".
- A gift. If buyers are comfortable asking for money, their parents, friends, and relatives can give a gift toward the down payment.

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Top 10 Tax Breaks, On The House

By Broderick Perkins

The New Year always turns thoughts to the new tax season and when it comes to taxes there's no place like home to find shelter. Your home offers a score of tax deductions and credits designed to help offset the cost of housing and to keep the housing market fueled with new buyers. Here's a look at the Top 10 Tax Breaks.

- Mortgage Loan Interest: The Mother Of All Tax Breaks, because interest payments comprises a large portion of your mortgage payment in the early years of the loan's term, mortgage interest on a maximum of $1 million in mortgage debt secured by a first and second home is deductible. Deductions reduce your taxable income against which your taxes due are calculated. The $1 million level applies to married tax filers who file jointly and single taxpayers. Married taxpayers who file separately split the maximum 50-50.

    Likewise, home equity loan interest is deductible, but limited to the smaller of $100,000 (half as much for each member of a married couple if they file separately), or the total of your home's fair market value as determined by a complicated formula.

- Home Improvement Loan Interest: The interest on a home improvement loan is also deductible, but calculated differently. You can deduct all the interest on a home improvement loan provided the work is a "capital improvement" rather than repairs, maintenance or cosmetic upgrades. Capital improvements typically increase your home's value, or prolong it's life.

- Points: Points, each equal to 1 percent of the loan principal, are charged by lenders as part of the cost of the loan. You can fully deduct points associated with a home purchase mortgage, but not a mortgage broker's commission. Refinanced mortgage points are deductible too, but only when they are amortized over the life of the loan. Once you refinance a second time, the balance of the old points from a refinanced loan offer an immediate write off, as you begin to amortize the new points.

- Property Taxes: Property taxes or real estate taxes are fully deductible. Any local city or state property tax refunds reduces your federal property tax deduction by the same amount.

- Capital Gains Exclusion: Home buying investors' best tax shelter comes from provisions in the Taxpayer Relief Act of 1997 which allows married taxpayers who file jointly to keep, tax free, up to $500,000 in profit on the sale of a home used as a principal residence for two of the prior five years. The amount is halved for those filing single or separately.

- Home-Based Business Deduction: Home offices that use a portion of your home exclusively for business could qualify you to deduct a percentage of costs related to that portion. Included are a percentage of your insurance and repair costs, utility bills and depreciation.

- Selling Costs and Capital Improvements: When you sell your home, you can reduce your taxable capital gain by the amount of your selling costs, which include real estate commissions, title insurance, legal fees, advertising and inspection fees. Cost typically stemming from decorating or repairs -- painting, wallpapering, maintenance, and the like -- are also selling costs if you complete them within 90 days of your sale and with the intention of making the home more saleable.

- Moving Costs: A move triggered by a new job comes with some deductible moving costs. To qualify, you must meet certain requirements including, moving within one year of starting your new job, moving 50 miles farther from your old home than your old job was and working full-time at the new job for 39 of 52 weeks following the move. Deductions include travel or transportation costs and expenses for lodging and storing your belongings.

- Mortgage Tax Credit: Mortgage Credit Certificates (MCCs) allow qualifying low-income, first-time home buyers to take a mortgage interest tax credit of up to 20 percent (the amount varies by jurisdiction) of the mortgage interest payments made on a home. This credit is available every year you keep the loan and live in the house purchased with the certificate. Unlike a deduction that reduces your income, the credit is subtracted, dollar for dollar, from the income tax owed.

- Energy Tax Credits: The newest home-based tax credits were made possible last year by the Energy Policy Act of 2005. Tax credits of up to $500 in 2006 and 2007 are available for upgrading heating and air conditioning systems, insulations, windows, doors and thermostats, caulking leaks, installing pigmented metal roofs and for otherwise putting the bite on energy waste in your home.

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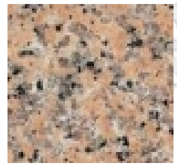
Stone is a Growing Trend for Home Décor

By Phoebe Chongchua



It's as old as time, but as popular as ever. Stone is rapidly making its way into homes as perhaps one of the fastest growing decorating trends. The European Old World look brings with it not only a luxurious style but also an ease and comfort that gives a home personality.

Homeowners are leaving behind the once-preferred 70's looks of wall-to-wall carpeting throughout the house, linoleum kitchen floors and vinyl tiles in the bathroom, and instead choosing natural stone, Versailles patterns, travertine, and limestone, with honed-matte finished surfaces. For countertops, homeowners are using two tones, finishing their kitchen island in maybe limestone and the surrounding kitchen countertops in granite materials for a unique style.

At one time granite and marble were only seen in office buildings, while rustic style stone only was used in vacation homes.

"People are trying to personalize their homes more than they did before. Before you used to go through the house and you'd do everything pretty much the same overall. Now people are bringing in different types of materials like glass tile, mosaics, different designs, different sizes, textures, into the same room. They tend to want to give each room more personality by adding different types of products," said Giovanna Gomes, President of Stones Unlimited on Miramar Road.

What is completely losing a place in homes is the white tile countertops that was the staple in every home for decades. "White tile used to be typical when building or remodeling a house. Now we're seeing all white ceramic tile is being replaced with solid surface countertops such as granite which has no grout lines and is easier to care for," said Lilliana Bosforo, Director of Fabrication for Stones Unlimited.

There are many different choices, sizes, textures and styles of stone. Pricing varies depending on the type selected. Some very expensive flooring is even brought back from old chateaus and farmhouses in Europe that are scheduled for demolition. The 100 to 200-year-old stone material is brought to the US for cleaning, sanitizing, sizing and cataloging.

The chic look and durability of stone makes it appealing to homeowners. But experts caution that before it's put in homeowners should understand the maintenance required and the issues that may come up. One of the most common problems is stains. Because stone is very porous, if you spill things on it, the stone can easily absorb the liquid. However, proper care such as sealing the stone can alleviate this problem.

Gomes also said that you should consider how much foot traffic you have in various areas of your home before putting in stone floors. "Honed surfaces are usually the best because they're matte finishes so they don't wear like a polished material would. A polished marble will scratch and if you drop something acidic it'll etch which means the polish will be removed in that particular area. So there are more maintenance issues with polished surfaces," said Gomes.

However, honed surfaces show less wear pattern. Gomes said you can also be more aggressive with your cleaning, "It'll always look beautiful."

For countertops Bosforo recommends granite because it is dense and easy to maintain. "You're going to have your least amount of problems with a granite over marbles or limestone which some people do put those in their kitchens, but we let them know that there will be more maintenance with a marble or a limestone and, of course, you'd want to do it honed," Bosforo said.

Another reason granite is recommended over marble or limestone is because acids in some foods can etch the stone and cause it to leave marks or rings on the materials. When deciding which stone to choose, keep in mind these handy tips from Stones Unlimited:

- Granite is most suitable for kitchens and bar counters because it is the most dense. It also resists hot and cold. Acidic foods will not etch the polish.
- Marble is not as dense as granite but is more so than travertine. Marble works well for bathroom flooring, on back splashes and fireplaces.
- Travertine is not as dense as marble but is more so than limestone.
- Limestone is the softest and most porous of the stones. It requires more frequent sealing.
- Slate is an excellent choice for outdoors or indoors.

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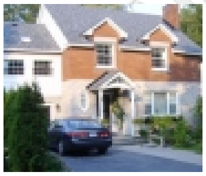
Battle of the Warring Housing Price Indexes

By Kenneth R. Harney



We saw another "battle of the warring housing price indexes" last month, with the federal government reporting positive price appreciation in more than two-thirds of U.S. metropolitan markets -- at the same time a widely-publicized Wall Street index said home values were down by a record 4 percent for the year, and down by 5 percent in the top 20 markets.

How could there be such big differences? And which index is right? Here are the facts:

The federal government's house price index is produced quarterly by an agency called the Office of Federal Housing Enterprise Oversight (OFHEO). It measures valuation movements in a massive database of millions of homes whose loans were financed or refinanced by Fannie Mae or Freddie Mac.

The data covers nearly 300 major metropolitan markets and dozens of smaller non-metropolitan areas.

In its latest index, released November 29, OFHEO reported prices in some California and Florida markets down by 10 percent or more during the year. But it also found average price gains of 13 percent in the state of Utah, 12 percent in Wyoming, and 7 percent or higher in Montana, New Mexico, and Washington.

Plus it reported stable prices or modest gains in 204 of 287 cities, declines in 83, and an average national appreciation rate of 1.8 percent for the 12 months covered by the study.

Compare those numbers with the Standard & Poor's/Case-Shiller study that was released the same week. It found prices down in 15 of the top 20 real estate markets -- an 11 percent decline for Tampa, 10 percent for Miami and 9.6 percent for San Diego. Overall, according to Case-Shiller, average home values dropped by 5 percent for the 12 month period. What's going on here?

For starters, the two surveys are measuring very different things-even if news reports don't bother to tell you that. The Case-Shiller index has no data whatsoever from 13 states and incomplete data from 29 states. It does not cover condominiums or refinancings, but it does cover houses with subprime and jumbo loans.

The OFHEO study covers every state -- and that's very important because some of the strongest state and local housing markets today are in areas missed or incompletely covered by Case-Shiller.

But the OFHEO numbers have their own limitations-minimal coverage of houses with subprime mortgages, no jumbo loans and no FHA.

Both indexes are probably technically "correct" -- but they are not looking at the same houses or even the same local markets.

More importantly, neither of them will tell you the value change of a specific house in a specific neighborhood during a specific period of time.

For that, you need to consult your REALTOR® - - who tracks price movements every day of the week.

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Smoothing The Rough Road To Refinancing

By Broderick Perkins

Lower interest rates could offer some financial buoyancy for those looking to refinance before they get in over their heads.

Home mortgage interest rates have been flat or falling since early October. The falling average rate probably won't help those who purchased a home, a year or two ago, especially if they had a small equity stake in their home. "The problem is a lot of people in those products is they don't have any equity in the house and lenders want equity to refinance," said Glenda Queensbury, a mortgage adviser in San Jose, CA.

However, there could be a safe harbor available for others facing a resetting adjustable rate mortgage (ARM) with the potential for higher rates and unmanageable mortgage payments.

The key, say the experts, is to examine your options early.

"Absolutely. When people start feeling the pinch don't wait until you are delinquent. The more delinquent you become the more options that will start going off the table" says William Higgins, chief lending officer of online bank Ing Direct.

Higgins says it's a good idea to visit your existing lender first. That's especially true if your lender doesn't sell loans and has a vested financial interest in keeping its portfolio intact. Don't overlook other banks, credit unions and other lenders that retain loans.

"Behaviorally we might be more strict, but that's the important thing. We worry more about what happens because whatever happens to the borrower, happens to us. Portfolio lenders also have an advantage of not being in the unpredictable secondary market," Higgins said.

Higgins says in-house lenders are generally easier to work with in terms of refinance options, including loan modifications to help homeowners retain their existing loan and get out of trouble.

Queensbury said in-house lenders also have the option of trading more lenient underwriting standards for higher interest rates, a strategy that can give borrowers more wiggle room to refinance.

Trading an ARM for a fixed rate that's higher now isn't a bad deal if that ARM rate will eventually become unaffordable. A 40-year mortgage also can help offset the cost of trading an ARM for a fixed rate, due to the longer term's relatively smaller payments.

"If an in-house lender loosens qualifications, that's a risk and they have to compensate for that, but at least the person has a better chance of getting a loan," Queensbury said. Those with the most options to refinance have both equity and pristine credit, say the experts.

Homeowners thinking about refinancing should pull their credit report from the only federally-sanctioned free service, AnnualCreditReport.com. "If you have the equity, your credit must be pristine with no blemishes. If your credit is just basic or mediocre, you are not going to get a better rate," said Queensbury.

Trading one ARM for another ARM isn't out of the question as long as the new ARM is a hybrid that provides enough breathing room. "The customer needs to figure out how long they will be in the house or how long before they expect to borrow money again. A 3/1 hybrid is a hard bet. I'd see five years as short as you want to go right now," said Higgins.

Queensbury advises trading one ARM for another only if a fixed 30 year loan is unaffordable. "Consider a 10-year interest-only payment or try to get at least a five-year," she said.

An experienced mortgage broker or adviser can help homeowners sort through options from a variety of lenders to determine the most viable mortgage, fixed or adjustable. Queensbury says examine all potential options by comparing all loan costs of each refinance from a variety of sources -- in-house lenders, secondary market lenders and brokers.

"For people who are in a situation where they can refinance, sit down and let them show you and talk to you about everything they offer," she said. Above all, move fast. The mortgage market is as volatile as it's ever been. Rates could quickly reverse course and head back into choppy waters.

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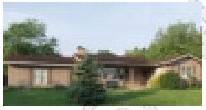
Love The Ranch-style House

By Blanche Evans



Eighty percent of existing housing was built before 1980. Most of those houses are ranch-style. You know -- the shoe-box house with the living and dining rooms on the front, the kitchen on the back and the bedrooms all together down the same hallway.

If you're a homebuyer, you either love ranch-style homes or they bore you. Either way, here are a few things you didn't know that will help you appreciate them more.

Housing is like the rings of a tree that show the age of a community. As you move further away from your town's center, you have neighborhoods of Victorian homes, then Tudor cottages, and then ranch-style homes.

All housing reflects the culture of the day. Designed for economy and functionality, ranch-style homes were mass-produced to serve post World War II families and they stayed popular while 78 million baby boomers matured into homebuyers. The 1950s through the '70s were also the age of the automobile. Ranch-style homes were built in sprawling communities, away from town centers, and mostly accessed by highways. Land was plentiful, so most of these single story or split-level homes are situated on fairly large lots.

But ranch-style homes have their downsides. They lack charm and they're so ubiquitous, they seem less than special.

But let's rethink that. These were homes designed as machines for living. They're modern, part of the design cycle of the jet age. The only thing these mid-century homes need is a little 21st century flair.

Ranch homes are easy to remodel or expand. Most load-bearing walls are on the perimeter, which makes knocking out or moving interior walls easy.

Take the kitchen, for example. In the family-centered '50s, the kitchen was the mother's magic kingdom. She would work her magic and emerge wearing her pearls and high-heels with dinner on a tray like there's nothing to it.

Fast forward 50 years, and you have frantic, two-income families. Time together is precious. Instead of being walled off, the kitchen has become part of the family room now.

When you preview a ranch-style home, don't think about what's out of date. Think about how this home can serve your needs today. These homes were built to last. Just replace those Jetson-era Formica countertops with polished concrete, hammered copper or honed granite. Install elegant French doors in place of the sliding glass patio doors. Raise the 8-foot ceilings to nine or ten feet.

Have fun decorating with the latest furniture. Open any furniture catalog and you'll see a trend toward retro low-slung modern designs, with an emphasis on machines (flat-panel TVs, computers), and family-gathering places like dens, just like the 1950s.

Retro is in because it works, and maybe you'll find the ranch-style home can work for you.

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Going Green: Easier Than You May Think

By Phoebe Chongchua

Green may not be your favorite decorating color, but the concept of making your home environmentally green is growing in popularity as more homeowners realize that they can also save a little more green in their wallets.

The first thing to understand is that you don't have to buy a new, already green home or build a custom home to go green. There are everyday things that can be done that will not only save you some money in the operating costs of running your home but also may make your home more attractive when you want to sell it.

"Going green doesn't have to be painful. It doesn't have to cost you more money. It's more than just changing one fluorescent light bulb. It's an important consideration," says interior designer, Abbey Koplovitz.

"If you build from scratch, you're doing a residential renovation, and you build using green materials, it is going to cost you 20 to 30 percent more but again, you're already spending say $400,000, what's a little more," says Koplovitz.

But when it comes to making an existing home green, it's a lot cheaper since you often build that cost into the routine maintenance. Then the only thing is to routinely make your choice for materials be green.

"Buy a low-flow toilet. Buy a washer and dryer or a dishwasher that uses less water. A lot of my clients think about these things because they decrease the cost to run the home," says Koplovitz.

"So if you're going to buy stainless steel appliances to help sell your house because the kitchen might be a little tired, buy something that's Energy Star rated," says Koplovitz.

When you start your green-home project, first think about and identify what your priorities are. Is cost the main concern? Are you trying to eliminate a problem such as allergies by going green? Are you concerned about the environment and want to make sure the products you buy come from environmentally-friendly manufacturers?

"Typically you have to give something up. So I always tell my clients, 'What really is the most important thing to you?' If price-point is the most important thing to you, then that limits your choice of products. If color range of choices of flooring is really important to you, and you want to be environmentally green, you kind of go down different paths. So I think it's really important to identify what your goals are and how you want to be green," says Koplovitz.

She says that homeowners who have children with allergies will typically be concerned with air quality. So they'll go green by changing flooring or paint.

"You can get paints that are low or no Volatile Organic Compounds (VOC)," says Koplovitz.

But simple knowledgeable choices can keep you allergy-free and help the environment at the same time.

Koplovitz says avoid vinyl at all costs because it gives off toxic gasses. "If allergies are a concern, a really great product is linoleum; true linoleum doesn't increase your price-point very much and it's hypo-allergenic," says Koplovitz.

"If you have wood floors and you need to get them refinished or if you're putting in wood floors, you can go with latex finishes on them. Or, if you're doing carpeting, and you're not allergic to wool, there are many wool projects on the market that are made without a harsh chemical adhesive and harsh chemical processing," explains Koplovitz.

Most people paint their homes every five to 10 years. So one way that people can really contribute to the environment without spending a lot of extra money is by buying paints that have low or no VOC.

"Those are now readily available at all the major manufacturers of paint. So you don't even have to travel very far to get them," says Koplovitz.

To go green, you don't have to do it all at once. But as routine maintenance needs arise, think environmentally green when it comes to choosing materials and products and you'll likely save some money and take pride in doing your part to help protect the environment.

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Understanding How Federal Reserve Rate Cuts Work

By Blanche Evans

Have you ever wondered how the Federal Reserve works? Here's a brief synopsis.

The Federal Reserve is the central bank of the federal government and the privately-held guardian of the U.S. economy. It's composed of 12 regional banks that report economic conditions. Together, the heads of the banks determine many economic policies.

They collectively:

- Regulate monetary and credit policies such as the buying and selling securities.
- Set the cost of credit (interest rates).
- Determine how much money and what terms are available to member banks for borrowing directly from the central bank (discount rates).
- Determine the rates and terms member banks borrow money from one another (federal funds target rates).

There are two ways banks can borrow money using Federally-insured funds. They can borrow money directly from the Fed using the "discount" rate, or they can borrow from each other using the "federal funds" interest rate. Both are short-term or overnight rates.

The discount rate is designed to improve liquidity for the banks themselves. The federal funds target rate rate is meant to impact consumer credit.

Because the Fed can't dictate what happens in the market, the Fed will issue a "target" rate for federal funds, which most banks stick close to. They can then charge consumers whatever they feel they can get away with in the form of credit card interest rates, mortgage interest rates, car loans and so on.

One thing the Fed does not do is set mortgage interest rates. The lenders do that based on such factors such as the yields from mortgage-backed securities. When the bond yields go down, interest rates follow. Bond yields go down when the market believes inflation is under control.

If that's true, mortgage interest rates will drop, and housing becomes more affordable.

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