



Real Estate

YOUR HOME | YOUR LIFE



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Wealth and Your Home

“**A**s a means of building wealth, there is no practical substitute for homeownership.” That quote comes from comprehensive research conducted by the Joint Center for Housing Studies at Harvard University.

For many Americans locked in at fixed 30-year mortgages, the study's findings are welcome news.

Researchers found many reasons why homeownership is so important to building wealth, including gradual appreciation of home value, tax benefits and increased returns on investment. The report underscores the importance of homeownership to the American economy and the importance of strong lend-

er-buyer relationships.

REAL APPRECIATION

In an age when major purchases such as new automobiles depreciate the second you drive them off the lot, the Harvard study finds that well-maintained homes are the exception to the rule. Home value can actually increase over the years, and in a big way.

Harvard researchers highlighted that if an owner had experienced the average gain

in home prices from 1975 to 2012 as measured by a common home price index, that owner would see have seen a real, inflation-adjusted gain of 26 percent over 30 years.

That means, according to the study, that after adjusting for inflation a typical home would be worth 26 percent more in current dollars after its 30-year mortgage term.

RISING COSTS

Buying a home with a fixed

mortgage provides a great layer of protection for homeowners not experienced by those who choose to rent. That's because a mortgage locks in the majority of a homeowner's costs. As their monthly payment remains the same, inflation occurs and the homeowner's cost actually declines, resulting in a smaller share of income devoted to housing costs.

According to the Harvard study, assuming a 30-year fixed-rate mortgage, inflation

of 3 percent and 1 percent growth in real (inflation-adjusted) home prices, property taxes, insurance and maintenance costs, real monthly housing costs would decline by about 10 percent after five years, 15 percent after 10 years and 30 percent by the last year of the mortgage.

When the mortgage is paid off, the costs of owning in real terms are less than half the payments made at the time of purchase.

Clean Up Your Credit

Before you start socking away savings for a down payment and even before you check out price listings for local properties, there is one step you should be focused on: cleaning up your credit.

A poor or unproven credit background will give lenders pause, especially considering the fallout that came with the real estate crash in 2008.

For those with bad credit, buying a home can feel like an uphill battle. Sure, you may be able to get a loan from a local bank or credit union, but your interest rates are likely to be sky-high, leaving you with a mortgage payment that is difficult to keep up on.

That's why improving your credit is a necessary first step to successful homeownership. If you have poor credit, you're not alone. A 2015 report from the Corporation for Enterprise Development showed that 56 percent of American consumers have subprime credit scores. This means they are unable to take advantage of the best interest rates if they want to borrow money for purchases such as homes.

If buying a home is in the plans for you, it's never too early to start making progress toward cleaning up your credit. Here are three tips on how to achieve your credit goals so you can be in a great position for purchasing a home:

UNDERSTAND YOUR SCORE

The first step in dealing with bad credit is understanding your score. Under federal law,

you are entitled to a free yearly credit report from each of the country's top three credit bureaus. You can access these agencies at www.AnnualCreditReport.com.

Since these main organizations use different data to build your score, evaluating all three can paint a comprehensive picture of what your score looks like to lenders. Do this once a year to keep up with any

changes to your score.

LOOK FOR ERRORS

Credit reports are not perfect. In fact, errors can be a common occurrence due to identity theft or simple technical mistakes by reporting systems. Take a hard look at your report and be on the lookout for lines of credit you haven't taken out or false reports of late payments.

Contact the credit bureau where the mistake is listed to dispute and clear up any issues. Credit bureaus are legally obligated to clear up any mistakes within 30 days.

PAY OFF DEBT

When it comes to fixing your credit, paying off debt is a great strategy for getting some of the clutter off the books. High-interest debt like that found on

credit cards is particularly important to either eliminate or keep a low balance.

Debt such as long-term, low-interest student loans is less damaging to your report. Talk with a debt counselor about ways to approach paying off debt to make sure you're following the right strategy.



① KNOW YOUR SCORE

② LOOK FOR ERRORS

③ PAY OFF DEBT

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Buying? Consider Job Markets

Many factors come into play when buying a new home, including size, price, school district and neighborhood. One major dynamic that can be overlooked by many prospective buyers is the local employment market.

Let's say you're moving to a new town for your new job. There is a lot of risk involved in your decision, especially if your opportunity doesn't work out for some reason. Suddenly, you could be left without employment while you attempt to stay on top of your new mortgage payment, as well as other expenses incurred when purchasing and maintaining a home.

It's important to understand the local job market and where you fit in. If you're a production manager at a factory, are there other factories located within driving distance in case you need to apply to one, or are you moving to an area with one primary source of income for your skillset? These are things to consider when it comes to relocating for a new job.

DO YOUR RESEARCH

Thanks to technology, there are many ways to find out about a town's job market. When it comes to researching a new living area, be sure to check out the town's chamber of commerce website.

A strong chamber of commerce with a large number of members and an updated calendar of upcoming events will show you that business is alive and well in your prospective new city. Oftentimes this equates to jobs being available for candidates.

Use the town's local newspaper's online edition for research, too. There you can find news on any mass layoffs or economic proposals put forth by city leaders. This kind of information can give you some clues as to whether or not the area is positioned for employ-



Have there been a lot of layoffs in the area? Is it easy to find new work opportunities?

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ment growth or decline.

TRUST YOUR REALTOR

No one knows the area surrounding your new home like your local Realtor, who is trained to understanding many of the employment, educational and recreational facets of the town you are targeting. It's this insider information that helps them persuade buyers to set

down roots in particular areas.

While making your decision on whether or not to relocate, reach out to a Realtor in the area with questions on the employment market. Is the area on an upward or downward swing when it comes to job creation and sustainability? Have there been a lot of layoffs in the area? Is it easy to find new work opportunities?

These are all questions that will hopefully shed some light on the work situation in your new town. Remember to reach out to others in your network ahead of your final decision to stay or go. If you have friends or family living near the new location, pick their brains for information and guidance on whether a move would make sense for you and your career future.

Weekend Spruce-Up

Selling a home is all about first impressions. You want your Realtor to instantly love your home to maximize its price on the market. You want prospective buyers to instantly love your home to minimize its time on the market.

Nothing evokes a great first impression like a clean and decluttered home. This goes for both the interior and exterior — or curb appeal — of your home. Having a visually pleasing home doesn't mean you have to be an expert interior designer or landscaper. It simply requires having control over your household items and overall cleanliness.

So start putting our tips below into practice before you decide on putting your home on the market. The earlier you can start making sure your home is market-ready, the more confident you will feel in executing a quick sale.

SATURDAY MORNING

For many people, the hardest part of organizing a home is finding the time to complete the first initial overhaul. When the time comes to list your home on the market, plan on spending at least an entire weekend reducing your clutter.

Start on a Saturday morning by making piles of items you'd like to donate, sell or trash. Enlist the help of friends and family members to make sure you stick to the schedule. Be swift with your decisions on what to keep. Remember that you're trying to get this project completed in the course of a weekend.



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SATURDAY AFTERNOON

By Saturday afternoon, you should be on your way to the dump or your local donation organization. This will help instantly rid your home of extra materials you haven't used in years.

Acting quickly on Saturday afternoon can help keep your garage or attic from piling up with bags and boxes. For the ultimate procrastinator, sticking to a rigid schedule will

help keep the cleanup project progressing.

SUNDAY POWER CLEAN

Sunday should be all about cleaning. It's much easier to maintain a home that is clean.

Seek outside cleaning help if the task is too much for you to take on with your busy schedule. Make sure the carpets and wood floors are cleaned to perfection. These

are often the first parts of a room that prospective buyers will notice.

It's important to not let your effort go to waste. Once you achieve this weekend cleanup, make sure to remain vigilant about the items you bring into your home.

Don't forget that the more streamlined your home appears, the more likely a buyer is to imagine himself living in it.

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Vacation Home Location

As the economy continues its recovery, you may be asking yourself if now is the right time to buy a vacation home. Many Americans have re-entered the market after it took a hit with the Great Recession nearly 10 years ago.

The real estate website Trulia provides an inside look at the market, producing data related to the most popular areas for online searches for vacation homes and guidelines for what you can expect to pay.

The list below gives tips on where to find great deals in some of the most beautiful locations in the United States. So save up your down payment and hit the market while it's hot. Buying a vacation home can give you a great place to

stay during a summer break, and can additionally serve as extra income through rental or timeshares.

Below is a look at the top 20 places sought after by prospective U.S. vacation home buyers, according to Trulia. If you're considering purchasing a vacation home, check out the area beforehand to make sure it fits your needs. Ask your Realtor for estimates on property taxes, as they can be pricey in tourist destinations.

Neighborhood	County	Median Price
Ocean City	Cape May, N.J.	\$525,000
North Wildwood	Cape May, N.J.	\$289,000
Kissimmee	Osceola, Fla.	\$298,800
Ocean City	Worcester, Md.	\$275,000
Marco Island	Collier, Fla.	\$499,000
Big Bear Lake	San Bernardino, Calif.	\$335,000
Lake Arrowhead	San Bernardino, Calif.	\$399,000
Panama City Beach	Bay, Fla.	\$294,245
Gatlinburg	Sevier, Tenn.	\$179,600
Cherry Grove Beach	Horry, S.C.	\$219,900
Santa Rosa Beach	Walton, Fla.	\$525,000
Harvey Cedars	Ocean, N.J.	\$887,500
Fort Morgan	Baldwin, Ala.	\$255,000
South Lake Tahoe	El Dorado, Calif.	\$365,000
Truckee	Nevada, Calif.	\$499,000
East Hampton	Suffolk, N.Y.	\$1,250,000
Palm Springs	Riverside, Calif.	\$309,000
South Padre Island	Cameron, Texas	\$289,000
Destin	Okaloosa, Fla.	\$475,000
Nantucket	Nantucket, Mass.	\$1,799,999



Homes on the Block

Many homebuyers — especially investors — turn to real estate auctions to find affordable properties through competitive bidding.

Opportunities for this type of accelerated real estate transaction process are generally announced through your local newspaper and can lead to finding great deals on quality properties.

The National Association of Realtors advises buyers and sellers to do as much research as possible to make sure the real estate auction process fits with their homeownership goals.

Some auctions may include properties that were foreclosed on or have been distressed, so it's important to do your homework and know what you're getting into before you put down your investment.

According to the NAR, there are many benefits to both the buyer and seller involved in a real estate auction.

Below are the organization's top examples, according to its website at www.realtor.org.

SELLER BENEFITS

- Buyers come prepared to buy
- Quick disposal reduces long-term carrying costs, including taxes & maintenance

- Assurance that property will be sold at true market value

- Exposes the property to a large number of pre-qualified prospects

- Accelerates the sale

- Creates competition among buyers (auction price can exceed the price of a negotiated sale)

- Requires potential buyers to pre-qualify for financing

- The seller knows exactly when the property will sell

- Eliminates numerous and unscheduled showings

- Takes the seller out of the negotiation process

- Ensures an aggressive marketing program that increases interest and visibility

BUYER BENEFITS

- Smart investments are made as properties are usually purchased at fair market value through competitive bidding

- The buyer knows the seller is committed to sell

- In multi-property auctions the buyer sees many offerings in the same place at the same time

- Buyers determine the purchase price

- Auctions eliminate long

negotiation periods

- Auctions reduce time to purchase property

- Purchasing and closing

dates are known

- Buyers know they are competing fairly and on the same terms as all other buyers

ers

- Buyers receive comprehensive information on property via due diligence packet





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Townhouse 101

Townhouses have become some of the fastest-moving home styles on the market due to their generally low yard maintenance and proximity to bustling downtown areas.

They are also a great option for homeowners looking to financially land a home that is between an expensive single-family home and less private condominium units.

While many townhouses have been long-standing pillars of their communities, developers have turned to erecting new ones in some bigger cities across the country. As long as buyers continue to respond by swooping them up before they're on the market for too long, townhouses will continue to grow in popularity.

Considering purchasing a

townhouse for your individual or family needs? Consider their most defining characteristics listed below before signing on the dotted line.

THE BASICS OF A TOWNHOUSE

If you've seen tall, slender homes with a shared wall with the neighbor, that is one form of a townhouse. They are built as part of a planned development, not unlike a duplex or condo. The difference is in the size of the home you get for your money.

Generally full-sized with a shared common pool, park or

gym areas, townhouses give you the space of a home with the convenience of an apartment complex.

When you're shopping around, be sure to ask your Realtor what kinds of shared amenities are included with ownership, as you will likely be part of a homeowners association.

This will require extra dues, but also will come with some built-in amenities and options.

MAINTENANCE FREE?

Being part of a homeowners association usually means

you will not be responsible for taking care of general maintenance. If a window breaks or the roof leaks, your association will most likely foot the bill.

It's important to know this for sure, however, so check with your homeownership contract to find out what home repair issues will be covered. The last thing you want to happen is to think you're covered for a major repair when you're actually on the hook.

MORTGAGE STRUCTURE

According to the National

Association of Realtors, townhomes usually require simpler mortgage qualification criteria than other home types, and because of shared foundation and walls you will pay less to own one.

You also hold legal title to the property and land where you reside, which means you are responsible for property taxes and mortgage interest payments. This gives you tax deductions on your annual income tax return, so make sure you maintain and organize any related documents that come from the association or your lender.