

# Home Buyer Tax Credit Extended & Expanded!

First-time home buyers and homeowners who move quickly can now take advantage of the home buyer tax credit. The federal home buyer tax credit has been extended *and* expanded to allow more home buyers to take advantage of it.

The tax credit, worth up to \$8,000, can now be taken by first-time home buyers *and* current homeowners who sell their home and buy another one. That's good news for home buyers *and* homeowners.

## Home buyer tax credit up to \$8,000 or \$6,500

The home buyer tax credit is equal to 10 percent of the purchase price of the home, up to \$8,000 for first-time buyers and \$6,500 for homeowners who sell their home and buy another one. For example, if you were qualified to take the full first-time home buyer tax credit and you bought a home that cost \$275,000, you would be eligible to take a tax credit worth \$8,000. The maximum home price is \$800,000.

The home buyer tax credit is refundable, which means that if you qualify, you can claim the full amount and get a rebate from the government, even if you owed less than that in federal income tax. For example, if you owed \$3,000 in income tax and could claim the full \$8,000 tax credit, you would get \$5,000 from the government.

## Qualifying for the home buyer tax credit

You may be qualified to take the tax credit if neither you nor your spouse has owned a home in the previous three years or you have lived in your current home for at least five consecutive years during the last eight years.

Your new home must be your principal residence, and you can't buy the home from a close relative such as your spouse, parent, grandparent, child or grandchild if you want to use the tax credit.

## New tax credit deadline

The home buyer tax credit was scheduled to end Nov. 30, 2009, but the deadline has been extended until April 30, 2010. If the home you want to buy is under contract or in escrow on that date, you will have another 60 days to close the transaction and still take the tax credit.

You can find out more about the extended and expanded home buyer tax credit on the Federal Housing Tax Credit website, [www.federalhousingtaxcredit.com](http://www.federalhousingtaxcredit.com), sponsored by the National Association of Home Builders.

*If you are interested in taking advantage of this extended and expanded tax credit, contact our office today!*

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# Finding the "Perfect" Home For You and Your Family!

Finding the "perfect home" in any real estate market is something that many people dream about day in and day out. After all, who wouldn't want to buy a home that meets *all* of their family's wants and needs?

And while it may sound easy enough to do this, the fact of the matter is that finding the perfect home is not always the easiest thing to do. There are numerous details to keep track of, and a few challenges can always pop up at any moment.

Luckily, there are some things that you can do to help ensure that you find the perfect home for you and your family. First, you need to contact your real estate agent and schedule a meeting. That is why they are here: *To help you find the perfect home.* Second, you will never find your perfect home if you don't spend some time and research figuring out exactly what your perfect home looks like. Such an approach will allow you to find out what is out there, how much you can afford, and how to move forward in that process. Your real estate agent can assist you in this process, too. Once you determine *what* your perfect home is, your real estate agent can begin helping you to find it.

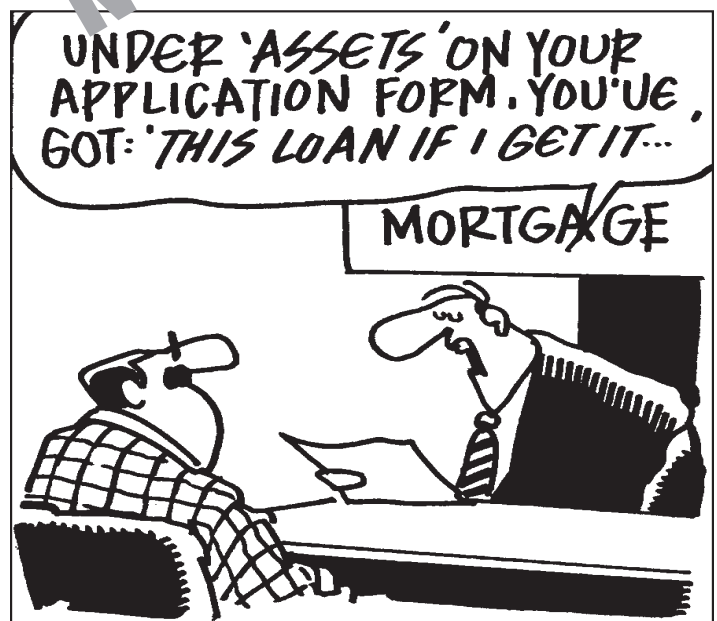
With so many homes on the market to choose from you owe it to yourself to take the time to look at each and every one that may suit your needs. This process can be time consuming and stressful for some. But because you're consulting with a professional real estate agent and enlist them in your service, you should be able to relax just a little more than usual. Your real estate agent will do most of the leg work that goes into buying a new home, such as finding what suits your needs, and then even negotiating on your behalf.

Many buyers make the mistake of *not* using a real estate professional and, more often than not, come to regret it, especially when that decision results in them losing their ideal or perfect home.

Overall, finding the perfect home may not be as hard as you might think, either. But to ensure success, simply seek the help and advice from your real estate agent. This is not to say that the buying process will be easy or stress-free, but if you listen to the advice of your real estate agent, you should be well on your way to success — *well on your way to finding your perfect home!*

Lastly, remember, patience is a virtue when it comes to finding and buying your perfect home!

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# 8 Things You Should Know About Your Mortgage!

Understanding what type of home loan is best for your family's needs is an integral part of the home-buying process. But it's not always easy. Here's a guide to the most important things you should know about your mortgage and mortgage loans in general.

## 1. The principal

Your mortgage principal is simply the amount you are borrowing to buy your house. In other words, it's the price of your new home minus your down payment. Your lender will tell you how much he or she is prepared to lend you based on your income and your credit score. This will help you determine how much house you can afford.

## 2. The type of mortgage

Traditionally, mortgages fall into two broad categories: Those with a fixed interest rate and those with an adjustable rate. With a fixed rate mortgage, you usually pay the same amount each month for as long as you carry the loan. These mortgages can mean less risk and less worry about the future, but typically have a slightly higher interest rate than the initial rates offered by adjustable rate mortgages. Adjustable rate mortgages (or ARMs) usually provide you with a lower initial interest rate, but their rates fluctuate with the market, so there is always the risk that your payments will increase. When you discuss mortgage types with your lender, make sure you understand the pros and cons of each loan and that your lender understands both your risk tolerance and your level of financial discipline.

## 3. The interest rate

Interest rates are the most visible part of any mortgage advertisement, but finding the best deal isn't as simple as looking for the lowest posted rate. A loan with a lower rate but higher closing costs may end up being more expensive. The best way to understand the overall cost of a mortgage is to look at its annual percentage rate (or APR), which takes into account the interest rate and the loan's other costs.

## 4. The monthly payment

One of the most important things when choosing a mortgage is to make sure you can comfortably afford the monthly payment. However, it's not enough to simply choose the loan that provides you with the lowest payment. In most cases, you'll want a mortgage that also helps you build equity in your home.

## From the Inside:

*"How much should I be prepared to put down on a home?"*

It's not always easy to save up enough money to make the traditional 20 percent down payment on a home. Fortunately, times have changed and lenders today offer several low-down-payment options on mortgages. But before deciding just how much to put down, you should consider the following:

### *Is 20 percent the standard down payment?*

In order to qualify for a conventional mortgage, lenders usually require a minimum down payment of 20 percent. If you put down less than 20 percent, most lenders will require that you buy Private Mortgage Insurance (PMI). This insurance typically costs about one-half of 1 percent of the purchase price of the home and protects the lender in the event that you should default on the loan. Your overall mortgage costs will therefore be less if you come up with 20 percent down and can avoid having to pay PMI.

### *What if I put down less than 20 percent?*

If you can't afford a 20 percent down payment, paying PMI may be your best option. And once you reach 22 percent equity in your home (or sometimes 20 percent equity with a good payment history), you can get your lender to cancel the insurance. An alternative is to apply for an 80/10/10 loan. This type of loan enables you to avoid PMI by financing half of the required 20 percent down payment with a second mortgage. The way it works is that 80

(Equity is the market value of your home minus any outstanding mortgages or liens.) If you don't build equity, you may not be able to refinance if your house decreases in value. And, when you want to move to a new house, you can put the equity of your current home towards the down payment of your next home.

## 5. The term

The mortgage term is the number of years your loan will be active. Mortgages with shorter terms carry higher monthly payments, but they can save you a lot of interest over the long term. For example, if you borrow \$150,000 at 6 percent with a 30-year term, your monthly payment will be \$900. The same loan with a 15-year term will cost \$1,265 a month, but you'll pay almost \$96,000 less in interest and you'll own your home twice as fast!

## 6. Discount points

Your lender may offer you the chance to pay discount points to lower the interest rate of your mortgage. One point is equal to 1 percent of the principal, so on a \$150,000 loan, each point costs \$1,500. Generally, for each point you purchase you can lower your rate by about 0.25 percent. Whether this is a good deal depends on how long you plan to keep your home — the longer you plan to stay, the more it makes sense to buy points.

## 7. Lock-ins

When you apply for a mortgage, your lender will quote you a specific interest rate and a certain number of discount points. However, the market can change while you are looking for your new home, causing rates to go up or down. That's why it's a good idea to ask your lender to lock in these rates for a specified period, often 30 to 60 days. If you want to lock in your rate, ask whether there will be a fee, if it is refundable, and get the agreement in writing.

## 8. Closing costs

Depending on your lender and where you live, closing cost fees go by different names and can often be confusing — origination fees, appraisal fees and prepaid interest are among the terms you may encounter. The best advice is to ask your lender for a good faith estimate of these costs and ask for an explanation of any charge you do not understand.

*Need more information? Contact our office today!*

percent of the purchase price of a home is financed through a first mortgage, 10 percent through a second mortgage, with the final 10 percent coming from the down payment. Or you might consider applying for a government-insured, low down payment loan. (Contact your lender for more details and to see if you qualify).

### *What about putting down no money at all?*

It is possible, but difficult in today's market, to finance 100 percent of the purchase price of a home with a mortgage that requires no down payment at all. The disadvantage of this type of financing is that you are likely to be charged a higher interest rate than that of a standard mortgage. This means your monthly mortgage payment will be higher. Also, because you didn't make the standard 20 percent down payment, you will definitely have to pay PMI.

The important thing to remember is to evaluate your own situation carefully before you decide how much to put down on a home.

*(For more information, contact our office today!)*