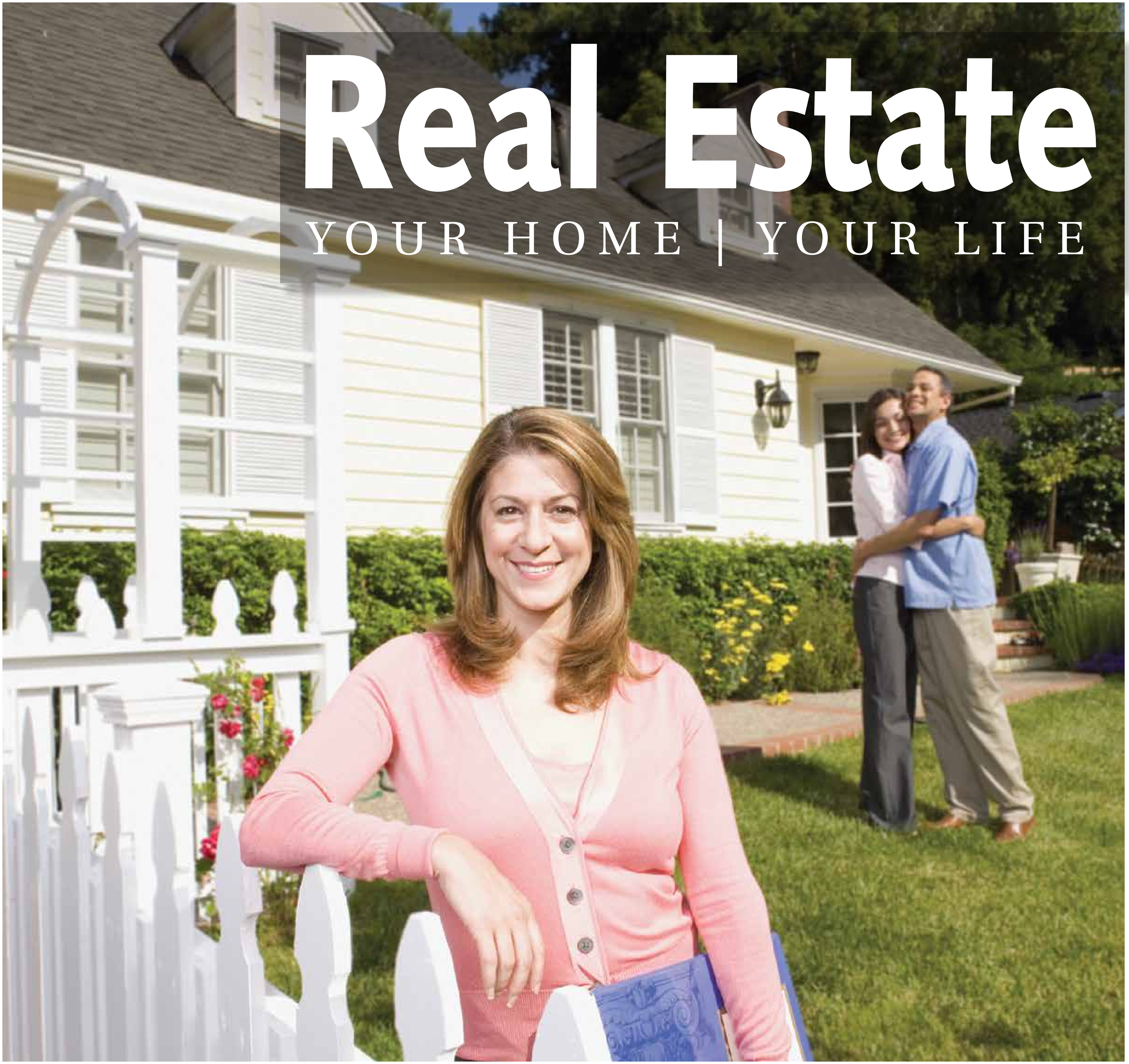
Real Estate

YOUR HOME | YOUR LIFE



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Avoid Water Damage

THREE TIPS FOR PROTECTING YOUR PROPERTY AGAINST FLOODS

The best way to protect yourself from floods is to prepare your home and property before any kind of natural threat occurs, such as heavy rainfalls, hurricanes, mudflows and ice jams.

However, even problems relating to damaged drainage systems, new development and overtopped levees can cause flooding. Fortunately, to help keep your investments protected, here are three tips for protecting your property against floods.

1. Choose a location for buying or building a home that is above street level.

Whenever possible, it is recommended to avoid purchasing or building homes in high-risk flood areas. You should look for living areas above street level and away from water sources.

If you are choosing an apartment, it is also recommended to choose one that is not on or beneath ground level. Typically, the higher your home is, the safer you will be in case of flooding.

2. Speak to your insurance provider about getting a flood insurance policy.

Unfortunately, many Americans do not have a flood insurance policy despite the fact that the most common natural disaster in the U.S. is flooding. To get the coverage, Americans typically have to purchase a separate policy through the National Flood Insurance Program provided by the federal government.

When purchasing a flood insurance policy, it is crucial that you do your research beforehand to learn exactly what is covered. In the wake of recent natural disasters such as Hurricane Sandy, many people quickly discovered the true value of their policy for better or for worse.

You should ask how much the policy costs, what it covers and what exactly qualifies as flood damage.

3. Prepare your home to help against flooding.

The best way to keep your home protected is to have the necessary materials and systems in place before a flood happens. To help keep your home protected, you can:

— Install sewage backflow valves.

— Ensure that the windows and doors fit perfectly.

— Have plywood ready to seal off windows and glass doors.

— Have plastic sheets and sandbags handy.

— Consider using flood tubes for protecting larger areas.

Because disaster can strike at any time, it is crucial to be prepared for the worst. By familiarizing yourself with the risks involved with flooding and how to lessen them, you will stand a better chance of protecting yourself and your home.

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Common Senses

USE ALL FIVE SENSES TO ENHANCE YOUR OPEN HOUSE

To leave potential home buyers with a lasting impression, there are a few simple tricks you can do to enhance the feel of your open house.

Here is a list of creative and inexpensive ways you can entice all five of a buyer's senses and make them feel right at home.

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You can make your open house more appealing to potential buyers by impressing them through all five senses.

SENSE OF TASTE

Upon entering, visitors should be greeted with a sweet snack such as a cookie or brownies. You can accompany these treats with fresh squeezed lemonade or milk. Be sure and ask visitors about any possible allergies, because the last thing you want is a potential buyer having a reaction to an ingredient in your handouts.

SENSE OF SMELL

Light a scented candle in each room a few hours before the open house. Choose only one scent such as fresh apple pie or French vanilla and create a home filled with a welcoming aroma. If you don't have candles you can buy scented plug-in air fresheners and strategically place them throughout the house.

SENSE OF HEARING

Some instrumental music or light jazz playing in the background can create a delightful atmosphere throughout the rooms of your open house. Be sure and keep the volume low enough as not to interfere with conversations between your real estate agent and prospective buyers.

SENSE OF TOUCH

Make sure the countertops, appliances and railings are all clean and dust free. It's a good idea to hire a maid service or cleaning crew to clean the interior of the home a day or two prior to your open house.

SENSE OF SIGHT

If your home has amenities such as a fireplace or pool, be sure and have a fire burning and the pool clean. If the pool has a Jacuzzi or waterfalls – have them running during the hours of your open house. You'll want visitors to envision themselves sitting by the fire or relaxing in their hot tub.

Time to Refinance?

LOWER INTEREST RATES CAN SAVE BIG BUCKS OVER TIME

While owning a home is a great way to build long-term wealth, having an affordable mortgage will be a significant determinant as to whether the home was a good investment.

Those that are able to obtain a low-interest mortgage could save a considerable amount of money over time. For example, someone with a 4 percent interest mortgage on a $300,000 loan will save over $5,000 each year when compared to someone paying 6 percent interest.

With interest rates as low as they are today, many people could benefit greatly by refinancing their mortgages. When looking to refinance, there are several factors that all homeowners should weigh.

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With today's low interest rates, many homeowners are refinancing to save big bucks on their mortgage.

SAVINGS

The first factor to take into consideration is the cost savings compared to the expense of refinancing a mortgage.

While a refinance can be a great financial option, you will still have to spend money on title costs, appraisal fees and bank fees. These costs can end up being a few thousand dollars, so you should compare the anticipated interest savings to the expenses.

For example, if you will save $100 per month on interest, but will spend $2,000 to close the mortgage, it will take 20 months for you to break even on the refinance. If you do not plan on selling or refinancing again within that 20-month time period, then refinancing may be a good option.

DO YOU QUALIFY?

Another factor that you must take into consideration is the whether you will qualify for the refinance. Prior to submitting an application, it would be a good idea to get an understanding of what the bank requires out of their borrowers.

This should include the amount of equity that you have in your home, what your credit score is, and what your debt-to-income ratio is. If you meet the bank's standards, try to get an understanding of what rate and cost structure you would be offered.

HOME VALUE

The third factor to understand prior to starting the refinancing process is what your home value is.

While interest rates are low, some people do not qualify for new loans because their homes have fallen in value. You could get a good idea of what your home would appraise for by reviewing recent home sales in your area or talking to a Realtor who knows your neighborhood well.

If you believe that your loan-to-value ratio is higher than 80 percent, you may still qualify for a loan but will be required to pay private mortgage insurance. You should then factor this added cost into your analysis.

Find Some Savings

TAKE STEPS TO REDUCE OR ELIMINATE PRIVATE MORTGAGE INSURANCE

Historically, purchasing a new home required a buyer to have a down payment of at least 20 percent. However, as housing prices continued to rise dramatically in recent decades, this became more and more difficult for homeowners to do.

To meet the demands of home buyers, many banks started offering mortgages with as little as zero percent down. However, to compensate for the additional risk, banks required borrowers to pay private mortgage insurance (PMI) until they had 20 percent equity in their homes.

While it can help avoid having to pay for a large down payment, PMI can be very expensive, and easily be a couple of hundred dollars per month. While PMI is expensive, there are ways to receive a lower PMI payment.

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DOWN PAYMENT

The first way that you could receive a lower PMI payment would be by putting forth more money down at closing.

The more money you are able to put toward the down payment, the lower your monthly private mortgage insurance will be. Generally speaking, those that are able to put forth a 10 percent down payment will have a PMI payment about half of those that do not put down any money.

SHORTER TERMS

Another way that you could receive a lower PMI payment would be to accept a faster amortizing loan.

The longer that the amortization of your loan is, the higher your PMI payment will be. This is because the loan will be paid down slower, which will keep the bank's exposure high for a longer period of time. Banks will then charge higher PMI to compensate for the increased risk.

By reducing your amortization period from 30 to 20 years could cut over a third off of your PMI payment and save thousands of dollars over the course of the loan.

SECOND MORTGAGE

Many borrowers today are still able to avoid PMI altogether by taking out a second mortgage. Some lenders will provide you with a first mortgage equal to 80 percent of the purchase price and then a second mortgage to make up the difference.

These second mortgages tend to have higher interest rates but will allow you to avoid having to pay PMI. Furthermore, the mortgage interest is tax deductible and a portion of your payment on the second mortgages will be applied to principal, which will make it a better financial option over time.

Time to Clear it Out

GET RID OF CLUTTER AND SELL YOUR HOME FASTER

If you need to sell your home, expect stiff competition. There are homes for sale on just about every street corner.

While homes are selling more quickly recently, some homes can sit on the market for months without a single offer — and they are priced at fair market value.

If that's the case, clutter is often a contributing factor to a home's failure to sell. By reducing the clutter around your home, you can help potential buyers to see its beauty and set it apart from the other homes for sale in your neighborhood.

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De-cluttering a room helps buyers imagine themselves living there. It's about more than just removing your junk from the house.

WHAT IS CLUTTER?

When you think of clutter, you probably think of toys scattered across the floor or a pile of unopened mail on the counter. Clutter, however, goes far beyond such a simple definition, especially in the real estate world.

Clutter is anything that breaks up a room. To get an idea of what you should strive for, think of staged homes. Staged homes have the basics — furniture, sparse décor and plenty of light. Other than that, there is little to stop your eye from taking in the entire room. Clutter draws attention away from the home itself and onto items that simply do not belong.

Any personal belongings in your home could be considered clutter if not stored appropriately. For example, your refrigerator may be covered with pictures of family members or drawings from your children. Although you certainly would not view this as clutter, potential buyers will.

DON'T JUST MOVE IT

You may be thinking of simply packing away your clutter and putting it into a box somewhere. By all means, keep items that are precious to you, but get rid of things you don't need.

If you were having company, you would have the option of quickly hiding your clutter away in the garage or in a closet, but you do not have that option when your home is for sale.

Any potential buyer who is truly interested in your house is going to look in your closet and explore your garage, basement and attic for himself. You don't want to prevent him from being exposed to your clutter in one area merely to have him discover it in another.

Consider having a yard sale or giving old items away that you do not need. Large clutter, such as exercise equipment, can even be sold in the classified section of your local newspaper.

Keep in mind that packing items up neatly and storing them away is acceptable, but the more open space you have to show your potential buyers, the more appealing your home will be.

Unfortunately, many buyers cannot visualize their own personal items in your home with yours in the way. Make the home as neutral and open as possible before permitting your real estate agent to show it.

Look for Unexpected Expenses

When purchasing a home, most people focus on what their costs of ownership will be after they close on the sale.

While the costs of a mortgage, insurance, taxes, and maintenance need to be accounted for, many people end up overlooking the costs that could occur prior to and during the loan closing.

Prior to purchasing a home, there are many unexpected costs that all home buyers need to be aware of.

THIRD PARTIES

The first cost that buyers need to be aware of is the cost of third-party services. When purchasing a new home, most mortgage lenders will require a borrower to order an appraisal and property inspection report. Most buyers will also benefit by hiring an attorney to review the loan documents and handle the closing.

While these services are very valuable, they can be quite expensive and could end up costing a few thousand dollars depending on the complexity of the purchase.

BANK CHARGES

Another commonly overlooked expense is the cost of closing with the bank. While mortgage lenders are very forthright with their interest rate offers, they may not always tell you — and sometimes simply don't know — exactly what the total closing costs will be until the deal gets closer to completion.

Closing costs with banks will include the origination fees, mortgage points, underwriting fees, title costs and various other costs. These expenses are typically at least $1,000 but could easily end up costing $5,000 or more based on the loan you are receiving.

Since they can be so significant, it's a good idea to receive a full title cost statement a few days prior to closing.

TAX BILL

A significant fee that many home buyers forget to include in their budget is the cost of paying city or state taxes.

Depending on what state the home is being bought in, there could be hefty purchase costs, mortgage stamp taxes or transfer fees. In many cases, these fees could cost over one percent of the purchase price, not to mention the ongoing property tax bill after you purchase the home.

Overall, buying a new home makes perfect financial sense for many Americans. It's just important that you know what one-time expenses to expect so there are no surprises at the closing table.

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A Look at Tax Deductions

Purchasing a home is a big expense, so you should be entitled to some tax deductions, right? The good news is you are.

There are several primary home purchase tax deductions that can reduce your overall tax liability, and there are also some items that may not be deductible. Always check with a professional tax consultant for advice in your personal situation.

SETTLEMENT COSTS

When purchasing a home as a primary residence, the escrow company will provide new home buyers with a settlement statement at the time of closing. This statement will show all the closing costs that were paid out in order to secure your new home. All or some of these costs can be deducted on your income tax return.

Closing cost items that typically may be deducted include lender points and fees, appraisal fees, title and escrow fees, processing fees, notary fees, prorated tax payments, pre-paid interest, homeowner's insurance premiums, any sales taxes and possibly private mortgage insurance (PMI).

There may be additional items listed on your statement that are deductible.

INTEREST

You are allowed to deduct any interest or additional real estate tax payments that were paid from the time of your home purchase through the end of the year. These figures will be sent to you on a Form 1098 from your mortgage company.

If you did not pay your real estate taxes through your mortgage company, you most likely paid them yourself. Keep track of these costs so you can deduct them on your income taxes.

EXCEPTIONS

Even though there are many primary home purchase tax deductions that can be written off on your tax return, there are a few items that are not allowed. Some of those items include home improvements, home maintenance, hired help, depreciation and utilities such as water, gas and electricity.

If you own a condo or townhouse, the homeowner association dues are not deductible. In addition, you cannot deduct your down payment, your earnest money deposit or any forfeited deposits.

In addition to the above, there may be some additional tax benefits for new homeowners that have been approved by the federal government in recent years. Depending on the program you qualified for, you may be entitled to even further tax benefits.

Owning a home can reduce your overall tax obligations. These primary home purchase tax deductions are for single-family homes, condos and townhouses that you occupy.

There are different tax rules for rental properties or if you use part of your home for business purposes. It is strongly advised that you check with a tax consultant since tax laws are sometimes confusing and are constantly changing.

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