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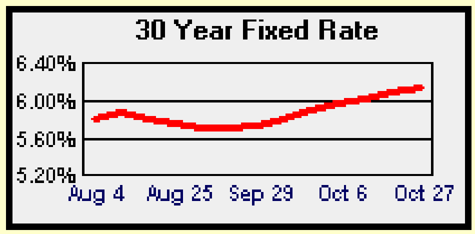
Rates Rise

In Freddie Mac's Primary Mortgage Market Survey, the 30-year fixed-rate mortgage (FRM) averaged 6.15 percent, with an average 0.5 point, for the week ending October 27, 2005. Last year at this time, the 30-year FRM averaged 5.64 percent.

"Although home sales were still impressive in September, mortgage applications in October seem to be tapering off a bit, due in large part to slowly rising interest rates," said Frank Nothaft, Freddie Mac vice president and chief economist. "Refinancing will take the biggest hit as mortgage rates tick up. Refinancing comprised about 40 percent or more of the total volume of mortgage originations over the last 13 months."

Mortgage Rates

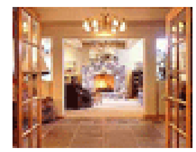
Source: Realty Times



U.S. averages as of October 27, 2005:

30 yr. fixed: 6.15%
15 yr. fixed: 5.69%
1 yr. adj: 4.91%

Create A Grand Entrance When Showing Your House



If you're selling your house, you've probably heard all about curb appeal. Once that first impression passes the test, the next thing that meets the eyes of potential buyers is the entryway.

Don't underestimate the importance of the entrance to your home. It helps define the quality of your property when people enter.

If your entrance exudes richness, buyers will think of your home as a rich property and be prepared to make offers accordingly.

Cathy Whitlock, an interior designer in Nashville, Tenn., offers some general entryway decorating tips on the Home and Garden Television website -- tips that can help make your home more attractive to those picky buyers out there. They include:

- Add plants. Ficus trees are good for traditional décor; palm trees are a good fit for contemporary.
- Throw an area rug on the floor.
- Use a chest or console table to anchor the area.

Display a favorite collection or a lamp. Hang a picture or mirror above the table.

- Paint a shade of yellow. It goes with everything so it's a good choice for an entryway.

The entrance serves as the transition from outdoors to indoors and can leave an indelible impression in the mind of a potential buyer.

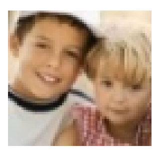
Garages Aren't Just For Cars Anymore

Nearly two-thirds of all new homes have two-car garages while 19% have three-car garages, leaving only about 15% with one-car garages or none at all, according to the National Association of Home Builders (NAHB).

The growth in demand for larger garages coincides with NAHB's consumer preferences findings -- home buyers want more space, not necessarily the traditional larger, more-house kind of space, but better defined, more usable, specialized spaces.

It's no wonder garage remodeling and organizing will be an estimated $2.5 billion business this year, according to the NAHB.

Pack Away Kids' Moving Blues



Buying a new home can be very exciting for adults, but it can evoke a whole lot of fear in children. Helping children understand the reason for the move will help pack away kids' moving blues. Some 10 million school-age children move each year in America, according to Gabriel Davis, author of *The Moving Book: A Kid's Survival Guide*.

She writes about activities that give children a little extra attention to help them better handle a move. Davis recommends getting kids involved as soon as possible. "Start to talk about it in a really positive way and that's going to help the kids to have a positive picture in their minds of the move."

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Tips for Selling in the Fall

By Michele Dawson

With fall marking its entrance, kids back in school, and the holidays just around the corner, home sales tend to slow down during this time of year. If you're selling, it means you need to take extra measures to make your house stand out above the others on the market in your neighborhood.

So, if you're preparing to sell your house this fall, think about:

- Curb appeal. Fall can make or break you when it comes to curb appeal and the all-important "first impression." Leaves turning shades of crimson and gold can add extra appeal to the total look of your home's exterior. On the other hand, leaves strewn about your front yard can decrease your home's visual appeal during that first impression.
- Generic improvements that enhance your home's functionality, efficiency and aesthetics, also means completing deferred maintenance and making sure all the components are in good working condition.
- Celebrating the season. Add a fall wreath to the front door. Have a few huge pumpkins and fall display in your front area to welcome visitors (would-be buyers).
- Scents of the season. If you're a smoker or have pets, make sure the nose doesn't know. Eliminate all such offensive odors. If you're holding an open house, or know you'll have a lot of potential buyers looking on a particular day, bake an apple pie. Nothing is more inviting than the scent of apples and cinnamon wafting through the air.
- Letting the light in. A dark house is a big turn off. Open up the blinds, let the light in and turn on the lights during the day. Turn on all accent lights and lamps.
- The fireplace. The hearth is still an important feature to most buyers, especially as days grow colder. Make sure yours is clean. Place a log in the fireplace. Or, consider placing an attractive candelabra or candle-holder that holds numerous candles in the fireplace for a decorator's touch.
- Hiring a home inspector. Once a buyer makes an offer, they will hire someone to conduct an in-depth inspection of the house. Some sellers like to do this before they put their house on the market so there are no surprises down the road. If anything comes up during the seller's inspection, the seller can get it taken care of before putting the house on the market. The American Society of Home Inspectors says a typical home inspection includes drainage conditions, exterior surfaces, decks, chimney, the roof, windows, doors, plumbing fixtures, furnace, air conditioner, insulation, ventilation, electrical, heating, and plumbing systems.
- Tidying up. If you have a lot of furniture or other "stuff," put some of it in storage. Put away all those knickknacks and paper piles.
- Allowances. If you have carpet, wood floors or cabinets that have seen better days, consider offering an allowance right off the bat. You'll want to discuss this with your real estate professional. There are pros and cons -- you don't get to have that "wow" first impression if you put in those floors or cabinets yourself before you sell. But you might be short on time and don't want to run into the holidays -- plus buyers may like the idea of picking out their own flooring.
- Your asking price. Don't insist on setting the price too high, especially if you're on a timeline. A house priced appropriately will be taken more seriously and will ultimately sell more quickly than one that's overpriced.
- Talk to the professionals. Follow your REALTOR's additional recommendations and begin the final phases of preparation before your house goes on the market.
- Understand The Plan. Real estate marketing involves far more than a sign in the yard and an ad in the paper. Successful REALTORS use a variety of methods to attract and qualify prospects, including the latest Internet and communication advances.

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Housing Forecast Looks Stronger

By Realty Times Staff

The forecast for home sales has trended up as the year progressed, fueled lately by added demand resulting from the impact of recent hurricanes, according to the National Association of Realtors.

David Lereah, NAR's chief economist, said that at the beginning of the year it was thought that 2005 would be the second best total for both existing- and new-home sales, but by June it was apparent that another record was in the works. "Post-Katrina, our sales projections for this year have moved even higher," Lereah said. "Short-term momentum is very strong, and our Pending Home Sales Index just set a record. In addition to the housing needs of hurricane victims, we may be seeing some 'fence jumping' from home buyers who are getting into the market before interests rates move higher."

Existing-home sales are forecast to rise 4.2 percent to 7.07 million in 2005, while new-home sales are expected to increase 7.1 percent to 1.29 million. Total housing starts - single-family and multifamily - should be up 4.5 percent to 2.04 million units this year, the best showing since 1973, and single-family starts are seen at a record of 1.70 million.

"Inflationary pressures - driven by higher energy costs - have become a concern, so we anticipate two more hikes in the fed funds rate by the end of the year. In addition, long-term interest rates also are rising at a faster clip," Lereah said. The 30-year fixed-rate mortgage is projected to reach 6.2 percent in the fourth quarter, and trend up to 6.7 percent by the end of next year.

The national median existing-home price for all housing types is forecast to increase 12.5 percent in 2005 to $208,400, while the median new-home price should rise 3.9 percent to $229,700.

NAR President Al Mansell of Salt Lake City said some easing in home sales is expected in 2006. "The rise in mortgage interest rates is likely to have a slight breaking action on the housing market, and the upside of that is it would help to bring the market closer to balance between home buyers and sellers," he said. "As a result, there should be a cooling in the rate of price growth -- on balance, the overall market should continue to favor sellers with price appreciation remaining above the high end of historic norms. The investment fundamentals for housing remain solid."

In 2006, NAR expects the median existing-home price to grow by 5.2 percent and the median new-home price to rise 7.1 percent. Historic home-price gains are 1.5 percentage points above the rate of inflation, which is seen at 2.6 percent next year.

"Although energy prices are the chief culprit in current inflation concerns, we project oil prices to settle early next year -- that would cause inflation to quickly dissipate," Lereah said. The Consumer Price Index is forecast to rise 3.5 percent for all of 2005 before easing early next year.

Inflation-adjusted disposable personal income is expected to grow by 1.4 percent for 2005. The U.S. gross domestic product (GDP) is seen at 3.5 percent for all of 2005, with GDP picking up early next year as hurricane rebuilding accelerates. The unemployment rate is projected to average 5.2 percent for the next three quarters, then decline to 5.0 percent in the second half of next year.

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Questions You Should Ask About Property Taxes

By Peter G. Miller

Property taxes are a major expense, one which often totals thousands of dollars per year. But property taxes are not the same for like properties or for every owner.

Property taxes provide much of the revenue used to fund local and state governments. As property values go up, property tax collections also rise which means additional dollars are available for more public services -- and perhaps even for tax refunds. Alternatively, if property values decline, then government programs tend to be squeezed or there is pressure to raise income and sales taxes to make up for short-falls.

How much you pay for property taxes depends on the value of your home and also local tax policies. In the usual case, a property value is established by government assessors. Once a value is set the tax rate is then applied. For instance, if the rate is $1.50 for each $100 in value, then a home worth $100,000 would have an annual tax bill of $1,500 or $125 per month.

The road from the tax assessment to a bill for property taxes is rarely straight, however. There are often complications, so it pays to ask questions:

- What value is used to assess taxes? You might think that a home's current market worth would be used to establish a value for tax purposes, but that's not always the case. In many areas under *circuit breaker* programs annual tax increases are limited so the tax can be less than current market values might allow. Another approach is to apply the tax rate to a portion of the assessed value and not the full worth of the property.

- What are the current owners paying? Is their tax bill consistent with neighboring homes of equal size and condition? If different, why?

- How will property taxes impact your ability to borrow? Lenders use a number of measures to qualify borrowers and one of the most important is the percent of gross monthly income spent for mortgage principal, interest, property taxes, and insurance -- what loan officers call *PITI*. Low property tax bills can make it easier to qualify for a loan.

- Has the tax bill been appealed or is it being appealed? Values by tax assessors can be contested if owners think estimates are too high -- perhaps because the valuation did not consider certain factors, the math was wrong, or an incorrect schedule was applied. Local assessment offices can tell you how to appeal and in many areas there are services which will do the fighting for you.

- Are you or the current owners entitled to an exemption? Local rules vary extensively, but those over 65, veterans, individuals with limited incomes, and others may be entitled to a full or partial exemption. If, for example, the current owner has an exemption which will not apply to you, then current tax costs may be effectively understated.

- Can property taxes be deferred? To ease cashflow burdens for retirees, it may be possible to have property taxes accrue as a lien against a home. Owners in such situations need not pay some or all of their property taxes: instead, when the home is sold, taxes are taken from the sale proceeds. One jurisdiction, Montgomery County, MD, actually allows qualified owners of all ages to defer property tax payments under this system.

- What are the income tax benefits of property tax payments? In the usual case, property taxes are deductible from federal and state income taxes. For details, speak with a tax professional.

- Will the sale of a property trigger a different tax bill? A sale may suggest a new and higher value to assessors, past exemptions may not apply, and circuit breakers may be re-started or even turned off.

- How often are assessments made? In some areas physical assessments are only made every two or three years. This means that property taxes may be based on values which are out of date, something that can be important in communities where property values are rapidly changing, either up or down.

If all of this seems fairly complex, it is. The local tax assessment office can tell you how the system works while real estate brokers can provide general information. In the end, of course, there are always taxes to pay, the only question is how much.

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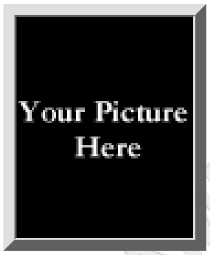

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Get A Grip, Lock That Rate

By Broderick Perkins

Rate locks are key to keeping the lid on lending costs when interest rates begin to take off -- as they have for the past month and a half. Since Sept. 8, when the average fixed interest rate on 30-year conforming mortgages was 5.71 percent, rates have risen for six consecutive weeks, adding 0.39 percentage points to the average. That pushed the average mortgage interest rate to 6.10 percent on October 20, according to Freddie Mac's Weekly Primary Mortgage Market Survey.

The six-week run up in prices was the longest sustained week-after-week increase in average interest rates since spring of last year when rates rose for eight consecutive weeks. From 5.38 percent in March 2004, they rose to 6.34 percent by May, 2004.

What's more, the 6.10 percent average rate is the highest it's been since July 1, 2004 when it averaged 6.21 percent, Freddie Mac said.

"Anytime rates go up, rate locks are an issue. If you don't lock in your rate, then your rate is floating with the market," said Jack Guttentag, the "Mortgage Professor" and finance professor emeritus at the University of Pennsylvania's Wharton School.

A traditional rate lock is a lender's guarantee that your mortgage carries a specific interest rate, points, and other terms. The lock is good for a specified period -- if you fail to complete your home purchase or refinance before the clock runs out, and interest rates rise, brace yourself for a higher rate.

If you qualify for a given rate as the maximum the lender will allow you, and interest rates rise during escrow, you could have to add cash to the deal, be priced out of the market or have the lender turn on you.

"This is mainly a problem with a home purchase because a home buyer has so much at stake and is at the mercy of the market price as defined by the loan officer. If you get to closing and find someone has been playing games and things are not what you agreed to and you don't have a rate lock, you are in a vulnerable position. If you are refinancing, you have options, at least in principle. You don't lose the house if you don't close on the scheduled date," said Guttentag.

If interest rates fall during the lock period you can't take advantage of the lower rate unless you rewrite the lock and perhaps pay additional costs. The exception is a rate lock with a "float down" option to grant you a lower rate if rates fall within a given window of time. Again, unless specified otherwise, float downs stick you with the higher rate if rates rise during the lock period.

While most locks are designed to protect borrowers from rising rates, everything depends on the language in the rate lock agreement. Get it in writing. "There are two kinds of locks. The written lock and the verbal lock. If it's a verbal lock they'd better be your best friend. When rates go up, if he or she didn't lock it in with the lender you are out of luck. If you are going to be careful say, 'Could you write this down?' said Earl Peattie a mortgage expert from Hartford, CT.

In some cases, if the loan doesn't close on time, lenders may automatically extend your lock, say until the loan closes, but that's an option that's less likely in a rising rate market. Other lenders may give you a temporary extension and you'll have to pay fees beyond that. Still others may charge you a percentage of the loan amount for the extension.

The many scenarios make a written contract mandatory.

The contract should lock in as many costs as possible, the interest rate as well as points. The agreement should include your name; the lock's effective date; the agreement's effective date; lock cost, if any; what rate and other loan terms are locked; the lock's expiration date and time; and any post-lock options.

Lock as soon as you see the desired rate or "on application" -- when you first apply for the mortgage -- so that your rate is locked as you spend time getting the application approved. That's particularly important if you barely qualify at today's rates and an increase would make buying unaffordable.

Lock periods should be long enough to allow for settlement, contingencies, and other potential delays. Locks average 30 days, but range from 15 to 60 days.

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Heating Your Home Without Burning a Hole in Your Wallet

By Phoebe Chongchua

Heading into cooler temperatures will have many homeowners boiling mad as they have to pay significantly more for heating this winter than last year.

Those using natural gas will be hit hardest. The average household could spend 48 percent or $350 more this winter. Heating oil is expected to increase 32 percent or $378 over last winter. Households heating primarily with propane will increase 30 percent or $325 this winter. The expected increase for those using electricity is only about 5 percent or $38.

Increases in the price of heating are being blamed on lack of supplies and damaged oil production and natural gas processing -- caused by the impact of hurricanes as well as the already tight petroleum and natural gas markets.

The government predicts that many people are going to need assistance to pay for their heating bills this season. However, there are some things you can do to help keep heating costs down.

- Always make sure your damper is closed when not using the fireplace. Heat escapes through the chimney when the damper is open.
- When leaving the house and before going to bed adjust the thermostat to five degrees lower; this can save up to 15 percent on heating costs.
- Keep your central heating system running properly by having it checked regularly.
- Caulk around windows, doors, vents, air-conditioning units, pipes, anywhere that hot air can be let out and cold air let in. This is an inexpensive step and could save you 10 percent in heating costs.
- Invest in window coverings. Close curtains, blind or shutters at night to help keep cold air out.
- Replace or clean your natural gas furnace filter every three months.
- Make sure all of your heating vents are open, working properly and not blocked by furniture or other items.
- Use a programmable thermostat so that you don't have to remember to adjust it manually. Set the temperature lower or off when you are away or sleeping.
- Heating water is about a quarter of a residential natural gas bill. To keep costs down, use a water heater blanket to wrap your water heater and save up to 10 percent.
- Wash clothes in cold water or wash in warm water and rinse in cold.
- Consider replacing your furnace if it's 10 or more years old. Generally, a 10-year old furnace is only about 55 percent efficient. Look for the Annual Fuel Utilization Efficiency rating; it tells the percentage of energy that is converted to useable heat; some furnaces are 96 percent or more efficient.
- Attics can be a huge source of heat loss; up to 45 percent of your home heat can escape through the attic. Make sure there is sufficient insulation between the attic floor and your ceiling. Most experts recommend at least nine inches.

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Water-Related Insurance Claims Top Fire, Storm, Theft Claims

By Broderick Perkins

Responsible for more homeowner insurance claims than fires, storms or theft, the number one reason homeowners file a homeowner insurance claim is often easily preventable, according to a recent survey. Gone unaddressed, however, it's a problem that can quickly worsen -- exponentially. It's water damage.

Not water damage from floods, tropical storms or too much snow up on the roof. Rather, it's water damage due to neglected preventive maintenance.

For example, four in 10 homeowners don't bother to check a washing machine's water hose lines and, chances are, sooner or later, those lines will fail. "As certain as night follows day, the hose that connects the washing machine to the water source will fail," said Jon Osterberg, a spokesman for Seattle, WA-based PEMCO Insurance which recently polled 600 Washington State residents and discovered many of them have water damage waiting to happen.

"It's simply a matter of time before it (hose line) fails, and when it does, it's usually expensive," said Osterberg.

If the always-on water line to the washing machine goes when no one is home, water will leak or flow until someone arrives. Metal-mesh encased hoses, which generally spring smaller warning leaks when they begin to fail, can provide better protection than rubber hoses.

However, because the laundry room is a low-traffic area, even a small leak left undetected over time can cause extensive damage. Likewise, dishwasher hoses, automatic ice-maker lines and hot water heaters, as they age, all pose hidden dangers.

"Home owners also mistakenly assume that because their hot water tank has a liner, it's not susceptible to leaks," said Osterberg. "Water sediment eventually sinks to the bottom of the tank and rusts. This creates a flood just waiting to happen," Osterberg said.

Unless there's a drain, alarm or some other protective or warning device or system, the cost of a hose that goes is a lot more than just replacing the hose. The insurance deductible alone can be costly, but that's only the beginning. Preventive maintenance is the best solution. The problem is compounded if water or moisture is left standing for 48 hours and becomes a mold incubator.

It's largely, the growing frequency of water and mold related claims in recent years that has sent insurance premiums soaring, caused insurance companies not to renew policies on certain homes and has led more insurance companies not to pay benefits for certain water-related claims.

"The danger of a water leak is that if it's not addressed right away, even a small leak may cause thousands of dollars of damage to your floors and walls that may or may not be covered by your homeowners insurance. It might not be covered because dry rot and mold typically develop over time. They're maintenance issues caused by excess moisture, which is usually preventable. They're not sudden losses," Osterberg said. PEMCO advises:

- Check hoses for kinks and cracks every time you do the laundry. Replace your washing machine hoses every five years with a quality high-pressure hose, preferably a durable metal-mesh hose. The hoses cost only $5 to $10.
- Checking for signs of leaks, inspect flooring around your water heater and other fixtures or appliances. A licensed, qualified technician should periodically inspect heaters installed more than five years ago. If your water heater is more than 10 years old, replace it.
- Inspect the refrigerator, dishwasher and outdoor faucet lines for leaks and crimps. Place a plastic tub under the kitchen sink to catch leaks before damage occurs. If you move your refrigerator to clean, be careful not to overextend or pinch the ice-maker line. If you see signs of brittleness or moisture, call a qualified repair technician.

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Guaranteed Good Faith Estimates the Remedy to Settlement Sheet Shocks?

By Kenneth R. Harney

When you apply for a mortgage to buy a house, do you want to believe the "good faith estimates" of closing costs your mortgage broker or loan officer sends you three days later?

Of course you do. But thousands of consumers complain every year to HUD in Washington, saying the estimates they received were shockingly lower than what they were actually charged at closing.

For example, say your lender's good faith estimate of title insurance costs came to $1,400. But on the final HUD-1 settlement sheet they are over $1,800. Or the good faith estimate listed your total loan origination, title, settlement and other fees at $2,100, but the bottom line on the final HUD-1 said $3,200. Who typically picks up the difference? Not the lender that made the estimates at application. Not the title company. It is you. That's because under current federal regulations, all lenders have to do is to provide you the estimates within three business days. But they don't have to warrant that the estimates are correct.

That could begin to change, however, thanks to a new movement underway among key mortgage lending trade groups in Washington. Several of them recently have endorsed the concept of either guaranteeing or "hardening" all home buyers' closing cost estimates. The groups include the National Association of Mortgage Brokers, the principal lobby for the country's 60,000-plus brokers; the Consumer Mortgage Coalition, which represents many of the nation's largest banks; and the National Association of Independent Mortgage Bankers. The Mortgage Bankers Association of America also is considering its own version of the plan.

The brokers association proposes a 10 percent maximum wiggle room -- or "tolerance" -- between good faith estimates and final closing costs. If a lender discovers that there will be any increases whatsoever beyond the original estimates, the lender would be required to "re-disclose" -- that is, inform the home buyer in writing before the closing date so there are no last minute surprises. If the increases are not re-disclosed, the home buyer would have the right to sue for damages. The National Association of Independent Mortgage Bankers favors absolute guarantees of all fees that are directly controlled by the lender or broker. For example, if a lender estimates the appraisal charge to be $300 and the bill comes in at $450, the lender would have to eat the $150 difference. Or if loan processing and underwriting are estimated at $300, the lender would be prohibited from charging $400 or $500 at closing, as is now permitted under federal rules.

The same group proposes that once an interest rate is locked on a loan, no origination fees -- including points -- can exceed the good faith estimates. It also wants no changes to be permitted in title charges to occur, once the title company confirms its fees to the lender or broker.

The mortgage lending groups' move toward tightening the good faith estimates comes as HUD continues its work on a new RESPA settlement cost reform proposal, expected sometime in 2006. HUD's reform plan of 2002 went down in flames last year amid severe criticism by some of the same groups now recommending changes in the good faith estimates. The earlier HUD plan floated a "guaranteed mortgage package" concept that would have provided consumers rate-locked loans and settlement fee packages up front, as they shopped from lender to lender.

Real estate, title insurance and mortgage groups opposed HUD's proposals because they might have put small businesses at a disadvantage against larger competitors who could assemble fixed-fee packages for less through volume-pricing discounts.

If the lender trade groups unite behind guaranteed or "hardened" good faith estimates, that could give HUD the political cover to build its forthcoming RESPA proposals around that concept, effectively abandoning federal incentives for guaranteed packages. The net effect for home buyers would still be a big plus: They'd get closing cost estimates they could actually believe in and count on, rather than 11th hour shocks at settlement. Meanwhile, lenders who already offer popular fixed-fee programs -- GMAC Mortgage, Ditech.com, Abn-Amro Mortgage and Suntrust Bank among others -- would be free to continue doing so.

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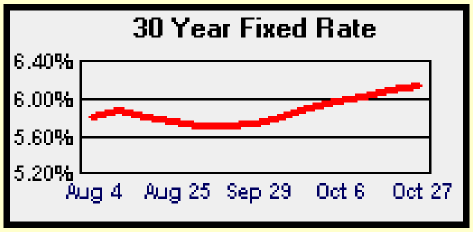

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1 yr. adj:	**4.91%**

Garages Aren't Just For Cars Anymore

Nearly two-thirds of all new homes have two-car garages while 19% have three-car garages, leaving only about 15% with one-car garages or none at all, according to the National Association of Home Builders (NAHB).

The growth in demand for larger garages coincides with NAHB's consumer preferences findings -- home buyers want more space, not necessarily the traditional larger, more-house kind of space, but better defined, more usable, specialized spaces.

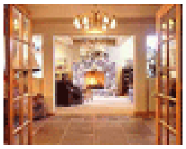
It's no wonder garage remodeling and organizing will be an estimated $2.5 billion business this year, according to the NAHB.

Pack Away Kids' Moving Blues

Buying a new home can be very exciting for adults, but it can evoke a whole lot of fear in children. Helping children understand the reason for the move will help pack away kids' moving blues. Some 10 million school-age children move each year in America, according to Gabriel Davis, author of *The Moving Book: A Kid's Survival Guide*.

She writes about activities that give children a little extra attention to help them better handle a move. Davis recommends getting kids involved as soon as possible. "Start to talk about it in a really positive way and that's going to help the kids to have a positive picture in their minds of the move."

Create A Grand Entrance When Showing Your House



If you're selling your house, you've probably heard all about curb appeal. Once that first impression passes the test, the next thing that meets the eyes of potential buyers is the entryway.

Don't underestimate the importance of the entrance to your home. It helps define the quality of your property when people enter.

If your entrance exudes richness, buyers will think of your home as a rich property and be prepared to make offers accordingly.

Cathy Whitlock, an interior designer in Nashville, Tenn., offers some general entryway decorating tips on the Home and Garden Television website -- tips that can help make your home more attractive to those picky buyers out there. They include:

- Add plants. Ficus trees are good for traditional décor; palm trees are a good fit for contemporary.
- Throw an area rug on the floor.
- Use a chest or console table to anchor the area.

Display a favorite collection or a lamp. Hang a picture or mirror above the table.

- Paint a shade of yellow. It goes with everything so it's a good choice for an entryway.

The entrance serves as the transition from outdoors to indoors and can leave an indelible impression in the mind of a potential buyer.

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Tips for Selling in the Fall

By Michele Dawson

With fall marking its entrance, kids back in school, and the holidays just around the corner, home sales tend to slow down during this time of year. If you're selling, it means you need to take extra measures to make your house stand out above the others on the market in your neighborhood.

So, if you're preparing to sell your house this fall, think about:

- Curb appeal. Fall can make or break you when it comes to curb appeal and the all-important "first impression." Leaves turning shades of crimson and gold can add extra appeal to the total look of your home's exterior. On the other hand, leaves strewn about your front yard can decrease your home's visual appeal during that first impression.
- Generic improvements that enhance your home's functionality, efficiency and aesthetics, also means completing deferred maintenance and making sure all the components are in good working condition.
- Celebrating the season. Add a fall wreath to the front door. Have a few huge pumpkins and fall display in your front area to welcome visitors (would-be buyers).
- Scents of the season. If you're a smoker or have pets, make sure the nose doesn't know. Eliminate all such offensive odors. If you're holding an open house, or know you'll have a lot of potential buyers looking on a particular day, bake an apple pie. Nothing is more inviting than the scent of apples and cinnamon wafting through the air.
- Letting the light in. A dark house is a big turn off. Open up the blinds, let the light in and turn on the lights during the day. Turn on all accent lights and lamps.
- The fireplace. The hearth is still an important feature to most buyers, especially as days grow colder. Make sure yours is clean. Place a log in the fireplace. Or, consider placing an attractive candelabra or candle-holder that holds numerous candles in the fireplace for a decorator's touch.
- Hiring a home inspector. Once a buyer makes an offer, they will hire someone to conduct an in-depth inspection of the house. Some sellers like to do this before they put their house on the market so there are no surprises down the road. If anything comes up during the seller's inspection, the seller can get it taken care of before putting the house on the market. The American Society of Home Inspectors says a typical home inspection includes drainage conditions, exterior surfaces, decks, chimney, the roof, windows, doors, plumbing fixtures, furnace, air conditioner, insulation, ventilation, electrical, heating, and plumbing systems.
- Tidying up. If you have a lot of furniture or other "stuff," put some of it in storage. Put away all those knickknacks and paper piles.
- Allowances. If you have carpet, wood floors or cabinets that have seen better days, consider offering an allowance right off the bat. You'll want to discuss this with your real estate professional. There are pros and cons -- you don't get to have that "wow" first impression if you put in those floors or cabinets yourself before you sell. But you might be short on time and don't want to run into the holidays -- plus buyers may like the idea of picking out their own flooring.
- Your asking price. Don't insist on setting the price too high, especially if you're on a timeline. A house priced appropriately will be taken more seriously and will ultimately sell more quickly than one that's overpriced.
- Talk to the professionals. Follow your REALTOR's additional recommendations and begin the final phases of preparation before your house goes on the market.
- Understand The Plan. Real estate marketing involves far more than a sign in the yard and an ad in the paper. Successful REALTORS use a variety of methods to attract and qualify prospects, including the latest Internet and communication advances.

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Housing Forecast Looks Stronger

By Realty Times Staff

The forecast for home sales has trended up as the year progressed, fueled lately by added demand resulting from the impact of recent hurricanes, according to the National Association of Realtors.

David Lereah, NAR's chief economist, said that at the beginning of the year it was thought that 2005 would be the second best total for both existing- and new-home sales, but by June it was apparent that another record was in the works. "Post-Katrina, our sales projections for this year have moved even higher," Lereah said. "Short-term momentum is very strong, and our Pending Home Sales Index just set a record. In addition to the housing needs of hurricane victims, we may be seeing some 'fence jumping' from home buyers who are getting into the market before interests rates move higher."

Existing-home sales are forecast to rise 4.2 percent to 7.07 million in 2005, while new-home sales are expected to increase 7.1 percent to 1.29 million. Total housing starts - single-family and multifamily - should be up 4.5 percent to 2.04 million units this year, the best showing since 1973, and single-family starts are seen at a record of 1.70 million.

"Inflationary pressures - driven by higher energy costs - have become a concern, so we anticipate two more hikes in the fed funds rate by the end of the year. In addition, long-term interest rates also are rising at a faster clip," Lereah said. The 30-year fixed-rate mortgage is projected to reach 6.2 percent in the fourth quarter, and trend up to 6.7 percent by the end of next year.

The national median existing-home price for all housing types is forecast to increase 12.5 percent in 2005 to $208,400, while the median new-home price should rise 3.9 percent to $229,700.

NAR President Al Mansell of Salt Lake City said some easing in home sales is expected in 2006. "The rise in mortgage interest rates is likely to have a slight breaking action on the housing market, and the upside of that is it would help to bring the market closer to balance between home buyers and sellers," he said. "As a result, there should be a cooling in the rate of price growth -- on balance, the overall market should continue to favor sellers with price appreciation remaining above the high end of historic norms. The investment fundamentals for housing remain solid."

In 2006, NAR expects the median existing-home price to grow by 5.2 percent and the median new-home price to rise 7.1 percent. Historic home-price gains are 1.5 percentage points above the rate of inflation, which is seen at 2.6 percent next year.

"Although energy prices are the chief culprit in current inflation concerns, we project oil prices to settle early next year -- that would cause inflation to quickly dissipate," Lereah said. The Consumer Price Index is forecast to rise 3.5 percent for all of 2005 before easing early next year.

Inflation-adjusted disposable personal income is expected to grow by 1.4 percent for 2005. The U.S. gross domestic product (GDP) is seen at 3.5 percent for all of 2005, with GDP picking up early next year as hurricane rebuilding accelerates. The unemployment rate is projected to average 5.2 percent for the next three quarters, then decline to 5.0 percent in the second half of next year.

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Questions You Should Ask About Property Taxes

By Peter G. Miller

Property taxes are a major expense, one which often totals thousands of dollars per year. But property taxes are not the same for like properties or for every owner.

Property taxes provide much of the revenue used to fund local and state governments. As property values go up, property tax collections also rise which means additional dollars are available for more public services -- and perhaps even for tax refunds. Alternatively, if property values decline, then government programs tend to be squeezed or there is pressure to raise income and sales taxes to make up for short-falls.

How much you pay for property taxes depends on the value of your home and also local tax policies. In the usual case, a property value is established by government assessors. Once a value is set the tax rate is then applied. For instance, if the rate is $1.50 for each $100 in value, then a home worth $100,000 would have an annual tax bill of $1,500 or $125 per month.

The road from the tax assessment to a bill for property taxes is rarely straight, however. There are often complications, so it pays to ask questions:

- What value is used to assess taxes? You might think that a home's current market worth would be used to establish a value for tax purposes, but that's not always the case. In many areas under *circuit breaker* programs annual tax increases are limited so the tax can be less than current market values might allow. Another approach is to apply the tax rate to a portion of the assessed value and not the full worth of the property.

- What are the current owners paying? Is their tax bill consistent with neighboring homes of equal size and condition? If different, why?

- How will property taxes impact your ability to borrow? Lenders use a number of measures to qualify borrowers and one of the most important is the percent of gross monthly income spent for mortgage principal, interest, property taxes, and insurance -- what loan officers call *PITI*. Low property tax bills can make it easier to qualify for a loan.

- Has the tax bill been appealed or is it being appealed? Values by tax assessors can be contested if owners think estimates are too high -- perhaps because the valuation did not consider certain factors, the math was wrong, or an incorrect schedule was applied. Local assessment offices can tell you how to appeal and in many areas there are services which will do the fighting for you.

- Are you or the current owners entitled to an exemption? Local rules vary extensively, but those over 65, veterans, individuals with limited incomes, and others may be entitled to a full or partial exemption. If, for example, the current owner has an exemption which will not apply to you, then current tax costs may be effectively understated.

- Can property taxes be deferred? To ease cashflow burdens for retirees, it may be possible to have property taxes accrue as a lien against a home. Owners in such situations need not pay some or all of their property taxes: instead, when the home is sold, taxes are taken from the sale proceeds. One jurisdiction, Montgomery County, MD, actually allows qualified owners of all ages to defer property tax payments under this system.

- What are the income tax benefits of property tax payments? In the usual case, property taxes are deductible from federal and state income taxes. For details, speak with a tax professional.

- Will the sale of a property trigger a different tax bill? A sale may suggest a new and higher value to assessors, past exemptions may not apply, and circuit breakers may be re-started or even turned off.

- How often are assessments made? In some areas physical assessments are only made every two or three years. This means that property taxes may be based on values which are out of date, something that can be important in communities where property values are rapidly changing, either up or down.

If all of this seems fairly complex, it is. The local tax assessment office can tell you how the system works while real estate brokers can provide general information. In the end, of course, there are always taxes to pay, the only question is how much.

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Get A Grip, Lock That Rate

By Broderick Perkins

Rate locks are key to keeping the lid on lending costs when interest rates begin to take off -- as they have for the past month and a half. Since Sept. 8, when the average fixed interest rate on 30-year conforming mortgages was 5.71 percent, rates have risen for six consecutive weeks, adding 0.39 percentage points to the average. That pushed the average mortgage interest rate to 6.10 percent on October 20, according to Freddie Mac's Weekly Primary Mortgage Market Survey.

The six-week run up in prices was the longest sustained week-after-week increase in average interest rates since spring of last year when rates rose for eight consecutive weeks. From 5.38 percent in March 2004, they rose to 6.34 percent by May, 2004.

What's more, the 6.10 percent average rate is the highest it's been since July 1, 2004 when it averaged 6.21 percent, Freddie Mac said.

"Anytime rates go up, rate locks are an issue. If you don't lock in your rate, then your rate is floating with the market," said Jack Guttentag, the "Mortgage Professor" and finance professor emeritus at the University of Pennsylvania's Wharton School.

A traditional rate lock is a lender's guarantee that your mortgage carries a specific interest rate, points, and other terms. The lock is good for a specified period -- if you fail to complete your home purchase or refinance before the clock runs out, and interest rates rise, brace yourself for a higher rate.

If you qualify for a given rate as the maximum the lender will allow you, and interest rates rise during escrow, you could have to add cash to the deal, be priced out of the market or have the lender turn on you.

"This is mainly a problem with a home purchase because a home buyer has so much at stake and is at the mercy of the market price as defined by the loan officer. If you get to closing and find someone has been playing games and things are not what you agreed to and you don't have a rate lock, you are in a vulnerable position. If you are refinancing, you have options, at least in principle. You don't lose the house if you don't close on the scheduled date," said Guttentag.

If interest rates fall during the lock period you can't take advantage of the lower rate unless you rewrite the lock and perhaps pay additional costs. The exception is a rate lock with a "float down" option to grant you a lower rate if rates fall within a given window of time. Again, unless specified otherwise, float downs stick you with the higher rate if rates rise during the lock period.

While most locks are designed to protect borrowers from rising rates, everything depends on the language in the rate lock agreement. Get it in writing.

"There are two kinds of locks. The written lock and the verbal lock. If it's a verbal lock they'd better be your best friend. When rates go up, if he or she didn't lock it in with the lender you are out of luck. If you are going to be careful say, 'Could you write this down?' said Earl Peattie a mortgage expert from Hartford, CT.

In some cases, if the loan doesn't close on time, lenders may automatically extend your lock, say until the loan closes, but that's an option that's less likely in a rising rate market. Other lenders may give you a temporary extension and you'll have to pay fees beyond that. Still others may charge you a percentage of the loan amount for the extension.

The many scenarios make a written contract mandatory.

The contract should lock in as many costs as possible, the interest rate as well as points. The agreement should include your name; the lock's effective date; the agreement's effective date; lock cost, if any; what rate and other loan terms are locked; the lock's expiration date and time; and any post-lock options.

Lock as soon as you see the desired rate or "on application" -- when you first apply for the mortgage -- so that your rate is locked as you spend time getting the application approved. That's particularly important if you barely qualify at today's rates and an increase would make buying unaffordable.

Lock periods should be long enough to allow for settlement, contingencies, and other potential delays. Locks average 30 days, but range from 15 to 60 days.

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Heating Your Home Without Burning a Hole in Your Wallet

By Phoebe Chongchua

Heading into cooler temperatures will have many homeowners boiling mad as they have to pay significantly more for heating this winter than last year.

Those using natural gas will be hit hardest. The average household could spend 48 percent or $350 more this winter. Heating oil is expected to increase 32 percent or $378 over last winter. Households heating primarily with propane will increase 30 percent or $325 this winter. The expected increase for those using electricity is only about 5 percent or $38.

Increases in the price of heating are being blamed on lack of supplies and damaged oil production and natural gas processing -- caused by the impact of hurricanes as well as the already tight petroleum and natural gas markets.

The government predicts that many people are going to need assistance to pay for their heating bills this season. However, there are some things you can do to help keep heating costs down.

- Always make sure your damper is closed when not using the fireplace. Heat escapes through the chimney when the damper is open.
- When leaving the house and before going to bed adjust the thermostat to five degrees lower; this can save up to 15 percent on heating costs.
- Keep your central heating system running properly by having it checked regularly.
- Caulk around windows, doors, vents, air-conditioning units, pipes, anywhere that hot air can be let out and cold air let in. This is an inexpensive step and could save you 10 percent in heating costs.
- Invest in window coverings. Close curtains, blind or shutters at night to help keep cold air out.
- Replace or clean your natural gas furnace filter every three months.
- Make sure all of your heating vents are open, working properly and not blocked by furniture or other items.
- Use a programmable thermostat so that you don't have to remember to adjust it manually. Set the temperature lower or off when you are away or sleeping.
- Heating water is about a quarter of a residential natural gas bill. To keep costs down, use a water heater blanket to wrap your water heater and save up to 10 percent.
- Wash clothes in cold water or wash in warm water and rinse in cold.
- Consider replacing your furnace if it's 10 or more years old. Generally, a 10-year old furnace is only about 55 percent efficient. Look for the Annual Fuel Utilization Efficiency rating; it tells the percentage of energy that is converted to useable heat; some furnaces are 96 percent or more efficient.
- Attics can be a huge source of heat loss; up to 45 percent of your home heat can escape through the attic. Make sure there is sufficient insulation between the attic floor and your ceiling. Most experts recommend at least nine inches.

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Water-Related Insurance Claims Top Fire, Storm, Theft Claims

By Broderick Perkins

Responsible for more homeowner insurance claims than fires, storms or theft, the number one reason homeowners file a homeowner insurance claim is often easily preventable, according to a recent survey. Gone unaddressed, however, it's a problem that can quickly worsen -- exponentially. It's water damage.

Not water damage from floods, tropical storms or too much snow up on the roof. Rather, it's water damage due to neglected preventive maintenance.

For example, four in 10 homeowners don't bother to check a washing machine's water hose lines and, chances are, sooner or later, those lines will fail. "As certain as night follows day, the hose that connects the washing machine to the water source will fail," said Jon Osterberg, a spokesman for Seattle, WA-based PEMCO Insurance which recently polled 600 Washington State residents and discovered many of them have water damage waiting to happen.

"It's simply a matter of time before it (hose line) fails, and when it does, it's usually expensive," said Osterberg.

If the always-on water line to the washing machine goes when no one is home, water will leak or flow until someone arrives. Metal-mesh encased hoses, which generally spring smaller warning leaks when they begin to fail, can provide better protection than rubber hoses.

However, because the laundry room is a low-traffic area, even a small leak left undetected over time can cause extensive damage. Likewise, dishwasher hoses, automatic ice-maker lines and hot water heaters, as they age, all pose hidden dangers.

"Home owners also mistakenly assume that because their hot water tank has a liner, it's not susceptible to leaks," said Osterberg. "Water sediment eventually sinks to the bottom of the tank and rusts. This creates a flood just waiting to happen," Osterberg said.

Unless there's a drain, alarm or some other protective or warning device or system, the cost of a hose that goes is a lot more than just replacing the hose. The insurance deductible alone can be costly, but that's only the beginning. Preventive maintenance is the best solution. The problem is compounded if water or moisture is left standing for 48 hours and becomes a mold incubator.

It's largely, the growing frequency of water and mold related claims in recent years that has sent insurance premiums soaring, caused insurance companies not to renew policies on certain homes and has led more insurance companies not to pay benefits for certain water-related claims.

"The danger of a water leak is that if it's not addressed right away, even a small leak may cause thousands of dollars of damage to your floors and walls that may or may not be covered by your homeowners insurance. It might not be covered because dry rot and mold typically develop over time. They're maintenance issues caused by excess moisture, which is usually preventable. They're not sudden losses," Osterberg said. PEMCO advises:

- Check hoses for kinks and cracks every time you do the laundry. Replace your washing machine hoses every five years with a quality high-pressure hose, preferably a durable metal-mesh hose. The hoses cost only $5 to $10.
- Checking for signs of leaks, inspect flooring around your water heater and other fixtures or appliances. A licensed, qualified technician should periodically inspect heaters installed more than five years ago. If your water heater is more than 10 years old, replace it.
- Inspect the refrigerator, dishwasher and outdoor faucet lines for leaks and crimps. Place a plastic tub under the kitchen sink to catch leaks before damage occurs. If you move your refrigerator to clean, be careful not to overextend or pinch the ice-maker line. If you see signs of brittleness or moisture, call a qualified repair technician.

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Guaranteed Good Faith Estimates the Remedy to Settlement Sheet Shocks?

By Kenneth R. Harney

When you apply for a mortgage to buy a house, do you want to believe the "good faith estimates" of closing costs your mortgage broker or loan officer sends you three days later?

Of course you do. But thousands of consumers complain every year to HUD in Washington, saying the estimates they received were shockingly lower than what they were actually charged at closing.

For example, say your lender's good faith estimate of title insurance costs came to $1,400. But on the final HUD-1 settlement sheet they are over $1,800. Or the good faith estimate listed your total loan origination, title, settlement and other fees at $2,100, but the bottom line on the final HUD-1 said $3,200. Who typically picks up the difference? Not the lender that made the estimates at application. Not the title company. It is you. That's because under current federal regulations, all lenders have to do is to provide you the estimates within three business days. But they don't have to warrant that the estimates are correct.

That could begin to change, however, thanks to a new movement underway among key mortgage lending trade groups in Washington. Several of them recently have endorsed the concept of either guaranteeing or "hardening" all home buyers' closing cost estimates. The groups include the National Association of Mortgage Brokers, the principal lobby for the country's 60,000-plus brokers; the Consumer Mortgage Coalition, which represents many of the nation's largest banks; and the National Association of Independent Mortgage Bankers. The Mortgage Bankers Association of America also is considering its own version of the plan.

The brokers association proposes a 10 percent maximum wiggle room -- or "tolerance" -- between good faith estimates and final closing costs. If a lender discovers that there will be any increases whatsoever beyond the original estimates, the lender would be required to "re-disclose" -- that is, inform the home buyer in writing before the closing date so there are no last minute surprises. If the increases are not re-disclosed, the home buyer would have the right to sue for damages. The National Association of Independent Mortgage Bankers favors absolute guarantees of all fees that are directly controlled by the lender or broker. For example, if a lender estimates the appraisal charge to be $300 and the bill comes in at $450, the lender would have to eat the $150 difference. Or if loan processing and underwriting are estimated at $300, the lender would be prohibited from charging $400 or $500 at closing, as is now permitted under federal rules.

The same group proposes that once an interest rate is locked on a loan, no origination fees -- including points -- can exceed the good faith estimates. It also wants no changes to be permitted in title charges to occur, once the title company confirms its fees to the lender or broker.

The mortgage lending groups' move toward tightening the good faith estimates comes as HUD continues its work on a new RESPA settlement cost reform proposal, expected sometime in 2006. HUD's reform plan of 2002 went down in flames last year amid severe criticism by some of the same groups now recommending changes in the good faith estimates. The earlier HUD plan floated a "guaranteed mortgage package" concept that would have provided consumers rate-locked loans and settlement fee packages up front, as they shopped from lender to lender.

Real estate, title insurance and mortgage groups opposed HUD's proposals because they might have put small businesses at a disadvantage against larger competitors who could assemble fixed-fee packages for less through volume-pricing discounts.

If the lender trade groups unite behind guaranteed or "hardened" good faith estimates, that could give HUD the political cover to build its forthcoming RESPA proposals around that concept, effectively abandoning federal incentives for guaranteed packages. The net effect for home buyers would still be a big plus: They'd get closing cost estimates they could actually believe in and count on, rather than 11th hour shocks at settlement. Meanwhile, lenders who already offer popular fixed-fee programs -- GMAC Mortgage, Ditech.com, Abn-Amro Mortgage and Suntrust Bank among others -- would be free to continue doing so.

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