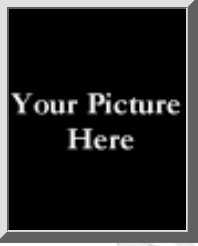


Your REALTOR®

January 2007

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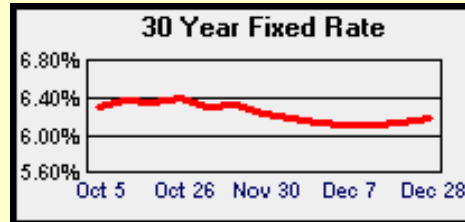
Mortgage Rates Tick Up**I**n Freddie Mac's Primary Mortgage

Market Survey the 30-year fixed-rate mortgage (FRM) averaged 6.18%, with an average 0.4 point, for the week ending December 28, 2006. Last year at this time, the 30-year FRM averaged 6.22 percent.

"Mortgage rates edged up over the week following news of a jump in consumer spending in November," said Frank Nothaft, Freddie Mac chief economist. "Financial markets were concerned that stronger spending could keep inflation elevated. These worries were further compounded by the

Mortgage Rates

Source: Realty Times



U.S. averages as of December 28, 2006:

30 yr. fixed: 6.18%
15 yr. fixed: 5.93%
1 yr. adj: 5.47%

releases of new and existing home sales for the same month, which both exceeded market forecasts and caused Treasury bond yields to continue to rise."

New Year's Resolutions**H**ome

improvements are on the minds of more people this year than last, according to a popular web site's predictions about the types of resolutions people are making this New Year's season.

myGoals.com, a site for setting and reaching personal and professional goals, bases its predictions on the current year's third quarter goal-setting activity.

According to an anonymous, random sample of goals people have set at the site, this year's New Year's resolutions can be expected to break down as follows:

Health and fitness, 27%; personal growth and interests, 15%; personal finance, 15%; career, 12%; education and training, 9%; home improvement and real estate, 7%; time management and organization, 6%; family and relationships, 5%, and recreation and leisure, 5%.

Last year, only 5% of the sample had home improvement and real estate on their minds.

"In 2007, people are going to spend a lot of time working on improving their homes and themselves," said Greg Helmstetter, CEO of myGoals.com.


Another shift is a decrease in goals related to buying real estate such as homes, second homes, and investment properties.

This trend is offset by a corresponding increase in goals related to home improvement. "It's just like the what the economists tell us," said Helmstetter. "When people stop buying houses, they concentrate on improving the house they've already got."

Great Conditions For Home Buyers**T**ake a moment to

consider these facts:

- There are currently 3.75 million homes for sale. Inventories in recent months have been at record levels, offering buyers the greatest choice in decades.
 - However, inventory levels are falling, and the selection of homes will become limited once again.
 - Interest rates haven't been this low for nearly 40 years.
 - The average home value increased by 88% over the last 10 years. In the decade to come, the number of households is expected to increase by 15%, which keeps housing in high demand.
- Expect change in 2007 as sales pick up, prices gain traction, and conditions improve for sellers.

Will Consumers Pay More For Green?**W**hile the idea of saving 

money on fuel bills is often attractive, energy-saving systems and appliances are often more expensive than less efficient alternatives. So is it worth paying more to be green?

One way to measure the financial benefits is to consider how much money you will save over a period of years. If it costs an extra \$200 to buy a really efficient refrigerator but you can reduce fuel bills by \$50 a year, then after four years you break even on the excess cost.

But another benefit may emerge when you sell. According to a study by the Florida Energy Extension Service, "87% of consumers said they'd pay more for green home features if expenses were recovered within five years."

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New Year's Resolutions for The Home



By Blanche Evans

Whether you're a new homeowner or you've been in your house for years, why not resolve to make 2007 "the year" you whip your house and household finances in top shape? It could prevent you from encountering costly problems down the road - and assist you in getting top dollar when it comes time to sell. The first thing you should do is implement a maintenance plan.

"A homeowner who makes the necessary yearly investment will end up saving in the long run because routine maintenance can help avoid larger, more expensive repairs that can add up to the tens of thousands of dollars or more," said Mike Kuhn, director of technical services for Housemaster, a New Jersey-based home inspection company. "It is just like giving your home its annual physical."

The Insurance Information Institute, the American Society of Home Inspectors, and the National Association of Homebuilders offer a host of maintenance tips that you should resolve to adopt in the year ahead.

- **Water.** Check visible water pipes and sewer lines for cracks, rusting and leaking; turn on faucets to test water pressure and volume; and look for clogged or sluggish drains or dripping faucets. Wrap your pipes with heating tape every winter and insulate unfinished rooms such as garages if they contain exposed pipes. Also check for signs of leaking or rusting on your water heater.
- **Electricity.** Check your electrical system's load center and see if there are fuses or circuit breakers; also check its age and look for signs of wear or exposed wires.
- **Heat.** Check your heating system for gas leaks and cracks in the heat exchanger. Maintain your furnace, fireplace, boiler, water heater, and have your heating system serviced every year. Clean and vacuum dust from vents, baseboard heaters and cold-air returns.
- **Gas.** Check smoke and fire alarms and carbon monoxide detectors and change your heating and air conditioning filters. Have your appliances inspected for gas leaks and adequate ventilation.
- **Insulation.** Your attic should be five to 10 degrees warmer than outside air. Check weather stripping and caulking around windows and doors and replace or repair it as needed. Also repair broken glass and loose or missing putty on windows.
- **Basement/Attic.** Well-insulated basements and crawl spacers

will protect your pipes from freezing. Check the basement for signs of water leaking, dampness, flooding, dry rot and termites. Check the attic for signs of leaks and any rodent or insect infestation.

- **Exterior.** Remove all debris from gutters. Inspect your roof for damaged or loose shingles; gaps in the flashing where the roofing and siding meet vents and flues; and damaged mortar around the chimney. Inspect your home's exterior walls, looking for possible weather-related damage like loose or crumbling mortar.

- You should also resolve to get your finances in order. Eric Tyson and Ray Brown in their book *Home Buying for Dummies* say it's especially important to build up your reserves and get your financial house in order after you buy a home. You should begin by resisting the temptation to splurge. You should have at least three months' salary in your emergency fund. Try to stay away from unnecessary spending until you reach this goal.

Think about E-payments, which ensure that you never pay late, and late payments can tack on an extra five percent late payment fee.

If home prices have dropped in your neighborhood since you've moved in, you may want to consider appealing your assessment since the tax is based on your home's value in most communities. Also keep your financial documents organized so you'll be more prepared at tax time.

If interest rates go down, think about taking out a new loan at the lower rate to replace your original loan. Be sure to consider how much refinancing the loan will cost you. Refinancing won't benefit you unless you plan on staying put for at least five years.

If you've been putting off landscaping your house, make plans to do it now. The right landscape can increase the value of your home by 15 percent, allowing you to recoup 100 to 200 percent of your investment, according to the Association of Landscape Contractors of America.

And if you do any home improvement projects, keep your receipts. You may be eligible to minimize the capital gain that may come your way when you eventually sell. The improvement must be one that permanently increases the value and useful life of the house (like a new roof).

By keeping your house and finances in order in 2007, you're sure to thank yourself at this time next year.

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Putting Condo Myths to Bed

By Lew Sichelman



What do you think of when you hear the word "condominium?" If you're like most people, you'll visualize either a high-rise apartment or a row of low-slung, garden-style walk-ups. And you'll be wrong. Of the nation's nearly 6 million condominiums, only 28 percent are in buildings with five or more units, according to a profile of the nation's nearly 6 million condominiums by the Mortgage Bankers Association. The profile is based on data from the Census Bureau's 2005 American Housing Survey.

Truth be told, the condo market is as varied as it is large, the study found. And because the term condominium refers to a type of ownership rather than a type of dwelling unit, a condo can have any number of characteristics, including tenure, type of structure and location.

Surprise: Most condos are not in multi-family buildings. In fact, 49 percent are in buildings of four or fewer units, and 36 percent -- more than a third -- are actually single-family houses. "How's that?" you ask.

Because a condo, as a type of ownership, allows someone to own a dwelling in a property of similarly owned units, be they detached or attached. The owner's name is on the deed, and the owner may or may not have a mortgage. In addition, the owner may hold an interest with all other owners in the project's common elements, including the grounds, hallways, entryways, elevators and amenities.

Because they combine individual ownership of the dwelling with shared ownership of the common facilities, condos tend to fill the market niche between renting and owning a detached

home and the lot on which it sits, the MBA profile points out.

But many condo boards -- the government-like groups which run the properties on behalf of all owners -- set restrictions on the number of units which can be owned by investors who don't occupy the dwellings but rather than rent them to others. Lenders also limit the share of units that can be investor-owned.

And as a result, nearly two-thirds of all condos are owner-occupied and only 21 are occupied by renters. The remaining 16 percent are vacant.

As you might expect, single-family condos are the least likely to be renter-occupied. Only 14 percent of the occupied detached houses and 13 percent of the attached houses, or townhouses, are occupied by renters. By contrast, according to the MBA, 32 percent of the apartments in buildings with 50 or more units are rented, and 31 percent of the units in building with 20-49 apartments are rented.

In terms of sheer volume, though, MBA researchers found that 35 percent of the condos that are renter-occupied are in properties with four or fewer units, and 48 percent are in properties with between five and 49 units. The rest are in buildings with 50 or more units.

Actually, townhouses, not apartments, make up the largest single block of condominiums. And as a result, 59 percent of all condos are in the suburbs. Just 32 percent are considered city dwellings and 9 percent are outside metro areas.

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**Mortgage Insurance Slated
For Tax Deduction***By Broderick Perkins*

Years in the making, a federal tax deduction for mortgage insurance is all but assured after bills which include the provision were passed last month by both the House of Representatives and the U.S. Senate.

Only borrowers who close loans during and after 2007 and make less than \$100,000 a year will be eligible to deduct all the private or government mortgage insurance paid for the year.

A tax deduction reduces taxable income, leaving less income to tax. The new break will result in an average tax savings of between \$300 and \$350, according to Howard Glaser, a Washington lobbyist and former senior official in the Department of Housing and Urban Development.

During the past five years, about one in five new loans have included mortgage insurance, according to Jeff Lubar, a spokesman for the Mortgage Insurance Companies of America, a trade group for private insurers, but the number of new policies has fallen.

The group's "2006-2007 Fact Book & Membership Directory" reports nearly 1.6 million private policies and about 700,000 government policies (for FHA and VA loans) were written in 2005. In 2002 there were approximately 2.3 million private policies and about 1.6 million government policies written.

The growth in the use of piggy-back loans, down-payment assistance programs, other creative financing and rapid home price appreciation that allows home owners to refinance have all contributed to the declining number of policies.

Maligned years ago when two in five new loans were saddled with the coverage, and before laws mandated full annual disclosures and the right to cancellation, mortgage insurance has its pluses and minuses.

Because buyers with down payments of less than 20 percent have higher default rates, the insurance is typically mandated on low down payment loans or first loans that don't also come with a second or "piggy-back" loan to bring the down payment to 20 percent.

The insurance protects the lender from default, but the premiums are paid by the home owner.

The premiums can be \$100 or more a month but the extra cost can help a home buyer qualify for a home that otherwise could have been out of reach.

The insurance can also help a buyer buy a larger home, buy a home sooner and hold onto some cash after they've purchased a home with a smaller down payment.

Mortgage insurance has been around in some form since the late 1800s, but it wasn't until 1999 and the federal "Homeowners Protection Act of 1997" when home owners gained disclosure reforms and broader insurance cancellation rights.

Before the law, many borrowers could only cancel by refinancing to a loan with a balance 80 percent or less of the home's value, say, because the home's value had appreciated. Many who wanted to keep their current mortgage, but cancel because their home's value had jumped, were at the mercy of the lender.

Since 1999, private mortgage insurers must annually disclose the amount paid and automatically cancel mortgage insurance when a homeowner pays down the mortgage to 78 percent of the original purchase price.

A lender also must cancel the insurance if a home owner requests it and the mortgage balance is 80 percent of the original value of the house.

In both cases, the borrower must be current on mortgage payments and meet other requirements. Refinancing to a loan that's 80 percent or less of the home's value remains an option.

Unfortunately, the law doesn't apply to government insured loans and some others.

With a presidential signature, which is likely, the new law will allow the tax deduction for all mortgage insurance -- private and government -- paid by qualifying tax payers.

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The Art of House Hunting:
8 Tips to Help in Your Search

By Michele Dawson



Armed with your down payment and your pre-approved mortgage loan, the next step is finding the house that will best meet your family's needs. With realistic expectations, patience, and plenty of research, you'll be well on your way.

Once you narrow it down to the neighborhoods you like, you'll want to determine the maximum house price you can afford. Even though you're pre-approved for a set loan amount, it doesn't mean you can afford it. You'll want to factor in other expenses, including retirement and college savings, vacations, and home maintenance and repairs, when you calculate how much you can afford for a monthly payment. And don't forget to budget for homeowners insurance and property taxes.

Next, differentiate your needs versus your wants. You need three bedrooms, but a fourth room would be nice for a play room or guest room. You need a two-car garage, but a larger one would be nice for storage. You need a functional kitchen but want hardwood floor. You need two bathrooms but want a luxurious master suite. You get the picture.

As you begin on your house-hunting venture, you may want to prepare a checklist, perhaps in a table form on your computer. Break it down between exterior and interior characteristics. Make notes on each feature and give each a 1 to 10 score. Some of the exterior features to rate might include size of yard, quality of fence, paint condition, roof condition, window conditions, garage, back yard. When it comes to interior, think about square footage; the floor plan; condition of walls; the size, quality, and functionality of the various rooms; and closet and storage space.

Your checklist should also include any other general factors you deem important - the amount of traffic, the appearance of the neighborhood in general, safety in the area, the reputation of local schools, etc.

Meanwhile, Freddie Mac, the stockholder-owned corporation chartered by Congress in 1970 to create a continuous flow of funds to mortgage lenders in support of homeownership and rental housing, and other industry experts make additional suggestions, including:

- Take a camera with you to capture an image of each house you look at that makes it to the "maybe" list.
- Don't make a hasty decision, especially if you feel yourself becoming guided by emotion. Selecting a home takes time, thought, and analysis. You should carefully weigh the pros and cons of each house you like.
- Review your checklist and notes and compare it against your needs, wants, and budget.
- Bring your spouse, friend or family member with you to get a second opinion. They may notice a shortcoming that you've overlooked.
- Find out how much utilities and maintenance cost.
- Stay on top of newly listed houses.
- Remain in close contact with your REALTOR®. This is extremely important if you're in a strong seller's market in which homes that are priced right go fast. You want a good agent who will alert you of new listings and who will show you the houses as soon as they're listed.
- Be prepared to look at the potential of a house rather than what you see in front of you. Set your priorities and decide what can be sacrificed. It's more important that the layout of the house and the number of bedrooms you need fit your needs and that all major systems are functional versus your dislike for the avocado green carpet or the lack of landscaping. Those types of cosmetic shortcomings can be easily remedied once you buy the house.
 - If you find a house you like, offer a competitive bid. Keep in mind you'll likely be competing against other offers - especially if interest rates stay low and the spring buying season is in full bloom.
 - And don't forget - once you make an offer, make it contingent upon the findings of a professional home inspection. If any major defects surface, you'll want to have the leverage to renegotiate or back out of the deal completely.

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Choose Your Method of Profit

By M. Anthony Carr



To hear many reports from in the media these days, there's no reason to buy real estate today because the "bottom's fallen out," the "balloon burst," etc. With the real estate market down (number of sales and dollar volume), you might as well put your money somewhere else -- how about the stock market or in bonds?

Following this philosophy, then whenever any investment tool drops in value -- dump it. Stocks, bonds, real estate, mutual funds -- it doesn't matter which vehicle, park it, get out and hitch a ride on the fastest moving investment possible - right? Actually, for the real estate investor who does his homework, money can be made in any market. You just have to decide on your profit methodology: cash flow or asset growth. Both are available in today's market, and the savvy investor must be sure to conduct due diligence on the bottom line.

For those who want to get in on the ground floor -- this is the best market in which to buy to plan for future asset growth. Equity growth comes in more than just buy low and sell high.

In the last few years, short-term, play investors lucked out with the market and bought houses/condos/pre-construction at high prices and were able to sell at higher prices in just a few weeks or months. This buy now, profit later can still be experienced, it just takes more patience.

Most real estate assets grow consistently year after year. What the last few years created in the short-term, however, is what it usually takes years to create -- thousands of dollars in equity growth.

The usual way this growth occurs is by using other people's money (OPM) to grow your equity along with the usual appreciation.

OPM is one of the most powerful investment tools out there. Most people use OPM to purchase real estate (the mortgage) with a little bit of their own money (down payment). Each month after you buy a house, there's the monthly mortgage payment. Thus, your second use of OPM is the rental payments you receive from your tenants. Now, you're growing that equity month by month, plus paying the interest, fees, etc., with the funds provided to you from the tenants.

The second way your equity grows is through appreciation. This figure is not as controllable by you. What's really exciting about this part of the profit growth plan is that since you took control of this large asset with a little down payment, the cash on cash growth is astronomical.

For instance, let's say a rental property is purchased for \$200,000 with a 10 percent down payment - \$20,000. As time moves forward, you're going to make money two different ways. If the property moves up in value 6 percent on average through the next few years -- remember looking at it long term, not just in the last year -- then the house will be worth \$212,000 in the next year. However, that 6 percent growth converts into a 60 percent growth of your cash investment (the \$20,000) in the first year.

Secondly, if the house rents at \$1,500 per month, then you have income of \$18,000 per year. If you have a 6 percent mortgage, then you'll carry about a \$2,500 annual profit after expenses. So your gross income is nearly 100 percent of your down payment, resulting in a nearly 10 percent net profit based on the investment of your down payment.

Your next profit choice is the stand-by fixer upper. With a slow market, many sellers are willing to sell their house as-is for a stiff discount just so they don't have to fix up the property and compete with homes that have upgrades throughout. Many investors are marketing for this type property with the "We Buy Houses" signs you've seen throughout the community. Some of the sellers are people who are behind on the mortgage and have no resources to fix up the house to sell it at a market rate. The key here is having the money already lined up through a lender to acquire the house, fix it up and market it quickly to pull in profit on the sale.

Finally, there's the method of positive cash flow. This is my method of choice, where you're creating profit with a renter who is paying for your mortgage payment and expenses, leaving profit in your bank account at the end of each month.

Is it a good time to get in the market -- absolutely. Research the market, analyze your cash flow and equity growth, then move forward.

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Getting Organized for Tax Time

By Julian Block



Many refund delays, time-consuming correspondence and audits are triggered by taxpayer carelessness. Here are some IRS reminders about items to check in advance of filing your return, along with some steps to take afterward.

Start with the basics.

Check the package of forms and schedules that came from the IRS. First read the instructions to make sure you have all the ones you need. If not, they are easily available from the IRS through several channels. To have them mailed to you, call 800-TAX-FORM (800-829-3676); to use the automated fax service, call 703-368-9694 (not a toll-free call); or to download copies, go to the website <http://www.irs.gov>.

Should you fill out the 1040 yourself or hire someone? The answer depends on how complicated your finances are.

Does your income come mainly from salaries, with some interest from savings and dividends from stocks and mutual funds? And do you claim either the no-questions-asked standard deduction, a flat amount based mostly on filing status and age, or simple-to-calculate itemized deductions for such outlays as state income taxes or sales taxes (one or the other, but not both), charitable contributions, real estate taxes, and mortgage interest? Then you probably are able to file without paid help. The IRS and many volunteer organizations, such as AARP, offer free help. Also consider electronic filing. TurboTax, TaxCut and other software programs are comparable in quality and prompt you step by step to make filing easy.

Do you have income from, say, rental properties or partnerships or do you operate your own business, whether on a part- or full-time basis? Then you might need professional

help.

If you decide to turn the chore over to a paid preparer, meet as early as possible during the filing season. For a first-time meeting, bring along returns for previous years. In some cases, reviewing past filings uncovers miscues that require amending or ways to trim the tab that you might now be overlooking.

Whether you go it alone or hire a tax pro, set aside time to rummage through your personal records, including last year's returns, checkbooks, credit-card statements, receipts, appointment calendars and bills. Your objective: to scavenge for forgotten deductions, particularly if you are self-employed.

When filling out the 1040:

If you do your own return, read the instructions carefully. They include plain-language explanations of changes in the tax laws and are essential in accurately preparing your return.

Before sending in your return, photocopy it. Also be sure to attach securely all required schedules and statements -- for example, Schedule A, on which you itemize deductions, or Schedule D, which lists gains and losses from sales of individual stocks, mutual fund shares and other assets.

After you file:

Save records that support deductions, exemptions and other items on your return, and that photocopy of your return. You will need them if the computers bounce your return. Generally, the statute of limitations for the IRS to start an audit is three years from the return's due date.

As one last step, open a file now for this year and begin to save the information that you will need next year at 1040 time.

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Sellers Could Lose Waiting for Buyers to Make Offers*By M. Anthony Carr*

One of the biggest mistakes sellers make in a buyers market is trying to price their houses with a "cushion" in the asking price for negotiation room. In the current market where most sellers find themselves, it's all back to price, condition and location.

Pricing the house from the start is the first offensive strike the seller possesses in his arsenal. The best way to determine price in our market is to start looking at two categories of real estate: solds and actives.

Properties that have sold in the last 30 days provide you a picture of what price range pulled in offers 60 days ago. By looking over those properties, you'll know if you're headed in the right direction with your price. Then, after seeing what's pulled in offers, look at where the competition is priced -- and price lower than the lowest price. If the trend is headed downward over the last 12 months the motivated seller will get in front of that price trend and sell for less than everyone.

This can be an emotional ordeal for sellers. The seller who approaches the sales price of a house like the asking price of a used car -- where negotiation and give-and-take is expected -- will also be calling the movers sooner and get through the transaction with the least amount of emotional turmoil.

Condition is the second part of this equation that sellers have control over in today's market. Folks -- it's got to look new. Period. Here are the steps that must be taken for a successful sale.

- New paint. Everywhere. Don't leave one room unpainted. Paint is the cheapest, yet most effective way to give a house a face lift.
- New carpet/flooring. This addition along with No. 1 makes people drop open their mouths with, "Wow."
- Replace the small things. It's the attention to detail that can make a big difference for the buyers. New faucets throughout, new hardware on the doors, and new switches/plugs/plates take

the house from just "cleaned up" to new.

- Deep clean. I always have to mention this because a lot of sellers still just don't get it. It's still amazing to me how many people will leave a house in the "un-" condition. Unvacuumed, undusted, unwashed. Invite friends over for a deep cleaning or hire it out. This is a must, no questions asked.
- Do you do windows? Well, somebody better. Get all the windows cleaned and caulked. The house may look great from the inside, but if you can't look outside because of the dusty film over the glass, steps 1 - 4 could be for naught.

Finally, location is what buyers are looking for. I saw a listing the other day that was obviously connected to a realistic agent and seller. It was a lot of house for the price with the 1-plus acre lot -- and it was "priced for location," because the house backed to a very busy 4-lane highway. The comps in the neighborhood were nearly \$100,000 more.

While you may not be able to do anything about the location of your listing, you can definitely spin the benefits of where it's located. Near commuter routes means the house is next to big highways, but for some shoppers they just want to get home quick after work and this is going to be a benefit -- but only if you market it that way.

Sell the lifestyle of the house as much as the amenities of the house itself. With prices dropping in some areas, headlines such as "Quit Commuting," "Walk to Everything," and "Cut Your Gas Bill" are becoming more and more enticing. The third- to one-acre lot doesn't look as good after the 75-minute commute. Some commuters are looking to move back in to the work centers.

Market to buyers outside the community who would find your neighborhood attractive. It's amazing how many buyers don't mind a busy 2-lane street -- when they've been overlooking the Beltway for years. Remember to market the benefits that you liked about the house when you bought several years ago.

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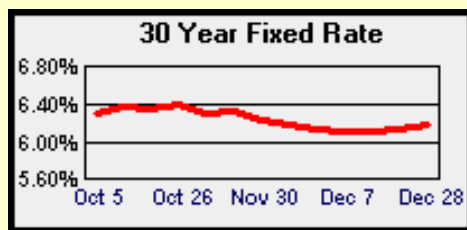
Mortgage Rates Tick Up

In Freddie Mac's Primary Mortgage Market Survey the 30-year fixed-rate mortgage (FRM) averaged 6.18%, with an average 0.4 point, for the week ending December 28, 2006. Last year at this time, the 30-year FRM averaged 6.22 percent.

"Mortgage rates edged up over the week following news of a jump in consumer spending in November," said Frank Nothaft, Freddie Mac chief economist. "Financial markets were concerned that stronger spending could keep inflation elevated. These worries were further compounded by the

Mortgage Rates

Source: Realty Times



U.S. averages as of December 28, 2006:

30 yr. fixed: 6.18%
15 yr. fixed: 5.93%
1 yr. adj: 5.47%

releases of new and existing home sales for the same month, which both exceeded market forecasts and caused Treasury bond yields to continue to rise."

New Year's Resolutions

H

ome

improvements are on the minds of more people this year than last, according to a popular web site's predictions about the types of resolutions people are making this New Year's season.

myGoals.com, a site for setting and reaching personal and professional goals, bases its predictions on the current year's third quarter goal-setting activity.

According to an anonymous, random sample of goals people have set at the site, this year's New Year's resolutions can be expected to break down as follows:

Health and fitness, 27%; personal growth and interests, 15%; personal finance, 15%; career, 12%; education and training, 9%; home improvement and real estate, 7%; time management and organization, 6%; family and relationships, 5%, and recreation and leisure, 5%.

Last year, only 5% of the sample had home improvement and real estate on their minds.

"In 2007, people are going to spend a lot of time working on improving their homes and themselves," said Greg Helmstetter, CEO of myGoals.com.

Another shift is a decrease in goals related to buying real estate such as homes, second homes, and investment properties.

This trend is offset by a corresponding increase in goals related to home improvement. "It's just like the what the economists tell us," said Helmstetter. "When people stop buying houses, they concentrate on improving the house they've already got."

Great Conditions For Home Buyers



T

ake a moment to

consider these facts:

- There are currently 3.75 million homes for sale. Inventories in recent months have been at record levels, offering buyers the greatest choice in decades.
- However, inventory levels are falling, and the selection of homes will become limited once again.
- Interest rates haven't been this low for nearly 40 years.
- The average home value increased by 88% over the last 10 years. In the decade to come, the number of households is expected to increase by 15%, which keeps housing in high demand.

Expect change in 2007 as sales pick up, prices gain traction, and conditions improve for sellers.

Will Consumers Pay More For Green?

W

hile the idea of saving



money on fuel bills is often attractive, energy-saving systems and appliances are often more expensive than less efficient alternatives. So is it worth paying more to be green?

One way to measure the financial benefits is to consider how much money you will save over a period of years. If it costs an extra \$200 to buy a really efficient refrigerator but you can reduce fuel bills by \$50 a year, then after four years you break even on the excess cost.

But another benefit may emerge when you sell. According to a study by the Florida Energy Extension Service, "87% of consumers said they'd pay more for green home features if expenses were recovered within five years."

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New Year's Resolutions for The Home

By Blanche Evans



Whether you're a new homeowner or you've been in your house for years, why not resolve to make 2007 "the year" you whip your house and household finances in top shape? It could prevent you from encountering costly problems down the road - and assist you in getting top dollar when it comes time to sell. The first thing you should do is implement a maintenance plan.

"A homeowner who makes the necessary yearly investment will end up saving in the long run because routine maintenance can help avoid larger, more expensive repairs that can add up to the tens of thousands of dollars or more," said Mike Kuhn, director of technical services for Housemaster, a New Jersey-based home inspection company. "It is just like giving your home its annual physical."

The Insurance Information Institute, the American Society of Home Inspectors, and the National Association of Homebuilders offer a host of maintenance tips that you should resolve to adopt in the year ahead.

- **Water.** Check visible water pipes and sewer lines for cracks, rusting and leaking; turn on faucets to test water pressure and volume; and look for clogged or sluggish drains or dripping faucets. Wrap your pipes with heating tape every winter and insulate unfinished rooms such as garages if they contain exposed pipes. Also check for signs of leaking or rusting on your water heater.
- **Electricity.** Check your electrical system's load center and see if there are fuses or circuit breakers; also check its age and look for signs of wear or exposed wires.
- **Heat.** Check your heating system for gas leaks and cracks in the heat exchanger. Maintain your furnace, fireplace, boiler, water heater, and have your heating system serviced every year. Clean and vacuum dust from vents, baseboard heaters and cold-air returns.
- **Gas.** Check smoke and fire alarms and carbon monoxide detectors and change your heating and air conditioning filters. Have your appliances inspected for gas leaks and adequate ventilation.
- **Insulation.** Your attic should be five to 10 degrees warmer than outside air. Check weather stripping and caulking around windows and doors and replace or repair it as needed. Also repair broken glass and loose or missing putty on windows.
- **Basement/Attic.** Well-insulated basements and crawl spaces

will protect your pipes from freezing. Check the basement for signs of water leaking, dampness, flooding, dry rot and termites. Check the attic for signs of leaks and any rodent or insect infestation.

- **Exterior.** Remove all debris from gutters. Inspect your roof for damaged or loose shingles; gaps in the flashing where the roofing and siding meet vents and flues; and damaged mortar around the chimney. Inspect your home's exterior walls, looking for possible weather-related damage like loose or crumbling mortar.

- You should also resolve to get your finances in order. Eric Tyson and Ray Brown in their book *Home Buying for Dummies* say it's especially important to build up your reserves and get your financial house in order after you buy a home. You should begin by resisting the temptation to splurge. You should have at least three months' salary in your emergency fund. Try to stay away from unnecessary spending until you reach this goal.

Think about E-payments, which ensure that you never pay late, and late payments can tack on an extra five percent late payment fee.

If home prices have dropped in your neighborhood since you've moved in, you may want to consider appealing your assessment since the tax is based on your home's value in most communities. Also keep your financial documents organized so you'll be more prepared at tax time.

If interest rates go down, think about taking out a new loan at the lower rate to replace your original loan. Be sure to consider how much refinancing the loan will cost you. Refinancing won't benefit you unless you plan on staying put for at least five years.

If you've been putting off landscaping your house, make plans to do it now. The right landscape can increase the value of your home by 15 percent, allowing you to recoup 100 to 200 percent of your investment, according to the Association of Landscape Contractors of America.

And if you do any home improvement projects, keep your receipts. You may be eligible to minimize the capital gain that may come your way when you eventually sell. The improvement must be one that permanently increases the value and useful life of the house (like a new roof).

By keeping your house and finances in order in 2007, you're sure to thank yourself at this time next year.

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Putting Condo Myths to Bed

By Lew Sichelman



What do you think of when you hear the word "condominium?" If you're like most people, you'll visualize either a high-rise apartment or a row of low-slung, garden-style walk-ups. And you'll be wrong. Of the nation's nearly 6 million condominiums, only 28 percent are in buildings with five or more units, according to a profile of the nation's nearly 6 million condominiums by the Mortgage Bankers Association. The profile is based on data from the Census Bureau's 2005 American Housing Survey.

Truth be told, the condo market is as varied as it is large, the study found. And because the term condominium refers to a type of ownership rather than a type of dwelling unit, a condo can have any number of characteristics, including tenure, type of structure and location.

Surprise: Most condos are not in multi-family buildings. In fact, 49 percent are in buildings of four or fewer units, and 36 percent -- more than a third -- are actually single-family houses. "How's that?" you ask.

Because a condo, as a type of ownership, allows someone to own a dwelling in a property of similarly owned units, be they detached or attached. The owner's name is on the deed, and the owner may or may not have a mortgage. In addition, the owner may hold an interest with all other owners in the project's common elements, including the grounds, hallways, entryways, elevators and amenities.

Because they combine individual ownership of the dwelling with shared ownership of the common facilities, condos tend to fill the market niche between renting and owning a detached

home and the lot on which it sits, the MBA profile points out.

But many condo boards -- the government-like groups which run the properties on behalf of all owners -- set restrictions on the number of units which can be owned by investors who don't occupy the dwellings but rather than rent them to others. Lenders also limit the share of units that can be investor-owned.

And as a result, nearly two-thirds of all condos are owner-occupied and only 21 are occupied by renters. The remaining 16 percent are vacant.

As you might expect, single-family condos are the least likely to be renter-occupied. Only 14 percent of the occupied detached houses and 13 percent of the attached houses, or townhouses, are occupied by renters. By contrast, according to the MBA, 32 percent of the apartments in buildings with 50 or more units are rented, and 31 percent of the units in building with 20-49 apartments are rented.

In terms of sheer volume, though, MBA researchers found that 35 percent of the condos that are renter-occupied are in properties with four or fewer units, and 48 percent are in properties with between five and 49 units. The rest are in buildings with 50 or more units.

Actually, townhouses, not apartments, make up the largest single block of condominiums. And as a result, 59 percent of all condos are in the suburbs. Just 32 percent are considered city dwellings and 9 percent are outside metro areas.

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Mortgage Insurance Slated For Tax Deduction

By Broderick Perkins



Years in the making, a federal tax deduction for mortgage insurance is all but assured after bills which include the provision were passed last month by both the House of Representatives and the U.S. Senate.

Only borrowers who close loans during and after 2007 and make less than \$100,000 a year will be eligible to deduct all the private or government mortgage insurance paid for the year.

A tax deduction reduces taxable income, leaving less income to tax. The new break will result in an average tax savings of between \$300 and \$350, according to Howard Glaser, a Washington lobbyist and former senior official in the Department of Housing and Urban Development.

During the past five years, about one in five new loans have included mortgage insurance, according to Jeff Lubar, a spokesman for the Mortgage Insurance Companies of America, a trade group for private insurers, but the number of new policies has fallen.

The group's "2006-2007 Fact Book & Membership Directory" reports nearly 1.6 million private policies and about 700,000 government policies (for FHA and VA loans) were written in 2005. In 2002 there were approximately 2.3 million private policies and about 1.6 million government policies written.

The growth in the use of piggy-back loans, down-payment assistance programs, other creative financing and rapid home price appreciation that allows home owners to refinance have all contributed to the declining number of policies.

Maligned years ago when two in five new loans were saddled with the coverage, and before laws mandated full annual disclosures and the right to cancellation, mortgage insurance has its pluses and minuses.

Because buyers with down payments of less than 20 percent have higher default rates, the insurance is typically mandated on low down payment loans or first loans that don't also come with a second or "piggy-back" loan to bring the down payment to 20 percent.

The insurance protects the lender from default, but the premiums are paid by the home owner.

The premiums can be \$100 or more a month but the extra cost can help a home buyer qualify for a home that otherwise could have been out of reach.

The insurance can also help a buyer buy a larger home, buy a home sooner and hold onto some cash after they've purchased a home with a smaller down payment.

Mortgage insurance has been around in some form since the late 1800s, but it wasn't until 1999 and the federal "Homeowners Protection Act of 1997" when home owners gained disclosure reforms and broader insurance cancellation rights.

Before the law, many borrowers could only cancel by refinancing to a loan with a balance 80 percent or less of the home's value, say, because the home's value had appreciated. Many who wanted to keep their current mortgage, but cancel because their home's value had jumped, were at the mercy of the lender.

Since 1999, private mortgage insurers must annually disclose the amount paid and automatically cancel mortgage insurance when a homeowner pays down the mortgage to 78 percent of the original purchase price.

A lender also must cancel the insurance if a home owner requests it and the mortgage balance is 80 percent of the original value of the house.

In both cases, the borrower must be current on mortgage payments and meet other requirements. Refinancing to a loan that's 80 percent or less of the home's value remains an option.

Unfortunately, the law doesn't apply to government insured loans and some others.

With a presidential signature, which is likely, the new law will allow the tax deduction for all mortgage insurance -- private and government -- paid by qualifying tax payers.

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The Art of House Hunting: 8 Tips to Help in Your Search

By Michele Dawson



Armed with your down payment and your pre-approved mortgage loan, the next step is finding the house that will best meet your family's needs. With realistic expectations, patience, and plenty of research, you'll be well on your way.

Once you narrow it down to the neighborhoods you like, you'll want to determine the maximum house price you can afford. Even though you're pre-approved for a set loan amount, it doesn't mean you can afford it. You'll want to factor in other expenses, including retirement and college savings, vacations, and home maintenance and repairs, when you calculate how much you can afford for a monthly payment. And don't forget to budget for homeowners insurance and property taxes.

Next, differentiate your needs versus your wants. You need three bedrooms, but a fourth room would be nice for a play room or guest room. You need a two-car garage, but a larger one would be nice for storage. You need a functional kitchen but want hardwood floor. You need two bathrooms but want a luxurious master suite. You get the picture.

As you begin on your house-hunting venture, you may want to prepare a checklist, perhaps in a table form on your computer. Break it down between exterior and interior characteristics. Make notes on each feature and give each a 1 to 10 score. Some of the exterior features to rate might include size of yard, quality of fence, paint condition, roof condition, window conditions, garage, back yard. When it comes to interior, think about square footage; the floor plan; condition of walls; the size, quality, and functionality of the various rooms; and closet and storage space.

Your checklist should also include any other general factors you deem important - the amount of traffic, the appearance of the neighborhood in general, safety in the area, the reputation of local schools, etc.

Meanwhile, Freddie Mac, the stockholder-owned corporation chartered by Congress in 1970 to create a continuous flow of funds to mortgage lenders in support of homeownership and rental housing, and other industry experts make additional suggestions, including:

- Take a camera with you to capture an image of each house you look at that makes it to the "maybe" list.
- Don't make a hasty decision, especially if you feel yourself becoming guided by emotion. Selecting a home takes time, thought, and analysis. You should carefully weigh the pros and cons of each house you like.
- Review your checklist and notes and compare it against your needs, wants, and budget.
- Bring your spouse, friend or family member with you to get a second opinion. They may notice a shortcoming that you've overlooked.
- Find out how much utilities and maintenance cost.
- Stay on top of newly listed houses.
- Remain in close contact with your REALTOR®. This is extremely important if you're in a strong seller's market in which homes that are priced right go fast. You want a good agent who will alert you of new listings and who will show you the houses as soon as they're listed.
- Be prepared to look at the potential of a house rather than what you see in front of you. Set your priorities and decide what can be sacrificed. It's more important that the layout of the house and the number of bedrooms you need fit your needs and that all major systems are functional versus your dislike for the avocado green carpet or the lack of landscaping. Those types of cosmetic shortcomings can be easily remedied once you buy the house.
 - If you find a house you like, offer a competitive bid. Keep in mind you'll likely be competing against other offers - especially if interest rates stay low and the spring buying season is in full bloom.
 - And don't forget - once you make an offer, make it contingent upon the findings of a professional home inspection. If any major defects surface, you'll want to have the leverage to renegotiate or back out of the deal completely.

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Choose Your Method of Profit

By M. Anthony Carr



To hear many reports from in the media these days, there's no reason to buy real estate today because the "bottom's fallen out," the "balloon burst," etc. With the real estate market down (number of sales and dollar volume), you might as well put your money somewhere else -- how about the stock market or in bonds?

Following this philosophy, then whenever any investment tool drops in value -- dump it. Stocks, bonds, real estate, mutual funds -- it doesn't matter which vehicle, park it, get out and hitch a ride on the fastest moving investment possible - right? Actually, for the real estate investor who does his homework, money can be made in any market. You just have to decide on your profit methodology: cash flow or asset growth. Both are available in today's market, and the savvy investor must be sure to conduct due diligence on the bottom line.

For those who want to get in on the ground floor -- this is the best market in which to buy to plan for future asset growth. Equity growth comes in more than just buy low and sell high.

In the last few years, short-term, play investors lucked out with the market and bought houses/condos/pre-construction at high prices and were able to sell at higher prices in just a few weeks or months. This buy now, profit later can still be experienced, it just takes more patience.

Most real estate assets grow consistently year after year. What the last few years created in the short-term, however, is what it usually takes years to create -- thousands of dollars in equity growth.

The usual way this growth occurs is by using other people's money (OPM) to grow your equity along with the usual appreciation.

OPM is one of the most powerful investment tools out there. Most people use OPM to purchase real estate (the mortgage) with a little bit of their own money (down payment). Each month after you buy a house, there's the monthly mortgage payment. Thus, your second use of OPM is the rental payments you receive from your tenants. Now, you're growing that equity month by month, plus paying the interest, fees, etc., with the funds provided to you from the tenants.

The second way your equity grows is through appreciation. This figure is not as controllable by you. What's really exciting about this part of the profit growth plan is that since you took control of this large asset with a little down payment, the cash on cash growth is astronomical.

For instance, let's say a rental property is purchased for \$200,000 with a 10 percent down payment - \$20,000. As time moves forward, you're going to make money two different ways. If the property moves up in value 6 percent on average through the next few years -- remember looking at it long term, not just in the last year -- then the house will be worth \$212,000 in the next year. However, that 6 percent growth converts into a 60 percent growth of your cash investment (the \$20,000) in the first year.

Secondly, if the house rents at \$1,500 per month, then you have income of \$18,000 per year. If you have a 6 percent mortgage, then you'll carry about a \$2,500 annual profit after expenses. So your gross income is nearly 100 percent of your down payment, resulting in a nearly 10 percent net profit based on the investment of your down payment.

Your next profit choice is the stand-by fixer upper. With a slow market, many sellers are willing to sell their house as-is for a stiff discount just so they don't have to fix up the property and compete with homes that have upgrades throughout. Many investors are marketing for this type property with the "We Buy Houses" signs you've seen throughout the community. Some of the sellers are people who are behind on the mortgage and have no resources to fix up the house to sell it at a market rate. The key here is having the money already lined up through a lender to acquire the house, fix it up and market it quickly to pull in profit on the sale.

Finally, there's the method of positive cash flow. This is my method of choice, where you're creating profit with a renter who is paying for your mortgage payment and expenses, leaving profit in your bank account at the end of each month.

Is it a good time to get in the market -- absolutely. Research the market, analyze your cash flow and equity growth, then move forward.

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Getting Organized for Tax Time

By Julian Block



Many refund delays, time-consuming correspondence and audits are triggered by taxpayer carelessness. Here are some IRS reminders about items to check in advance of filing your return, along with some steps to take afterward.

Start with the basics.

Check the package of forms and schedules that came from the IRS. First read the instructions to make sure you have all the ones you need. If not, they are easily available from the IRS through several channels. To have them mailed to you, call 800-TAX-FORM (800-829-3676); to use the automated fax service, call 703-368-9694 (not a toll-free call); or to download copies, go to the website <http://www.irs.gov>.

Should you fill out the 1040 yourself or hire someone? The answer depends on how complicated your finances are.

Does your income come mainly from salaries, with some interest from savings and dividends from stocks and mutual funds? And do you claim either the no-questions-asked standard deduction, a flat amount based mostly on filing status and age, or simple-to-calculate itemized deductions for such outlays as state income taxes or sales taxes (one or the other, but not both), charitable contributions, real estate taxes, and mortgage interest? Then you probably are able to file without paid help. The IRS and many volunteer organizations, such as AARP, offer free help. Also consider electronic filing. TurboTax, TaxCut and other software programs are comparable in quality and prompt you step by step to make filing easy.

Do you have income from, say, rental properties or partnerships or do you operate your own business, whether on a part- or full-time basis? Then you might need professional

help.

If you decide to turn the chore over to a paid preparer, meet as early as possible during the filing season. For a first-time meeting, bring along returns for previous years. In some cases, reviewing past filings uncovers miscues that require amending or ways to trim the tab that you might now be overlooking.

Whether you go it alone or hire a tax pro, set aside time to rummage through your personal records, including last year's returns, checkbooks, credit-card statements, receipts, appointment calendars and bills. Your objective: to scavenge for forgotten deductions, particularly if you are self-employed.

When filling out the 1040:

If you do your own return, read the instructions carefully. They include plain-language explanations of changes in the tax laws and are essential in accurately preparing your return.

Before sending in your return, photocopy it. Also be sure to attach securely all required schedules and statements -- for example, Schedule A, on which you itemize deductions, or Schedule D, which lists gains and losses from sales of individual stocks, mutual fund shares and other assets.

After you file:

Save records that support deductions, exemptions and other items on your return, and that photocopy of your return. You will need them if the computers bounce your return. Generally, the statute of limitations for the IRS to start an audit is three years from the return's due date.

As one last step, open a file now for this year and begin to save the information that you will need next year at 1040 time.

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January 2007 Real Estate Update

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Sellers Could Lose Waiting For Buyers to Make Offers

By M. Anthony Carr



One of the biggest mistakes sellers make in a buyers market is trying to price their houses with a "cushion" in the asking price for negotiation room. In the current market where most sellers find themselves, it's all back to price, condition and location.

Pricing the house from the start is the first offensive strike the seller possesses in his arsenal. The best way to determine price in our market is to start looking at two categories of real estate: solds and actives.

Properties that have sold in the last 30 days provide you a picture of what price range pulled in offers 60 days ago. By looking over those properties, you'll know if you're headed in the right direction with your price. Then, after seeing what's pulled in offers, look at where the competition is priced -- and price lower than the lowest price. If the trend is headed downward over the last 12 months the motivated seller will get in front of that price trend and sell for less than everyone.

This can be an emotional ordeal for sellers. The seller who approaches the sales price of a house like the asking price of a used car -- where negotiation and give-and-take is expected -- will also be calling the movers sooner and get through the transaction with the least amount of emotional turmoil.

Condition is the second part of this equation that sellers have control over in today's market. Folks -- it's got to look new. Period. Here are the steps that must be taken for a successful sale.

- New paint. Everywhere. Don't leave one room unpainted. Paint is the cheapest, yet most effective way to give a house a face lift.
- New carpet/flooring. This addition along with No. 1 makes people drop open their mouths with, "Wow."
- Replace the small things. It's the attention to detail that can make a big difference for the buyers. New faucets throughout, new hardware on the doors, and new switches/plugs/plates take

the house from just "cleaned up" to new.

- Deep clean. I always have to mention this because a lot of sellers still just don't get it. It's still amazing to me how many people will leave a house in the "un-" condition. Unvacuumed, undusted, unwashed. Invite friends over for a deep cleaning or hire it out. This is a must, no questions asked.
- Do you do windows? Well, somebody better. Get all the windows cleaned and caulked. The house may look great from the inside, but if you can't look outside because of the dusty film over the glass, steps 1 - 4 could be for naught.

Finally, location is what buyers are looking for. I saw a listing the other day that was obviously connected to a realistic agent and seller. It was a lot of house for the price with the 1-plus acre lot -- and it was "priced for location," because the house backed to a very busy 4-lane highway. The comps in the neighborhood were nearly \$100,000 more.

While you may not be able to do anything about the location of your listing, you can definitely spin the benefits of where it's located. Near commuter routes means the house is next to big highways, but for some shoppers they just want to get home quick after work and this is going to be a benefit -- but only if you market it that way.

Sell the lifestyle of the house as much as the amenities of the house itself. With prices dropping in some areas, headlines such as "Quit Commuting," "Walk to Everything," and "Cut Your Gas Bill" are becoming more and more enticing. The third- to one-acre lot doesn't look as good after the 75-minute commute. Some commuters are looking to move back in to the work centers.

Market to buyers outside the community who would find your neighborhood attractive. It's amazing how many buyers don't mind a busy 2-lane street -- when they've been overlooking the Beltway for years. Remember to market the benefits that you liked about the house when you bought several years ago.

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