

Home Improvements May Come With Tax Credits!

Making home improvements? With economic and election news dominating recent headlines a few months back, you might have missed some important information affecting homeowners like you.

Remember the Emergency Economic Stabilization Act of 2008 (known as the bailout plan to you and me) which congress passed late last year? A lesser known benefit included in that bill was a reinstatement of home energy efficiency tax credits. These credits had been discontinued in 2007.

This reinstatement bodes well for your home improvement plans! In addition to your planned improvements increasing the value of your home, you'll also get tax credits for adding energy-saving features. According to this law, homeowners will receive credits for installing new doors, windows, roofs, and insulation. If you were considering adding new energy-efficient appliances, the law also includes the addition of high-efficiency water heaters or heating and air-conditioning systems, as well as solar electric and hot water systems.

This credit is a great incentive to improve your home, but keep in mind there is a maximum! The

law limits the amount one can claim to \$500 over the lifetime of the tax credit. The credit was placed in 2006 and 2007, and will extend now to 2009. You should also check that the exact improvement you are planning is qualified under the law.

Also important to note, especially if you feel guilty about procrastinating, the credit only applies for home improvements made in 2009! So if you didn't get those home improvements done in 2008, it's okay! But now is the time to get started or at least to make a plan.



But these are just some of the tax credits tucked away in the "bailout bill." Other tax-credits are available for wind and solar energy systems, energy-efficient new construction, and alternative fuel cells.

To learn more about these tax credits and which home improvements qualify, go to: www.energystar.gov and click on "Tax Credits Under the Energy Bill" near the bottom of the page on left side for details.

Need some cash for those home improvements? Call our office today. We can help!



Documents You Will Need to Get a Mortgage

What follows is a list of documents most lenders will require in order to process your mortgage application.

Verification of income

- *Earnings statements:* W-2 forms, recent pay stubs and tax returns for the past two years;
- *If you are self-employed:* profit and loss statements and tax returns for current year and previous two years;
- *Additional income:* social security, overtime bonus, commission, interest income, veteran's benefits and so on.

Verification of your assets

- List of bank account numbers, the address of your bank branch, checking and savings account statements for the previous 2-3 months;
- List of savings bonds, stocks or investments and their approximate market values;
- Copies of titles to any motor vehicles that are paid in full.

Information about the purchase

- Copy of the ratified purchase contract;
- If you made a deposit to the seller to show that you are serious about buying the house, bring a copy of the canceled deposit check on the house.

Your debts

- Credit card bills for the past few billing periods;

- Other consumer debt such as car loans, furniture loans, student loans and other personal and cosigned installment loans with creditor addresses and phone numbers;
- Evidence of mortgage and/or rental payments;
- Copies of alimony or child support.

If you have no established credit history, be prepared to supply your lender with canceled checks for rent, utilities and other recurring obligations to show payment history and amount of revolving debt.

Your lenders may also ask you about the origin of your down payment. If money for your down payment is a gift from a relative, bring to the interview a copy of the gift letter and a copy of the gift check. The gift letter states that the money will not have to be repaid.

Having these items on hand when you visit your lender will help speed up and simplify the application process.

Keep in mind that different lenders may have slightly different information requirements, so feel free to ask us what you should bring to your initial loan interview.

If you have any questions about the documents you need to apply for a mortgage, contact our office today!



How Do You Get the Best Appraisal?

...And who to blame if it comes in low

With appraisals coming in low across the country, homeowners want to know who to blame. A low appraisal can be frustrating, devastating even, especially when it hinders your ability to refinance.

And lately it's driving homeowners to place the blame on someone... anyone...and that blame typically falls on their mortgage company or their mortgage lender. But are they the ones at fault? Is the blame game warranted? Who exactly IS at fault when it comes to a less-than-desirable valuation? And what IS a home appraisal based on?

A Mortgage Company without Mortgages?

Here's the thing. *Mortgage companies and mortgage lenders actually have nothing to do with the appraisal process.* Appraisals are typically handled through the title company and appraisers are often selected from a network of appraisers with which the title company is affiliated. ...They're an unaffiliated third party. Often times, there's confusion because the homeowner is informed about the cost of the appraisal by the mortgage company/lender, when actually there is no mutually beneficial relationship.

So, if an appraiser sets a value on your home that comes in too low to move forward with the home loan, the mortgage company nor the mortgage lender can benefit in any way. Mortgage companies need mortgages to



stay afloat and if they can't close your loan, there's no mortgage to benefit from. What about the mortgage lenders? Are they to blame? Similarly, mortgage lenders don't benefit until they close a loan...a loan that can't be processed with a low appraisal. Which leads us to our first answer: *Mortgage companies and mortgage lenders are in no way affiliated with the value of your appraisal or the appraiser selected for your home.*

So who is to blame?

Unfortunately there's no real person to yell at. The current nationwide trend of decreasing home values is to blame. Recently, home values in some locations are appraising at 30% under the price at which they initially sold. A fact that pretty much benches the players in our blame game. But rest assured, home values *will* rise again.

What is an Appraisal Based On?

Good question. Really good, actually. Most people don't know a lot of the little things that go into the value that the appraiser gives your home. Things like built-in appliances and, most importantly, *surrounding home values* affect your home's appraisal the most. Cleanliness has no affect on your home's appraisal.

For more information about appraisals and how they work, contact our office today!

From the Inside: What Is a Commercial Mortgage?

While residential loans make up the vast amount of loans written, commercial mortgages are just as important. So, what is a commercial mortgage?

At its core, a commercial mortgage is very similar to a residential loan. It is a loan made using property as collateral to secure the loan. Obviously, the prime difference is the property in question is real estate of a business nature instead of a home to live in or land to build on.

By its very nature, a commercial mortgage is a transaction sought by a business, not an individual. In practical terms, this means the business will apply for the loan, and the credit worthiness of the business is the primary issue as well as its revenues. In general, evaluating business credit is more complicated than personal credit.

Another area where commercial mortgages differ from residential ones has to do with the term. The term simply refers to the number of years over which the loan is repaid. With residential loans, the term is typically 30 years. When it comes to commercial mortgages, the term is handled much differently. Most, but not all, commercial mortgages come in the form of balloon loans. This means they have a shorter

term of, say, ten years, for example. At the end of the loan period, the loan is not paid off by the monthly payments made. Instead, a percentage of the original loan amount comes due and must be paid as a lump sum payment.

A commercial mortgage is often considered riskier than a residential loan. As a result, lenders adapt to the risk by requiring the borrowing business pay higher interest rates. The rates can be as high as one to two points more than the prevailing residential rate at that time. The interest is tax deductible much the same way as with a residential loan.

What is a commercial mortgage? It is a way to fund business real estate purchases. While the process works much like a personal real estate loan, it is generally slightly more expensive and a bit more complex.

If you are in the market for a commercial mortgage, contact our office today!

...