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Homes Prices Correcting, Buyers Returning



Recent housing indicators tracked by the National Association of Realtors® bring welcome news to both buyers and sellers. Given a positive backdrop of relatively stable interest rates and job growth, home sales have leveled out in many areas of the country and should accelerate in early 2007.

Many potential homebuyers who have been taking a wait-and-see attitude are being enticed by lower home prices along with the highest inventory of homes for sale since 1993. Despite dire predictions by some forecasters earlier this year, 2006 is expected to post the third-highest number of existing-home sales. New-home sales should reach similar levels, thanks to builder incentives such as custom-tailored discounts and free upgrades.

The continued strength of housing sales has also been boosted by the willingness of buyers and sellers to negotiate, as well as favor-

able economic conditions. The U.S. Consumer Price Index is projected to be 3.4 percent for the year, while 2006's inflation-adjusted disposable income is expected to grow by the same amount. ■

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Block Rate Hikes With A Lock-in

Although interest rates still remain at historically low levels, even a small fluctuation could affect your financing plans. Because rates adjust almost weekly in response to changing market conditions, you may want to protect yourself by locking in the interest rate.

Mortgage lenders typically “hold” a quoted rate for 30 to 60 days. But what if you plan to build a new home that will take six months to construct? Or perhaps you want to buy in an area where listings are scarce and it takes months to find the right home. If rates go up, you may face higher monthly payments and may even jeopardize your ability to qualify for the best possible loan terms.

If you'd rather avoid a potential rate hike, talk to your mortgage consultant about locking in the initial interest rate. Lock-ins of 90 days are common, but they're also available for up to a year. While lenders generally charge a small fee for this option, the cost could eliminate larger increases down the road. Many lenders also offer a float-down option which allows a one-time “re-lock” if rates decrease before closing.

As with any aspect of buying or building, get it in writing. Ask questions and review the lock-in terms carefully to be sure they fit your financing needs. ■



Resources For Money To Remodel

If you're one of America's many homebuyers looking for a fixer-upper, you know how challenging it can be to find the right financing. The popularity of property flipping has made many lenders wary about financing a “money pit.” Worse yet, they don't want to risk being stuck with an unmarketable property if the borrower defaults before renovations are completed.

Fortunately, there are several options specifically designed to finance fixer-uppers. Here are six possibilities suggested by MSN Home Advisor.

FHA Title I Loan: A short-term, fixed-rate loan that allows buyers to borrow up to \$25,000 to make specific home improvements, such as upgrading the kitchen.

HUD 203(k) Loan: A long-term, fixed-rate loan based on the home's anticipated market value after renovations are complete. Plus, HUD's 203(k) allows buyers to purchase an “as is” property and rehabilitate it. Downpayments range from 3 to 5 percent.

Seller Financing: In today's competitive marketplace, the seller may agree to pay for some or all of the improvements before closing, or carry a second loan for needed repairs.

Assumable ARM: Long-term, adjustable-rate financing that is ideal for buyers who plan to do their own remodeling, then sell as soon as improvements are finished.

Combination Loan: A long-term, fixed-rate loan, combined with a short-term line of credit earmarked for renovations. The credit line may be paid off by refinancing on the higher appraised value of the home.

Value-Added Mortgage: Adjustable- or fixed-rate financing for up to 90 percent of a home's renovated value.

For more information about these financing programs and other home renovation programs available through your state or municipality, talk with your local lending professional. ■

For Your Protection, Get a Home Inspection

The sale of every house is unique, but one need is common to every buyer — a home inspection. Not only does a home inspection evaluate the physical condition of a home and identify needed repairs, it can predict the lifespan of major components such as the roof, furnace, or water heater.

Many homeowners, however, confuse a professional appraisal with an inspection. An appraisal simply gauges the current market value of a

home and whether it meets a lender's financing guidelines. An inspection, however, can pinpoint problems in a home that could be costly to repair.

The U.S. Environmental Protection Agency (EPA) and the U.S. Surgeon General also recommend that all houses be tested for radon emissions. If you decide to test for radon, you may do so before or after signing your contract, provided the agreement states that your purchase offer is contingent upon the test results.

Of course, buyers are not the only people who hire home inspectors. Sellers also use inspectors to spot problem areas before placing their properties on the market.

Expect to pay an average of \$350 to \$500 for a home inspection, which should include a detailed written report of the home's condition and suggested improvements. What if the report reveals problems? No house is perfect. If the inspector identifies problems, it doesn't mean you shouldn't buy the house, only that you know what to expect. And if major problems are found, the seller may agree to make repairs. Remember, however, that it's the buyer's responsibility — and right — to have a property inspected.

The American Society of Home Inspectors provides much more information about home inspections and links to accredited home inspectors at www.ashi.org. ■



Kudos Go To Consumers With Mortgages

A recent study conducted by Experian, one of the nation's leading credit reporting bureaus, found that homeowners with mortgages seem to manage their debt more efficiently than other consumers. On average, consumers with home loans have credit scores that are 40 points higher than those without mortgages.

Just as importantly, the study found that mortgage-toting Americans tend to have more credit available to them. On average, they have access to seven open credit accounts compared to just two accounts for non-mortgaged consumers.

Homeowners are taking advantage of these credit resources, as well as the home equity they've amassed. From 2001 to 2006, the percentage of consumers with active home equity loans or lines of credit increased by 63 percent. Of course, some have used these low-interest funds to pay off high-interest credit cards, but many have also invested the money in home improvements or vacation properties — often building their net worth in the process.

There's a flip side to the coin, however. The average debt of U.S. consumers is 12 percent higher than just a year ago, and 25 percent of all households have debt above the national average.

What does Experian's research really reveal? Achieving a healthy financial profile doesn't depend on *using* credit, but *managing* it wisely.

To evaluate your current credit status, order a free report from Experian, Trans-Union, or Equifax by logging on to www.annualcreditreport.com. ■

