

# REAL ESTATE Update

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**Rates Slip Again****F**reddie Mac reported fixed

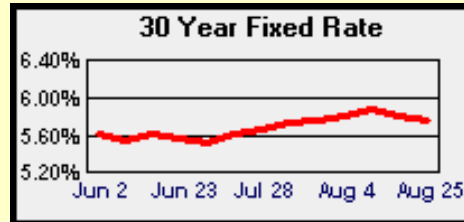
interest rates on 30-year, conforming mortgages averaged 5.77 percent the week ending Aug. 25, down from 5.8 percent the week before and 5.89 percent on Aug. 11 when rates last stopped rising.

Rates last began to rise after June 30 when they hit the year's lowest level at 5.53 percent.

But that's not the first time rates see-sawed this year. The first rate report of the year put the average rate at 5.77 percent. By Feb. 10, that had fallen to

**Mortgage Rates**

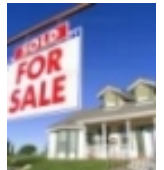
Source: Realty Times



U.S. averages as of August 25, 2005:

**30 yr. fixed: 5.77%**  
**15 yr. fixed: 5.35%**  
**1 yr. adj: 4.56%**

5.57 percent, only to turn up to the year's high point of 6.04 by March 31. By June, the average was back down to 5.53 percent.

**Despite Big Numbers, Increase Still Predicted****O**verall,

homebuying conditions are still remarkably favorable.

Mortgage interest rates are well under six percent. And the National Association of Realtors (NAR) reports that housing is still on target to hit new records this year.

In fact, the NAR recently reported that out of 149 metropolitan statistical areas, 67 showed double-digit increases in housing prices for single-family homes. Only seven areas posted price declines, and those were generally modest.

The national median existing single-family home price was \$208,500 in the second quarter, up over 13 percent from the second quarter of 2004 when the median price was \$183,500. The median is a typical market price where half of the homes sold for more and half sold for less. In all, 94 metro areas saw increases above the U.S. historic average of over six percent.

Since 1968, prices generally have risen 1 to 2 percentage points faster than the overall rate of inflation, so a 13 percent increase in prices is incredible.

The Mortgage Bankers Association is predicting that housing won't cool off until 2006. The MBA's Chief Economist Doug Duncan says interest rates should remain low. "Despite a moderate increase from a currently low rate environment, interest rates will still be quite low by historical standards," he says.

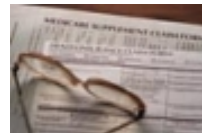
What goes up will come down, but economists are expecting only slight moderation in housing sales. That said, it looks like the market's still good for first-time homebuyers overall.

**Benefits Of Buying At The End Of The Year****I**n addition to low

interest rates, there are other benefits to buying at the end of the year, including:

Tax savings. Closing on your new home by Dec. 31, 2005, means you can deduct mortgage interest, property taxes and points on your loan on your 2005 income tax return. These deductions are significant, especially in the early years of your loan when you are paying off so much interest.

Many sellers will also be anxious to sell by the end of the year so that they, too, can enjoy tax savings on the next home they purchase. That means you may have more leverage during negotiations. However, if you're in a strong seller's market, you'll want to be conservative -- and always heed the advice of your REALTOR®.

**Avoid Surprises: Know Your Homeowner's Coverage****T**he typical

homeowner's policy includes coverage for perils and losses due to fire, lightning, tornadoes, windstorms, hail, explosions, smoke, vandalism and theft. Just as you would scrutinize the terms of your medical insurance, the nuances and details of your homeowner's policy should be examined seriously.

Too often, homeowners sign up for a policy and go on autopilot regarding its terms and coverage without taking new acquisitions, risks, and increasing value of their homes into consideration.

Most insurance agents recommend a regular insurance "check-up" for consumers, so that homeowners are not left "high and dry" when disasters and losses strike.

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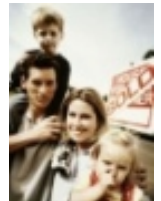
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**Moving Up? What You Need to Consider to  
Accommodate Your Growing Family***By Michele Dawson*

One of the most common reasons to buy a home is to accommodate your growing family. Perhaps you want to live in a neighborhood with better schools and more services, or maybe you need a bigger house as the two of you turns into three and then four.

In fact, in a recent study by the National Association of Home Builders, some 64 percent of respondents agreed with the statement: "I wish my home were larger." The other two top concerns are price and finding the right neighborhood.

If you have a young family and are ready to make the jump from your entry level home, or if you've been renting and are embarking on the purchase of your first house, you'll want to consider the following during your house-hunting ventures:

- **Neighborhood.** As you examine a specific neighborhood, ask yourself if this is a neighborhood in which you'd feel comfortable. Although your kids are toddlers now, in just a few short years they'll be outside riding their bikes and playing with the neighborhood children. Buying in a good neighborhood also helps ensure your property values.
- **Schools.** Again, if you have a baby or toddler now, kindergarten will be here before you know it. Visit the neighborhood schools, talk to the principal, teachers, and other parents in the neighborhood. Ask to see standardized test scores. Your real estate agent can usually provide you with additional information about schools in the area.
- **Crime.** While a neighborhood may look safe, it could be riddled with incidents of burglary or vandalism. Check with the local law enforcement agency to see if the neighborhood you are eyeing has any specific chronic crime problems.
- **Bedroom space.** If you're planning on more children, you'll want to consider how many bedrooms you'll need. Will the children share rooms or have their own?
- **Play area.** If you have young children, you'll want to factor in where the kids will play. Sometimes storing the bulk of the

toys in the child's room works, but in some instances, like if the child's room is upstairs, it's difficult to supervise. In that case, you'll want to consider whether the house is configured to provide the space they need to play and move about.

- **Homework and study areas.** As your children reach school age and need more time and space for homework, you'll need to consider whether there's space in their bedroom, in the kitchen area, or in another nook or niche, prevalent in many newer homes.
  - **Computer use.** Perhaps you already have a home office, complete with a computer set-up. The time may - or more likely, will - come when your child needs a computer for homework and research. This may require a second computer, and the required space for a second system. This will especially be true if one of the parents works at home and frequently uses the computer.
  - **Family room.** Your youngest is only 7, but by the time your three sons reach their adolescent and teen years, will the family room be as comfortable as it is now? Don't forget that friends will be stopping by frequently. A house with a finished basement or gameroom is ideal for older kids.
  - **Bathrooms.** Your kids may not spend much time in the bathroom now, but that will change in the years ahead. Make sure you consider how the number of bathrooms, and the extent of vanity areas will work for your family. A bathroom with two sinks and a long countertop are ideal for two siblings to get ready for school in the morning.
  - **Pool.** Does the house you're eyeing have a pool? It will be great for your family. But be sure you put a fence around the perimeter.
- While some of these factors may be out of your control because of budget constraints and housing availability, you'll want to come up with a priority list and determine which factors and characteristics are most important to your growing family.

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**Bad Wiring Thwarts  
Smart Homes***By Broderick Perkins*

Many new homes are built with communications wiring that may be inadequate for computer, telecommunications, entertainment, security and other electronic systems.

The Federal Communications Commission, in 2000, last issued communication wiring rules for homes that require all telecommunications wiring in new residences be of the so called "Category 3" or better grade.

Cat 3 is a cable that includes 2 to 4 twisted pairs of copper wire enclosed in a plastic sheath and replaces the old 4-wire telephone cable.

"A few (builders) still build homes that don't even measure up to the basic FCC requirement," said John Cowie with the New York City-based Copper Development Association.

"Others barely meet the standard. Consequently, homeowners who want more than the bare minimum often have to rewire at a cost substantially higher than the cost of installing adequate wiring in the first place," he added.

The minimum FCC standard is based on 10-year-old technology and may not be adequate for today's more sophisticated telecommunications networks possible for residential use, says Cowie.

The trade group, including members who manufacture and sell telecommunications cable, say at only slightly additional cost to builders -- or the home owner should he or she want to foot the bill -- Category 5e should be the cable of choice.

Cat 5e is phone and data wiring designed for use in a structured network that allows up to four phone lines per location as well as telecommunications networking.

Beyond use of the Cat 5e standard, Cowie offers the following guide to "smarter" telecommunications wiring.

An "Excellent-A" system includes two Category 5e

structured wiring ports -- one for telephone and one for data -- teamed with two RG-6 coaxial cable ports for two-way video signals. RG-6 cable is designed to amplify television signal strength and to transmit high quality digital satellite, cable, and DVD movie images and signals. Two telephone and two data ports should be available at two locations in virtually every room. A central distribution device (CDD) provides connectivity between rooms and with the outside world to bring in and distribute signals throughout the home. The system is also configured for security, energy-management and entertainment systems.

A "Good-B" configuration includes the same set up as an "Excellent" system with a CDD but only one telephone and data port in each room. Additional wiring has been installed behind walls for future use as needs may arise. Entertainment, security and energy-management features may also be present for future use.

The "Average-C" set up includes Cat 5e and RG-6 outlets in two or three key rooms using a CDD but can be limited or inflexible in terms of features beyond computer and telephone networks and in terms of expansion later.

The "Minimum Standard-D" meets FCC requirements in terms of using Cat 3 wiring but is useful primarily for telephone wiring and limited computer networks.

The "Failure-F" level of wiring does not meet minimum FCC standards. The building may use the FCC wiring standard but without a CDD the system is already obsolete.

"One of the biggest reasons for buying a brand new home is to benefit from the latest home technology. There is no reason to accept a new home that does not merit a grade of "B" or better when it comes to communications wiring," says Cowie.

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## Top 10 Reasons Loan Applications Are Rejected

By Broderick Perkins



As interest rates rise and rising housing costs swells lenders' portfolios with riskier loans, lenders will tighten underwriting rules making it tougher to buy a home. Still -- in hot markets and in cool ones -- the fundamentals apply. Getting a loan application approved is often knowing how to keep lenders from saying "no." To that end, here are the Top 10 reasons loan applications wind up the circular file. There are more, but these top the list.

- Being in denial about what you can really afford. Apply for too much and you could be out the door faster than you went in. Let the lender decide what you can afford to borrow. From that, you decide what your budget will realistically let you afford to pay each month. Get preapproved with a bona fide, carved-in-stone preapproval that guarantees in writing a loan amount, interest rate and as much of the other loan terms as possible. "It makes your offer more attractive to sellers," said Jeff Lyons, of LendingTree, LLC.

- Poor preparation. Get all your docs in a row. The more information you have available at application -- proof of income, investments, assets, debts, tax returns for the self-employed, even addresses, current and past -- the more complete the loan officer's analysis can be in a more timely manner.

"A thousand and one little things go a long way toward ensuring the client has a good experience," said Bill Emerson, Livonia, MI-based Quicken Loans' CEO.

- Misunderstandings. You may need loan programs explained. Industry jargon about an "index," "margin," "T-bills" and other terminology is familiar to real estate and mortgage professionals, but likely not you. Your loan representative can help you with any terms you may not be familiar with, you can visit many online glossaries or pick up one of many real estate mortgage books, virtually all of which contain a glossary.

- Not realizing you are self-employed. First-time buyers who are self-employed (which can include working at home, being paid by commission only, or owning 25 percent or more of a business) often need to show tax returns as a proof of income. Communicate your employment status before the loan hits the underwriting process and avoid snags later.

- Over looking property repair problems. Government loans on

homes in need of repair need to come with instructions explaining who is responsible for repairs and when. Ask the loan representative for assistance.

- Third party vendor problems. Credit reports and appraisals typically come through on time but other documents -- tax returns, home inspections, investment reports -- may require extra early efforts to get them to the table on time.

- Lack of understanding about the loan process. A working knowledge of what happens during the processing, underwriting and closing of a loan is crucial. Understanding time frames, documentation and the responsibilities of all parties is also key. "Despite our efforts to simplify the mortgage process, it is still a very complicated process," said Emerson.

Lyons advises, "Make sure that you get a Good Faith Estimate of your closing costs to ensure that you understand everything that will be paid at closing. This document will also be a great reference when closing arrives to make sure everything is as it should be."

- Undocumented explanations for credit problems. Check your credit report before you apply for a mortgage. You need to know before the lender about errors you can correct, problems you may need to explain, and delinquencies you can clean up.

- Unverified closing funds. If your loan requires funds from you to close (down payment, gifts, cash to keep the loan from exceeding 80 percent of the value, etc.), you may have to show bank statements or documents that prove how long the funds have been in place, the source of the funds, your asset level, etc.

"Do not be afraid to read the closing documents and statements carefully. Whether buying or selling, you've got a lot on the line with these documents and want to make sure that the figures are correct and as agreed," said Lyons

- Poor communications. There are many parties involved in a residential real estate transaction -- buyer, seller, real estate agent, mortgage banker, home inspectors, appraiser, attorney and settlement or escrow agent -- and each must have complete understanding of what is going on at any given time. A good loan representative, broker or real estate agent will help keep the lines of communication open.

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## Tips For Real Estate Investors

By Broderick Perkins



Got the real estate investment bug? You aren't alone. By the end of 2004, the National Real Estate Investors Association's 20,000 affiliated members were double the previous year's numbers, but even at 20,000 represented only about one fourth of all U.S. real estate investors in investment clubs, the association said.

Investors accounted for what's likely a record 23 percent of all home sales last year, according to the National Association of Realtors' "2005 National Association of Realtors Profile of Second-Home Buyers."

While the investor purchase portion is 23 percent, other second home buyers who become aware of the potential for a return on their property may very well take a more speculative approach. The second home market now accounts for 38 percent of the existing housing stock and 36 percent of all homes purchased last year, NAR said. "These aren't second homes. You know where that down payment is coming from. People are leveraging one price asset against another on a pure momentum play," said Robert M. Campbell, a San Diego-based investor and author of "Timing The Real Estate Market."

Residential real estate investors have become a driving force in the residential real estate market -- much as the dot com stock market did to create the New Economy and the longest economic expansion on record. But just as the dot com bust littered Wall Street with lost shirts, a real estate down turn could leave blood red ink flowing down Main Street if rookie investors let the lure of green cloud their judgment.

We talked to individual investors, real estate agents who also invest, investment clubbers and others to help get you started with the dos and don'ts of real estate investments. Here's what they suggest.

**Buy your own home first.** Buying a home will not only put a roof over your head, but teach you the true cost of property ownership beyond the monthly mortgage payment, give you a primer on financing, school you on how location and changing market conditions affect property values, give you the angle on tax and other home owning benefits, help you learn about

property maintenance, introduce you to a host of professionals who could prove invaluable when you really get into investments and otherwise act as a prerequisite foundation for higher studies in real estate investments.

Even before home ownership the process of buying a home provides basic information that later could prove invaluable to you as an investor. What's more -- your first home could later become your first investment property, a property in a market with which you are familiar.

**Go back to school.** After you buy your own home turn to the Internet, libraries of books by reputable authors, successful, credible investment groups, college and university level courses. Individual real estate investors, salespeople and others who you met on the way to home ownership may also be valuable resources, both for information and as a mentor.

**Get professional help.** The same way you find any competent, trustworthy and honest professional is the same way to look for a mentor, investment partner with prior knowledge or investment group. Seek referrals from friends, family, professionals with whom you already conduct business, co-workers and others you trust who've recently had a satisfactory, successful experience investing in real estate. You'll also need professional help once you are beyond the buying stage -- someone to manage your investment for example.

**Learn your investment market.** One market's bubble could be one investor's boom and another investor's bust. A home in one market could give you vacation rental income in a half year sufficient to cover the cost of principal, interest, taxes, insurance, home owner association dues, upkeep and other costs, but not appreciate, while another home in another market won't bring you enough rent to cover your expenses but appreciate more than enough to make up for it over the long term. The variables are endless.

"The most common mistake of inexperienced investors is to make the mistake that one area is the same as another," said Romeo Danais, who has investments in Oklahoma, Texas and New Hampshire.

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## Relieving the Stress of Packing

By Margo Rudman Gold



Packing can be stressful time for every member of the family. To ensure that your move goes as smoothly as possible, try the following tips!

**Pack a "Red Box"**

Since one in five American families moves every year, that means 22 million families may be searching for their TV remote controls!

One of the pitfalls of packing for a move is you can't always anticipate what you'll need when you arrive at your new home, and movers typically list only the obvious such as dishes, glasses, bedding, etc. The miscellaneous items you need in the first few hours invariably wind up on the bottom of a random box.

To start, you may want to create your own "red box" as some moving companies ("Removers") do in Great Britain. This is the last box loaded and the first one off the truck. The one universal item in the red box is the tea kettle (perhaps this would be the coffee maker in the U.S.). This is also the place for miscellaneous but crucial items such as scissors, pens, paper, hammer, nails, hooks, screwdriver and tape measure.

Packing a suitcase for each family member as though you were going on a short vacation is another good idea. Include a few sets of clothing and sleepwear, footwear, outerwear, personal toiletries, medications and eyeglasses. Make sure to bring starter family toiletries like soap, toilet tissues and paper towels as well.

**Children's Toys and Play Dates**

New York child psychologist Dr. Cindy Linde placed the school directories from both their old and new schools in an important box when she moved with her own young children. That way they could keep in touch with their old friends and classmates, and she could make play dates with her children's new classmates.

Carol O'Leary recently relocated from London to New York with her family. She found she urgently needed her children's

immunization records, and had no idea which box of papers they were in. While her husband's relocation liaison had told her to carry school records, no one had told her the children could not begin school without proof of immunizations. She also found that while she always remembered foreign currency for a vacation, it hadn't occurred to her to carry American dollars to tip the movers and buy pizza.

While your children's most cherished toys go at the top of a box, you may want to bury outgrown toys they just can't give up at the bottom. Hopefully, out of sight will mean out of mind!

**Comforts of Home**

Framed photos may not seem like the first thing to unpack, but familiar photos scattered around your new home can reinforce a feeling of family. Parents of young children may want to keep some samples of their artwork handy to immediately hang up on the refrigerator.

One mom found that her teenage daughter was horrified to sleep with uncovered windows the first night. If there are no shades or curtains in your new home, an easy trick is to bring spring rods (like those in many showers), over which you hang sheets for temporary privacy.

Perhaps Dr. Carol Pluzinski, a college professor and the mother of two small boys said it best in reference to her own move "we never could have done it without the help of my sister and teen niece who came from Chicago to assist before, during and after the move. I guess that's what parents need to pack first, a loving, fun aunt and cousin to help!"

**Entertainment Issues**

Hopefully, the whole family can to relax together the first night in your new home, so remember to pack TV cords, remotes, and manuals together in a box that is clearly marked. Computer cords, attachments, etc. should be packed together as well.

Use these tips to help transition after your move and good luck on your new start!

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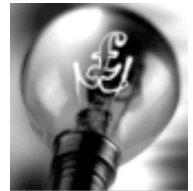
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## How To Cool Budget-Burning Energy Costs

By Broderick Perkins



To keep your utility bill affordable, give the nation's new energy policy another look and otherwise take steps now to make your home as energy efficient as possible. Hot on the heels of this summer's record level oil and gasoline prices, winter heating costs could put the freeze on your disposable income. With a barrel of crude up to a record \$67 and change -- \$20 more than a year ago -- the U.S. Department of Energy is forecasting home heating oil costs this winter to be 16 percent higher than last winter, double the price of four years ago.

Suppliers say heating oil consumers are mistakenly not filling their tanks now -- with fuel likely to be cheaper than it will be when demand peaks as the temperatures cool. The practice also could diminish distillers' storage space and generate a backlog of orders when demand peaks.

Utilities are already passing higher natural gas costs onto consumers in many of the 66 million households where gas fires the furnace. By January, gas is expected to cost 30 percent more than it did a year ago, according to DOE.

Driven by the price of gas and oil, coal prices are up too, further exacerbated by its own shortages.

To help drive down the cost of heating and energy there are a host of steps you can take to batten the hatches against the summer heat and prepare for the winter winds that will put pressure on your utility bill's bottom line.

The new "Energy Policy Act of 2005 (EPACT)", which establishes the nation's energy policy for the foreseeable future, comes with a host of incentives to make energy conservation more than just changing your energy consumption habits.

- Tax credits topping out at \$500 in 2006 and 2007 are available for money spent to upgrade heating and air conditioning systems, insulation, tighter windows and doors and thermostats, caulk leaks, install pigmented metal roofs and otherwise put the bite on energy waste.

- Homeowners who install solar energy systems can claim a tax credit of up to \$2,000 for hot water and power generating

systems not used to heat swimming pools or hot tubs. Smaller credits are available for fuel cell and photovoltaic power sources.

- Entrepreneurial consumers can also claim a 30 percent credit for the cost of installing clean-fuel vehicle refueling property used in a trade or business of the consumer or installed at the principal residence of the taxpayer.

Beyond EPACT, check with your local power utility for energy audit inspections, assistance and, in some cases, rebates on Energy Star and other energy-efficient or energy-saving devices as well as discounts for efforts you take that reduce your energy consumption.

Power utility companies also offer ideas that can help you save cash you'll be strapped for as costs rise. The ideas include insulating, caulking, weather-stripping and other low-cost measures.

But don't overlook major energy-efficient home improvements that could increase your home's value and help you qualify for an Energy Efficient Mortgage (EEM).

A professional Home Energy Rating System (HERS) Checkup from the Department of Energy's Energy Star program is available from a certified Residential Energy Services Network (RESNET) provider, where you can obtain additional information.

A variety of home energy audit tools are also available online to help you examine your energy use and pinpoint areas that need tightening.

They include:

- Energy Star's "Home Energy Analysis": <http://www.energystar.gov>

- Lawrence Berkeley National Laboratory's "Home Energy Saver": <http://hes.lbl.gov>

- Alliance To Save Energy's "Home Energy Checkup and Audit": <http://www.ase.org>

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ID Theft Protection Can Give  
You A False Sense Of Security

By Broderick Perkins



An epidemic of identity theft is fueling a growth industry of companies promising to protect you from data thieves. In the past year, bandits stole tens of thousands of personal records from ChoicePoint Inc., they hacked into Bank of America's electronic files and they plundered Lexis-Nexus data -- to name some of the larger jobs. In 2005 alone, tens of millions of American consumers were put at risk of identity theft.

You do need personal data protection -- just don't expect one company to provide a cure-all.

"Carefully review and understand the limitations of any service offered in conjunction with identity theft in order to make an informed buying decision without regard to marketing spin," advises the San Diego, CA-based Institute of Consumer Financial Education.

First, you don't actually lose your identity when you are the victim of ID theft and wander aimlessly like some Jane or John Doe. ID theft occurs when someone steals your personal identifying information.

With your Social Security number, driver's license number, credit account numbers, passwords or other information in hand, thieves can masquerade as you to access your financial accounts, withdraw cash, make credit purchases, and open additional accounts in your name. Any so-called "credit monitoring service," "identity theft insurer," "identity theft protection service," "identity theft risk management company" or other similarly named operation that claims their service "protects" or "guarantees" against identity theft is using a marketing claim virtually impossible to prove, says the institute.

The nonprofit consumer education institute has teamed up with Salt Lake City, UT-based Global Fraud Solutions, which sells identity theft-related, self-help, educational software, to say when it comes to preventing identity theft, it's important you know what you are getting for the money.

"Most of these services require an ongoing monthly service fee to perform tasks that an informed consumer can and should easily do him or herself generally at little, if any, cost," the institute says. Here's what their research found:

**Credit Monitoring Services:** Most credit monitoring services only monitor one bureau. Some services provide an initial three-bureau report on the first order, and then revert to monitoring only one. That's of little use in some cases because

some creditors will report to only one bureau. Others don't report unless an account goes to collections, says the institute.

Also, credit monitors rarely check credit reports not available from the big three -- Equifax, Experian and TransUnion. Specialty data banks like ChoicePoint, MIB Group, ChexSystems and others may have a file on you. Bottom line, you don't need to pay anyone to keep tabs on your credit report. You can do it yourself for free.

By Sept. 1, with the final roll out (slated for the Eastern U.S. and U.S. Territories) of a provision in the Fair and Accurate Credit Transactions Act (FACTA), an amendment of the Fair Credit Reporting Act (FCRA), anyone in the nation can check their own credit report at the big three credit agencies as well as major specialty data warehouses.

You are entitled to one free credit report once a year from each individual company. The provision has already rolled out to consumers who live in states in the West, South and Midwest. If you stagger your free reports through the year, you'll get much the same service a credit reporting service provides for a fee.

To obtain your free report from each of the big three agencies visit [annualcreditreport.com](http://annualcreditreport.com). Visit the individual websites of the other data gatherers for your free report from them. FACTA also provides other data protection provisions including fraud alerts, credit freezes and other help you can obtain simply by visiting the FTC's FACTA information online.

**Identity Theft "Insurance":** The Institute of Consumer Financial Education calls identify theft "insurance" a "misnomer" and says it can give you a false sense of security. The coverage offers reimbursement for limited expenses related to identity thief -- some preapproved amounts for legal fees and time lost from work -- but not actual identity theft caused financial losses -- say a false charge for a \$1,000 plasma screen tv purchase -- and it can't protect you from becoming a victim of the crime.

The policies come with large deductibles, \$500 or more, and do little to reduce the time and hassle of the work required by the victim to resolve the incident. The institute says if the deductible is zero or low, the insurance may be worth an annual premium of \$25 to \$45, but reading the fine print remains crucial.

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September 2005

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# REAL ESTATE *Update*

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# September Real Estate Update

## Rates Slip Again

**F**reddie Mac reported fixed

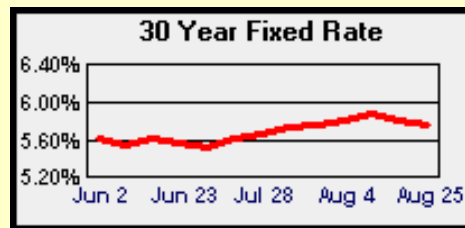
interest rates on 30-year, conforming mortgages averaged 5.77 percent the week ending Aug. 25, down from 5.8 percent the week before and 5.89 percent on Aug. 11 when rates last stopped rising.

Rates last began to rise after June 30 when they hit the year's lowest level at 5.53 percent.

But that's not the first time rates see-sawed this year. The first rate report of the year put the average rate at 5.77 percent. By Feb. 10, that had fallen to

## Mortgage Rates

Source: Realty Times



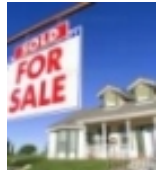
U.S. averages as of August 25, 2005:

**30 yr. fixed: 5.77%**  
**15 yr. fixed: 5.35%**  
**1 yr. adj: 4.56%**

5.57 percent, only to turn up to the year's high point of 6.04 by March 31. By June, the average was back down to 5.53 percent.

## Despite Big Numbers, Increase Still Predicted

**O**verall,



homebuying conditions are still remarkably favorable. Mortgage interest rates are well under six percent. And the National Association of Realtors (NAR) reports that housing is still on target to hit new records this year.

In fact, the NAR recently reported that out of 149 metropolitan statistical areas, 67 showed double-digit increases in housing prices for single-family homes. Only seven areas posted price declines, and those were generally modest.

The national median existing single-family home price was \$208,500 in the second quarter, up over 13 percent from the second quarter of 2004 when the median price was \$183,500. The median is a typical market price where half of the homes sold for more and half sold for less. In all, 94 metro areas saw increases above the U.S. historic average of over six percent.

Since 1968, prices generally have risen 1 to 2 percentage points faster than the overall rate of inflation, so a 13 percent increase in prices is incredible.

The Mortgage Bankers Association is predicting that housing won't cool off until 2006. The MBA's Chief Economist Doug Duncan says interest rates should remain low. "Despite a moderate increase from a currently low rate environment, interest rates will still be quite low by historical standards," he says.

What goes up will come down, but economists are expecting only slight moderation in housing sales. That said, it looks like the market's still good for first-time homebuyers overall.

## Benefits Of Buying At The End Of The Year



**I**n addition to low

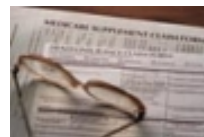
interest rates, there are other benefits to buying at the end of the year, including:

**Tax savings.** Closing on your new home by Dec. 31, 2005, means you can deduct mortgage interest, property taxes and points on your loan on your 2005 income tax return. These deductions are significant, especially in the early years of your loan when you are paying off so much interest.

Many sellers will also be anxious to sell by the end of the year so that they, too, can enjoy tax savings on the next home they purchase. That means you may have more leverage during negotiations. However, if you're in a strong seller's market, you'll want to be conservative -- and always heed the advice of your REALTOR®.

## Avoid Surprises: Know Your Homeowner's Coverage

**T**he typical



homeowner's policy includes coverage for perils and losses due to fire, lightning, tornadoes, windstorms, hail, explosions, smoke, vandalism and theft. Just as you would scrutinize the terms of your medical insurance, the nuances and details of your homeowner's policy should be examined seriously.

Too often, homeowners sign up for a policy and go on autopilot regarding its terms and coverage without taking new acquisitions, risks, and increasing value of their homes into consideration.

Most insurance agents recommend a regular insurance "check-up" for consumers, so that homeowners are not left "high and dry" when disasters and losses strike.

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# Moving Up? What You Need to Consider to Accommodate Your Growing Family

By Michele Dawson



One of the most common reasons to buy a home is to accommodate your growing family. Perhaps you want to live in a neighborhood with better schools and more services, or maybe you need a bigger house as the two of you turns into three and then four.

In fact, in a recent study by the National Association of Home Builders, some 64 percent of respondents agreed with the statement: "I wish my home were larger." The other two top concerns are price and finding the right neighborhood.

If you have a young family and are ready to make the jump from your entry level home, or if you've been renting and are embarking on the purchase of your first house, you'll want to consider the following during your house-hunting ventures:

- **Neighborhood.** As you examine a specific neighborhood, ask yourself if this is a neighborhood in which you'd feel comfortable. Although your kids are toddlers now, in just a few short years they'll be outside riding their bikes and playing with the neighborhood children. Buying in a good neighborhood also helps ensure your property values.
- **Schools.** Again, if you have a baby or toddler now, kindergarten will be here before you know it. Visit the neighborhood schools, talk to the principal, teachers, and other parents in the neighborhood. Ask to see standardized test scores. Your real estate agent can usually provide you with additional information about schools in the area.
- **Crime.** While a neighborhood may look safe, it could be riddled with incidents of burglary or vandalism. Check with the local law enforcement agency to see if the neighborhood you are eyeing has any specific chronic crime problems.
- **Bedroom space.** If you're planning on more children, you'll want to consider how many bedrooms you'll need. Will the children share rooms or have their own?
- **Play area.** If you have young children, you'll want to factor in where the kids will play. Sometimes storing the bulk of the

toys in the child's room works, but in some instances, like if the child's room is upstairs, it's difficult to supervise. In that case, you'll want to consider whether the house is configured to provide the space they need to play and move about.

- **Homework and study areas.** As your children reach school age and need more time and space for homework, you'll need to consider whether there's space in their bedroom, in the kitchen area, or in another nook or niche, prevalent in many newer homes.
- **Computer use.** Perhaps you already have a home office, complete with a computer set-up. The time may - or more likely, will - come when your child needs a computer for homework and research. This may require a second computer, and the required space for a second system. This will especially be true if one of the parents works at home and frequently uses the computer.
- **Family room.** Your youngest is only 7, but by the time your three sons reach their adolescent and teen years, will the family room be as comfortable as it is now? Don't forget that friends will be stopping by frequently. A house with a finished basement or gameroom is ideal for older kids.
- **Bathrooms.** Your kids may not spend much time in the bathroom now, but that will change in the years ahead. Make sure you consider how the number of bathrooms, and the extent of vanity areas will work for your family. A bathroom with two sinks and a long countertop are ideal for two siblings to get ready for school in the morning.
- **Pool.** Does the house you're eyeing have a pool? It will be great for your family. But be sure you put a fence around the perimeter.

While some of these factors may be out of your control because of budget constraints and housing availability, you'll want to come up with a priority list and determine which factors and characteristics are most important to your growing family.

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# Bad Wiring Thwarts Smart Homes

By Broderick Perkins



Many new homes are built with communications wiring that may be inadequate for computer, telecommunications, entertainment, security and other electronic systems.

The Federal Communications Commission, in 2000, last issued communication wiring rules for homes that require all telecommunications wiring in new residences be of the so called "Category 3" or better grade.

Cat 3 is a cable that includes 2 to 4 twisted pairs of copper wire enclosed in a plastic sheath and replaces the old 4-wire telephone cable.

"A few (builders) still build homes that don't even measure up to the basic FCC requirement," said John Cowie with the New York City-based Copper Development Association.

"Others barely meet the standard. Consequently, homeowners who want more than the bare minimum often have to rewire at a cost substantially higher than the cost of installing adequate wiring in the first place," he added.

The minimum FCC standard is based on 10-year-old technology and may not be adequate for today's more sophisticated telecommunications networks possible for residential use, says Cowie.

The trade group, including members who manufacture and sell telecommunications cable, say at only slightly additional cost to builders -- or the home owner should he or she want to foot the bill -- Category 5e should be the cable of choice.

Cat 5e is phone and data wiring designed for use in a structured network that allows up to four phone lines per location as well as telecommunications networking.

Beyond use of the Cat 5e standard, Cowie offers the following guide to "smarter" telecommunications wiring.

An "Excellent-A" system includes two Category 5e

structured wiring ports -- one for telephone and one for data -- teamed with two RG-6 coaxial cable ports for two-way video signals. RG-6 cable is designed to amplify television signal strength and to transmit high quality digital satellite, cable, and DVD movie images and signals. Two telephone and two data ports should be available at two locations in virtually every room. A central distribution device (CDD) provides connectivity between rooms and with the outside world to bring in and distribute signals throughout the home. The system is also configured for security, energy-management and entertainment systems.

A "Good-B" configuration includes the same set up as an "Excellent" system with a CDD but only one telephone and data port in each room. Additional wiring has been installed behind walls for future use as needs may arise. Entertainment, security and energy-management features may also be present for future use.

The "Average-C" set up includes Cat 5e and RG-6 outlets in two or three key rooms using a CDD but can be limited or inflexible in terms of features beyond computer and telephone networks and in terms of expansion later.

The "Minimum Standard-D" meets FCC requirements in terms of using Cat 3 wiring but is useful primarily for telephone wiring and limited computer networks.

The "Failure-F" level of wiring does not meet minimum FCC standards. The building may use the FCC wiring standard but without a CDD the system is already obsolete.

"One of the biggest reasons for buying a brand new home is to benefit from the latest home technology. There is no reason to accept a new home that does not merit a grade of "B" or better when it comes to communications wiring," says Cowie.

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# Top 10 Reasons Loan Applications Are Rejected

By Broderick Perkins



As interest rates rise and rising housing costs swells lenders' portfolios with riskier loans, lenders will tighten underwriting rules making it tougher to buy a home. Still -- in hot markets and in cool ones -- the fundamentals apply. Getting a loan application approved is often knowing how to keep lenders from saying "no." To that end, here are the Top 10 reasons loan applications wind up the circular file. There are more, but these top the list.

- Being in denial about what you can really afford. Apply for too much and you could be out the door faster than you went in. Let the lender decide what you can afford to borrow. From that, you decide what your budget will realistically let you afford to pay each month Get preapproved with a bona fide, carved-in-stone preapproval that guarantees in writing a loan amount, interest rate and as much of the other loan terms as possible. "It makes your offer more attractive to sellers," said Jeff Lyons, of LendingTree, LLC.

- Poor preparation. Get all your docs in a row. The more information you have available at application -- proof of income, investments, assets, debts, tax returns for the self-employed, even addresses, current and past -- the more complete the loan officer's analysis can be in a more timely manner.

"A thousand and one little things go a long way toward ensuring the client has a good experience," said Bill Emerson, Livonia, MI-based Quicken Loans' CEO.

- Misunderstandings. You may need loan programs explained. Industry jargon about an "index," "margin," "T-bills" and other terminology is familiar to real estate and mortgage professionals, but likely not you. Your loan representative can help you with any terms you may not be familiar with, you can visit many online glossaries or pick up one of many real estate mortgage books, virtually all of which contain a glossary.

- Not realizing you are self-employed. First-time buyers who are self-employed (which can include working at home, being paid by commission only, or owning 25 percent or more of a business) often need to show tax returns as a proof of income. Communicate your employment status before the loan hits the underwriting process and avoid snags later.

- Over looking property repair problems. Government loans on

homes in need of repair need to come with instructions explaining who is responsible for repairs and when. Ask the loan representative for assistance.

- Third party vendor problems. Credit reports and appraisals typically come through on time but other documents -- tax returns, home inspections, investment reports -- may require extra early efforts to get them to the table on time.

- Lack of understanding about the loan process. A working knowledge of what happens during the processing, underwriting and closing of a loan is crucial. Understanding time frames, documentation and the responsibilities of all parties is also key. "Despite our efforts to simplify the mortgage process, it is still a very complicated process," said Emerson.

Lyons advises, "Make sure that you get a Good Faith Estimate of your closing costs to ensure that you understand everything that will be paid at closing. This document will also be a great reference when closing arrives to make sure everything is as it should be."

- Undocumented explanations for credit problems. Check your credit report before you apply for a mortgage. You need to know before the lender about errors you can correct, problems you may need to explain, and delinquencies you can clean up.

- Unverified closing funds. If your loan requires funds from you to close (down payment, gifts, cash to keep the loan from exceeding 80 percent of the value, etc.), you may have to show bank statements or documents that prove how long the funds have been in place, the source of the funds, your asset level, etc.

"Do not be afraid to read the closing documents and statements carefully. Whether buying or selling, you've got a lot on the line with these documents and want to make sure that the figures are correct and as agreed," said Lyons

- Poor communications. There are many parties involved in a residential real estate transaction -- buyer, seller, real estate agent, mortgage banker, home inspectors, appraiser, attorney and settlement or escrow agent -- and each must have complete understanding of what is going on at any given time. A good loan representative, broker or real estate agent will help keep the lines of communication open.

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# Tips For Real Estate Investors

By Broderick Perkins



Got the real estate investment bug? You aren't alone. By the end of 2004, the National Real Estate Investors Association's 20,000 affiliated members were double the previous year's numbers, but even at 20,000 represented only about one fourth of all U.S. real estate investors in investment clubs, the association said.

Investors accounted for what's likely a record 23 percent of all home sales last year, according to the National Association of Realtors' "2005 National Association of Realtors Profile of Second-Home Buyers."

While the investor purchase portion is 23 percent, other second home buyers who become aware of the potential for a return on their property may very well take a more speculative approach. The second home market now accounts for 38 percent of the existing housing stock and 36 percent of all homes purchased last year, NAR said. "These aren't second homes. You know where that down payment is coming from. People are leveraging one price asset against another on a pure momentum play," said Robert M. Campbell, a San Diego-based investor and author of "Timing The Real Estate Market."

Residential real estate investors have become a driving force in the residential real estate market -- much as the dot com stock market did to create the New Economy and the longest economic expansion on record. But just as the dot com bust littered Wall Street with lost shirts, a real estate down turn could leave blood red ink flowing down Main Street if rookie investors let the lure of green cloud their judgment.

We talked to individual investors, real estate agents who also invest, investment clubbers and others to help get you started with the dos and don'ts of real estate investments. Here's what they suggest.

**Buy your own home first.** Buying a home will not only put a roof over your head, but teach you the true cost of property ownership beyond the monthly mortgage payment, give you a primer on financing, school you on how location and changing market conditions affect property values, give you the angle on tax and other home owning benefits, help you learn about

property maintenance, introduce you to a host of professionals who could prove invaluable when you really get into investments and otherwise act as a prerequisite foundation for higher studies in real estate investments.

Even before home ownership the process of buying a home provides basic information that later could prove invaluable to you as an investor. What's more -- your first home could later become your first investment property, a property in a market with which you are familiar.

**Go back to school.** After you buy your own home turn to the Internet, libraries of books by reputable authors, successful, credible investment groups, college and university level courses. Individual real estate investors, salespeople and others who you met on the way to home ownership may also be valuable resources, both for information and as a mentor.

**Get professional help.** The same way you find any competent, trustworthy and honest professional is the same way to look for a mentor, investment partner with prior knowledge or investment group. Seek referrals from friends, family, professionals with whom you already conduct business, co-workers and others you trust who've recently had a satisfactory, successful experience investing in real estate. You'll also need professional help once you are beyond the buying stage -- someone to manage your investment for example.

**Learn your investment market.** One market's bubble could be one investor's boom and another investor's bust. A home in one market could give you vacation rental income in a half year sufficient to cover the cost of principal, interest, taxes, insurance, home owner association dues, upkeep and other costs, but not appreciate, while another home in another market won't bring you enough rent to cover your expenses but appreciate more than enough to make up for it over the long term. The variables are endless.

"The most common mistake of inexperienced investors is to make the mistake that one area is the same as another," said Romeo Danais, who has investments in Oklahoma, Texas and New Hampshire.

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# Relieving the Stress of Packing

By Margo Rudman Gold



Packing can be stressful time for every member of the family. To ensure that your move goes as smoothly as possible, try the following tips!

## **Pack a "Red Box"**

Since one in five American families moves every year, that means 22 million families may be searching for their TV remote controls!

One of the pitfalls of packing for a move is you can't always anticipate what you'll need when you arrive at your new home, and movers typically list only the obvious such as dishes, glasses, bedding, etc. The miscellaneous items you need in the first few hours invariably wind up on the bottom of a random box.

To start, you may want to create your own "red box" as some moving companies ("Removers") do in Great Britain. This is the last box loaded and the first one off the truck. The one universal item in the red box is the tea kettle (perhaps this would be the coffee maker in the U.S.). This is also the place for miscellaneous but crucial items such as scissors, pens, paper, hammer, nails, hooks, screwdriver and tape measure.

Packing a suitcase for each family member as though you were going on a short vacation is another good idea. Include a few sets of clothing and sleepwear, footwear, outerwear, personal toiletries, medications and eyeglasses. Make sure to bring starter family toiletries like soap, toilet tissues and paper towels as well.

## **Children's Toys and Play Dates**

New York child psychologist Dr. Cindy Linde placed the school directories from both their old and new schools in an important box when she moved with her own young children. That way they could keep in touch with their old friends and classmates, and she could make play dates with her children's new classmates.

Carol O'Leary recently relocated from London to New York with her family. She found she urgently needed her children's

immunization records, and had no idea which box of papers they were in. While her husband's relocation liaison had told her to carry school records, no one had told her the children could not begin school without proof of immunizations. She also found that while she always remembered foreign currency for a vacation, it hadn't occurred to her to carry American dollars to tip the movers and buy pizza.

While your children's most cherished toys go at the top of a box, you may want to bury outgrown toys they just can't give up at the bottom. Hopefully, out of sight will mean out of mind!

## **Comforts of Home**

Framed photos may not seem like the first thing to unpack, but familiar photos scattered around your new home can reinforce a feeling of family. Parents of young children may want to keep some samples of their artwork handy to immediately hang up on the refrigerator.

One mom found that her teenage daughter was horrified to sleep with uncovered windows the first night. If there are no shades or curtains in your new home, an easy trick is to bring spring rods (like those in many showers), over which you hang sheets for temporary privacy.

Perhaps Dr. Carol Pluzinski, a college professor and the mother of two small boys said it best in reference to her own move "we never could have done it without the help of my sister and teen niece who came from Chicago to assist before, during and after the move. I guess that's what parents need to pack first, a loving, fun aunt and cousin to help!"

## **Entertainment Issues**

Hopefully, the whole family can to relax together the first night in your new home, so remember to pack TV cords, remotes, and manuals together in a box that is clearly marked. Computer cords, attachments, etc. should be packed together as well.

Use these tips to help transition after your move and good luck on your new start!

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# How To Cool Budget-Burning Energy Costs

By Broderick Perkins



To keep your utility bill affordable, give the nation's new energy policy another look and otherwise take steps now to make your home as energy efficient as possible. Hot on the heels of this summer's record level oil and gasoline prices, winter heating costs could put the freeze on your disposable income. With a barrel of crude up to a record \$67 and change -- \$20 more than a year ago -- the U.S. Department of Energy is forecasting home heating oil costs this winter to be 16 percent higher than last winter, double the price of four years ago.

Suppliers say heating oil consumers are mistakenly not filling their tanks now -- with fuel likely to be cheaper than it will be when demand peaks as the temperatures cool. The practice also could diminish distillers' storage space and generate a backlog of orders when demand peaks.

Utilities are already passing higher natural gas costs onto consumers in many of the 66 million households where gas fires the furnace. By January, gas is expected to cost 30 percent more than it did a year ago, according to DOE.

Driven by the price of gas and oil, coal prices are up too, further exacerbated by its own shortages.

To help drive down the cost of heating and energy there are a host of steps you can take to batten the hatches against the summer heat and prepare for the winter winds that will put pressure on your utility bill's bottom line.

The new "Energy Policy Act of 2005 (EPACT)", which establishes the nation's energy policy for the foreseeable future, comes with a host of incentives to make energy conservation more than just changing your energy consumption habits.

- Tax credits topping out at \$500 in 2006 and 2007 are available for money spent to upgrade heating and air conditioning systems, insulation, tighter windows and doors and thermostats, caulk leaks, install pigmented metal roofs and otherwise put the bite on energy waste.

- Homeowners who install solar energy systems can claim a tax credit of up to \$2,000 for hot water and power generating

systems not used to heat swimming pools or hot tubs. Smaller credits are available for fuel cell and photovoltaic power sources.

- Entrepreneurial consumers can also claim a 30 percent credit for the cost of installing clean-fuel vehicle refueling property used in a trade or business of the consumer or installed at the principal residence of the taxpayer.

Beyond EPACT, check with your local power utility for energy audit inspections, assistance and, in some cases, rebates on Energy Star and other energy-efficient or energy-saving devices as well as discounts for efforts you take that reduce your energy consumption.

Power utility companies also offer ideas that can help you save cash you'll be strapped for as costs rise. The ideas include insulating, caulking, weather-stripping and other low-cost measures.

But don't overlook major energy-efficient home improvements that could increase your home's value and help you qualify for an Energy Efficient Mortgage (EEM).

A professional Home Energy Rating System (HERS) Checkup from the Department of Energy's Energy Star program is available from a certified Residential Energy Services Network (RESNET) provider, where you can obtain additional information.

A variety of home energy audit tools are also available online to help you examine your energy use and pinpoint areas that need tightening.

They include:

- Energy Star's "Home Energy Analysis": <http://www.energystar.gov>

- Lawrence Berkeley National Laboratory's "Home Energy Saver": <http://hes.lbl.gov>

- Alliance To Save Energy's "Home Energy Checkup and Audit": <http://www.ase.org>

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# ID Theft Protection Can Give You A False Sense Of Security

By Broderick Perkins



An epidemic of identity theft is fueling a growth industry of companies promising to protect you from data thieves. In the past year, bandits stole tens of thousands of personal records from ChoicePoint Inc., they hacked into Bank of America's electronic files and they plundered Lexis-Nexus data -- to name some of the larger jobs. In 2005 alone, tens of millions of American consumers were put at risk of identity theft.

You do need personal data protection -- just don't expect one company to provide a cure-all.

"Carefully review and understand the limitations of any service offered in conjunction with identity theft in order to make an informed buying decision without regard to marketing spin," advises the San Diego, CA-based Institute of Consumer Financial Education.

First, you don't actually lose your identity when you are the victim of ID theft and wander aimlessly like some Jane or John Doe. ID theft occurs when someone steals your personal identifying information.

With your Social Security number, driver's license number, credit account numbers, passwords or other information in hand, thieves can masquerade as you to access your financial accounts, withdraw cash, make credit purchases, and open additional accounts in your name. Any so-called "credit monitoring service," "identity theft insurer," "identity theft protection service," "identity theft risk management company" or other similarly named operation that claims their service "protects" or "guarantees" against identity theft is using a marketing claim virtually impossible to prove, says the institute.

The nonprofit consumer education institute has teamed up with Salt Lake City, UT-based Global Fraud Solutions, which sells identity theft-related, self-help, educational software, to say when it comes to preventing identity theft, it's important you know what you are getting for the money.

"Most of these services require an ongoing monthly service fee to perform tasks that an informed consumer can and should easily do him or herself generally at little, if any, cost," the institute says. Here's what their research found:

**Credit Monitoring Services:** Most credit monitoring services only monitor one bureau. Some services provide an initial three-bureau report on the first order, and then revert to monitoring only one. That's of little use in some cases because

some creditors will report to only one bureau. Others don't report unless an account goes to collections, says the institute.

Also, credit monitors rarely check credit reports not available from the big three -- Equifax, Experian and TransUnion. Specialty data banks like ChoicePoint, MIB Group, ChexSystems and others may have a file on you. Bottom line, you don't need to pay anyone to keep tabs on your credit report. You can do it yourself for free.

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**Identity Theft "Insurance":** The Institute of Consumer Financial Education calls identify theft "insurance" a "misnomer" and says it can give you a false sense of security. The coverage offers reimbursement for limited expenses related to identity thief -- some preapproved amounts for legal fees and time lost from work -- but not actual identity theft caused financial losses -- say a false charge for a \$1,000 plasma screen tv purchase -- and it can't protect you from becoming a victim of the crime.

The policies come with large deductibles, \$500 or more, and do little to reduce the time and hassle of the work required by the victim to resolve the incident. The institute says if the deductible is zero or low, the insurance may be worth an annual premium of \$25 to \$45, but reading the fine print remains crucial.

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