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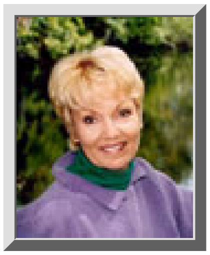

Pam Bewak

August 2008

Real Estate Update

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REAL ESTATE Update

Mortgage Rates Ease

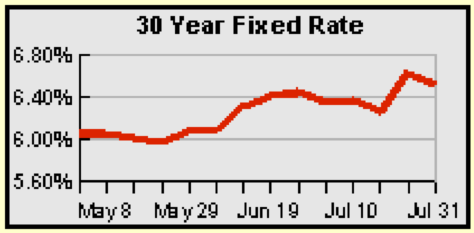
In Freddie Mac's results of its Primary Mortgage Market Survey the 30-year fixed-rate mortgage (FRM) averaged 6.52 percent for the week ending July 31, 2008, down from the previous week when it averaged 6.63 percent.

Last year at this time, the 30-year FRM averaged 6.68 percent.

"Mortgage rates moved lower this week as a drop in commodity prices eased market concerns over inflation pressures," said Frank Nothaft, Freddie Mac vice president. "For instance, the Department of Energy reported that gasoline prices were the lowest since the end of May, and oil prices were at levels not seen since early May."

Mortgage Rates

Source: Realty Times



U.S. averages as of July 31, 2008:

30 yr. fixed: 6.52%
15 yr. fixed: 6.07%
1 yr. adj: 5.27%

Does Inflation Affect Home Prices?

Inflation means that the value of cash is being reduced over time, thus it takes more dollars to buy a loaf of bread -- or a house.

In practical terms, homeowners can beat inflation with a fixed-rate mortgage.

While the interest rate is set, inflation over time means that each month you're paying with less-valuable dollars while the cash value of your home rises.

If the cash value of your home rises faster than the rate of inflation, then you are gaining additional spending power, and that's both one measure of real wealth and often a very good reason to be a long-term real estate owner.

How Can You Tell If You Are In a Buyer's Market?

Markets operate on the basis of supply and demand. If you have a local market where the supply of homes is significantly greater than demand, you will have a market where home sales slow, prices stall or drop, properties are more affordable and purchasers are typically able to negotiate significant concessions from sellers. And that, in a nutshell, is a buyers market.

Today many local markets favor purchasers. No less important, interest rates are at the lower end of the scale on an historic basis, and you can do well with conservative, reasonable financing such as FHA, VA and conventional loans. Relative to the past few years, now is a good time to buy in many areas.

Housing Bill Approved

The massive, 690-page housing bill has plenty of mortgage-related provisions in it, but it also has an important stimulus program designed to jump-start housing sales: It's a tax credit, effective immediately, that could cut up to $7,500 off the federal tax return of anyone who buys a house before the end of next June, when it expires.

Buyers have to be first-time purchasers, or renters who haven't owned a house anytime in the past three years. The "credit" is actually more like an interest free loan, repayable over 15 years.

Single taxpayers can only qualify for a $3,750 maximum credit. But it still puts thousands of after-tax dollars of incentives into home purchases -- money that wasn't there before.

Now, hundreds of thousands of potential buyers who've been on the sidelines can purchase a new or resale house and qualify for the credit. The National Association of Realtors estimates that up to two million sales could be stimulated by the credit in the coming 11 months, and the National Association of Home Builders anticipates a "multiplier effect" in the move-up segment of the market.

That's because people who sell houses to buyers using the credit will then often need to go out and find replacement homes for themselves -- effectively rippling the impact of the credit upstream, triggering even more sales.

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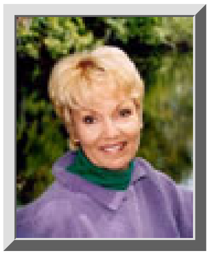

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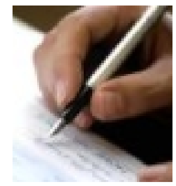
REAL ESTATE Update

Mortgage Rate Locks Become Crucial



By Broderick Perkins

An interest rate lock is always a good idea in any market. But it becomes a better idea when it's crucial to lock in an interest rate and other loan costs at a level you can afford.

A changing market -- especially when the change is for the worst -- is one of those crucial times. During the first half of 2008, nearly a full percentage point separated the high of 6.45 percent in recent weeks and the low of 5.48 percent in January, according to Freddie Mac.

Get off the interest rate elevator ride with an interest rate lock. A traditional rate lock is a lender's guarantee that your mortgage will come with a specific interest rate, points, other costs and terms. Most locks are designed to protect home buyers from rising rates, but those refinancing can also benefit.

A rate lock's terms include a specified period for the lock. If you fail to complete your home purchase or refinance before the clock runs out, and interest rates rise, brace yourself for higher costs. Those higher costs could come in the form of more up front cash to keep monthly payments in line with what you can afford or what you lender will allow.

With a refinance, if your home ownership isn't at stake, you have more wiggle room and can wait out the market, take less cash out or otherwise cope. Of course, those refinancing to stave off foreclosure could also find higher rates, without a rate lock, to be just as problematic as for home owners.

In an up-and-down interest rate market, falling interest rates are another strong reason for a rate lock. If interest rates fall during the lock period you can't take advantage of the lower rate unless you rewrite the lock at additional cost or include a "float down" provision in the original lock.

The "float down" option grants you a lower rate if rates fall within a given window of time. Again, unless specified otherwise, float downs stick you with the higher rate if rates rise during the lock period.

All these rate lock variations underscore the importance of being sure the language of the lock contract gives you the options you need, for a sufficient term.

Get it all in writing. It's difficult to enforce a verbal agreement. The contract should lock should lock in the interest rate, points and other costs, where possible. The agreement should include your name; the lock's effective date; lock cost; what terms are locked; the lock's expiration date and time; and any post-lock options.

Lock as soon as you see the desired rate or "on application" -- when you first apply for the mortgage -- so that your rate is locked as you spend time getting the application approved. That's particularly important if you barely qualify at today's rates, and an increase would make buying unaffordable.

Of course, you can choose to set the lock on approval, especially in markets where loan applications are prolonged due to heavy demand for housing. In any event, the lock period should be long enough to allow for settlement, contingencies, and other potential delays. Locks average 30 days, but can range from 15 to 60 days.

Also consider:

- Locks cost money. Shop around for both the terms of the lock contract and its cost, which varies from lender to lender. Some lenders want up-front lock fees. Others take them at settlement. There are non-refundable fees, flat fees, and fees based on a percentage of the mortgage, among the variations.
- Before choosing a lock-in period, determine the average time for loan processing. Ask your lender to estimate the time necessary to process your loan and verify the information with other realty professionals. If the loan doesn't close on time, lenders can extend your lock for free, charge more for the extension or charge an additional percentage of the loan amount.
- Once you lock-in a rate, if you haven't already, quickly submit the application and other required documents. You should have previously checked your credit report, prepared income, job, debt, asset and other documents to back up your application information.
- If you have a floater, it's your job to keep an eye on the market.

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REAL ESTATE Update

What's Hot & What's Not In Bathroom Redesign

By Peter L. Mosca

While real estate markets are cyclical, features a potential home buyer looks for in her home almost always seems to start in the bathroom, according to the National Association of REALTORS' (NAR) annual "Cost vs. Value Report," published each year in conjunction with Remodeling magazine.

In fact, in NAR's 2007 report, it showed an upscale bathroom remodel recouped 93.2 percent of the costs and a bathroom addition, midrange stood at 86.4 percent and an upscale remodel 85.8 percent.

"Knowing what's in and what's out in bathroom design is important for homeowners deciding just where to spend their makeover dollars," explained Celebrity Interior Designer Will Smith. "I suggest they look at four key areas: the mirror, paint, hardware and lighting. Each can be easily and inexpensively updated to provide a new, modern look for the bathroom."

Smith, who is known for creating high-end looks for less, shares his tips for making over a bathroom on a budget -- without sacrificing style:

Bathroom Mirror

What's Out: Unframed mirrors are a thing of the past. What's In: A frame completes the mirror and gives a bathroom a finished, updated look. A good tip for selecting a frame is to think about what you'd frame a piece of artwork in for the room. The mirror is the focal point in the bathroom and can make a real statement with the right frame.

Paint

What's Out: Paint is never out. It is a tried and true way to make a big impact with little cost. Colors do change though and you'll want to stay away from mauves and pinks.

What's In: Create a spa-like setting with paints in beige and pale tones. Some popular colors are chocolate, aqua, olive, and golds.

When choosing color, remember the more contrast, the more "POP."

Hardware

What's Out: Mismatched hardware gives the room an uncoordinated feel. Brass finishes also add to a dated look.

What's In: Choose brushed nickel, pewter, antique or oil-rubbed bronze finishes that coordinate with the lighting and fixtures, bath bars, knobs, pulls, switches and receptacle covers. These quick fixes pull the room together with one modern, cohesive look.

Lighting

What's Out: Take down that bright Hollywood lighting that casts a harsh light.

What's In: Go with a fixture that adds beauty and soft lighting with shades or sconces. They can run above your mirror or flank it on each side. And remember, these accent your room's greatest focal point so be sure to select a style that is right for you and makes a statement in the room.

"You don't need to do a full scale renovation to get the look of an updated bath," added Smith. "Some strategic and cost-effective changes can go a long way to giving you the look you desire."

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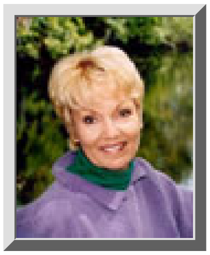

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Real Estate Update

Man's Best Friend May Be Costly When Selling Your Home

By Phoebe Chongchua

As beloved as pets may be to sellers they can be a detriment to the sale of a home.

One of the main reasons has to do with how convenient it is for buyers to see your home. There can be issues caused by the pets that make seeing your home more difficult than viewing other properties. For instance, if sellers have to be called first before their home can be shown this can make it less appealing to buyers and agents. "You've got issues of access because you might have special pet instructions such as remove pets prior to entering home," says Benjamin Little, Realtor with John Hall & Associates in Scottsdale, Arizona. He says that makes it so agents and buyers have to set special appointments. "And in today's market, anything that impedes a showing is a hindrance to selling the house," cautions Little. He adds, "There are so many properties out there for sale that if you've got special pet instructions and there are 10 properties, that on paper are equal, those Realtors are going to be showing the other ones that they have easier access to and don't have to worry about setting up a time so that the pets are removed."

It's not just access to viewing the property that causes the problem. Sometimes, regardless of how friendly the pet is, potential buyers can be reluctant to enter the home. "You might have an overly friendly dog, but the buyer still isn't comfortable being in the room with the dog and it could reduce the show time," says Little.

He gives this example. "I was showing a house recently and the sellers left the house. I felt they should have taken the dogs, because an important feature was going out back and seeing the horse set-up on the property but potential buyers weren't allowed outside because of the dogs," says Little. He says the seller's dogs were left in the backyard and the laundry room. There was even a note from the sellers warning buyers and agents that the sellers were unsure of how friendly their dogs were. This makes viewing the home not only uncomfortable but potentially unsafe. Little says as a result, the showing time was compromised and his clients were not able to see several features of the property such as the horse area, laundry room, and garage. The longer buyers stay in a home, the more likely they are to be considering it for their own residence. Even if you don't leave notes about potentially unfriendly pets, sellers should also consider the stigma that goes along with listing a home for sale when it's obvious a pet is living in it. "If the house smells anything like a pet and buyers see the pet, it is a definite problem because non-pet owners are not sure that they can ever get that smell out of the home," says Little.

However, Little says pets can also cause potential buyers to assume there are problems with the house even when there aren't any.

Little says he worked with a buyer that didn't want any home that had a cat in it even if she couldn't see evidence of a cat living in the home. Her feeling was that cats are climbing around on everything and getting things dirty. Little says that when buyers learn that a pet lives in the house, it can be hard to shake the negative image they create. "The house may be spotless but they already have that image in their mind," says Little.

"Sellers need to understand that they may be comfortable with their pet, but the general public won't be; so they need to do everything they can to make the home as accessible as possible. They need to really have a protocol for getting the pets out of the house before a showing," says Little.

Little says removing pets or putting them in an area of the property that is not considered vital to selling the home is going to create a better experience for potential buyers. He also recommends asking for advice from people who are non-pet owners. Little says, "You should ask your friends if there is any smell or how they would feel if they saw the cat or dog in the house?" But not all pets are a potential hindrance to showing a home. Some pets can actually help to sell a home. "A fish tank can be considered exotic and help to enhance the color of the home, says Little. And if it's a horse property, by all means, have a horse there! "The horse can actually be a bonus if you're marketing a horse property. So in that sense, the pet actually enhances the property," says Little. But for the most part, sellers have to remember that even though their pet may be treated like family, there's still good reason that man's best friend isn't always friendly to the most successful real estate deals.

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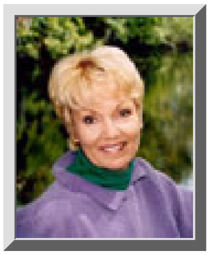

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REAL ESTATE Update

Credit Scores
Remain Misunderstood

By Broderick Perkins

Too many consumers still don't get it when it comes to credit scores. And what you don't know about credit scores can hurt you when it's time to buy a home -- especially in a tight credit market.

Only 28 percent of consumers are aware they need a minimum credit score of 700 to qualify for a low-rate mortgage. Three of every four consumers incorrectly believe that credit scores are influenced by income. And even more, 79 percent, erroneously believe that credit scores can be obtained for free once a year. (They're probably thinking about their credit report, instead.)

Those are among the findings of a new report, "Consumer Understanding Of Credit Scores Improves But Remains Poor" commissioned by the Consumer Federation of America (CFA) and Washington Mutual Bank (WaMu).

First, your credit score is a number assigned to your creditworthiness.

Your credit score indicates how well or how poorly you'll repay a debt. The higher the number, the more likely you'll repay on time.

Your bill paying information on credit reports provides the basis for your credit score. Consumers who take the time to obtain their credit score, for only about $15 under most circumstances, are more likely to have a better understanding of the scores.

That includes knowledge that mortgage lenders rely heavily upon credit scores to approve or reject home loan applications.

Informed consumers also know they can generally raise their credit score by consistently paying bills on time every time; by paying off debt and closing those paid off accounts; by not coming close to maxing out credit cards and by regularly checking their credit reports to make sure they are accurate.

Your credit report is free from AnnualCreditReport.Com. For more information about your credit score go to MyFICO.com. The study also found that consumers could save $28 billion a year in lower finance charges if they improved their credit scores by 30 points.

"Lack of consumer knowledge about credit scores not only increases the costs of their credit and insurance, but also reduces the availability of these and other services," said CFA Executive Director Stephen Brobeck.

The study's findings include:

- When asked to define "credit score," only 31 percent correctly identified the answer "risk of not repaying the loan" in a multiple choice question that also included "financial resources to pay back loans" (21 percent), "amount of consumer debt" (16 percent), "knowledge of consumer credit" (15 percent), and "attitude toward consumer credit" (9 percent) as other options.
- Consumers typically fail to understand that a credit score reflects only how they use credit, not factors such as income and age. Significant percentages incorrectly believe that credit scores are influenced by income (74 percent); age (40 percent); marital status (38 percent); the state in which they live (29 percent); level of education (29 percent); and ethnicity (15 percent).
- Majorities correctly understand that they can learn their credit scores if they are denied a mortgage loan (72 percent) or declined for a credit card (65 percent). But, an even larger group, (79 percent), incorrectly believes that credit scores can be obtained for free once a year. Only credit reports are free every year.

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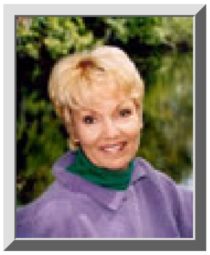

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REAL ESTATE Update

Washington Report: Tax Provisions

By Kenneth R. Harney

The mortgage bailout sections of Congress's massive federal housing bill have gotten all the attention in the press, but there are two tax provisions tucked away that could prove far more significant for some home buyers.

First-time buyers would get a tax credit of 10 percent of the purchase price of the home - up to a maximum of $8,000 - to encourage them to get off the sidelines and help reduce the unsold inventories of properties currently weighing down many local markets.

The tax credit would reduce buyers' federal tax bills, dollar for dollar, for the year of the purchase.

A second form of new tax benefit would be available to millions of home owners who do not itemize on their federal tax filings. They are in line to receive a $500 to $1,000 "standard" annual deduction for the real property taxes they pay but currently can't write off.

The $1,000 deduction would be for married homeowners filing jointly; the $500 maximum would be for single filers.

Now as with all seeming gift packages from Capitol Hill, you need to read the fine print of the legislation because there are some key limitations.

For example, on the new tax credit, the $8,000 maximum is limited to married home buyers who file their taxes together. Singles get maxed out at $4,000.

By the way, the credit isn't free. It's more like a loan. You've got to repay it to the IRS over a fifteen year period that starts one year after you close on the purchase. Each year of the fifteen, you're required to repay six and two-thirds percent of the original tax credit amount.

If you sell the house within the first year, you don't qualify for any credit whatsoever. If you sell later, you're liable for taxes on any remaining amounts of the credit you haven't already repaid, but not beyond your capital gain - if any - on the sale.

Finally in the fine print -- and this is good news -- the definition of "first time buyer" isn't necessarily what you think. You can still qualify for the credit even if you've bought and owned homes before.

You just can't have owned a house any time in the three years preceding your latest purchase.

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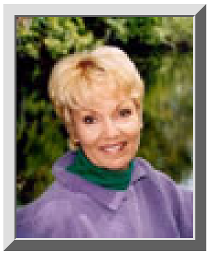

Re-examine Your Risk For Flood

By Broderick Perkins

Flood insurance is only mandated for properties in high-risk flood zones, but even if you live in a low- or moderate-risk area, you should bone up on the National Flood Insurance Program (NFIP).

To help get you started, here's a quick primer on floods and flood insurance.

Floods are the most common natural disaster in the U.S. If you live in a flood plain, your home has a 26 percent chance (more than one in four) of being damaged by a flood during the course of a 30-year mortgage, compared to a 9 percent chance (less than one in ten) for fire damage.

Your regular homeowner insurance policy typically does not provide benefits for losses caused by a flood, yet the NFIP says one in four flood insurance claims come from areas with low-to-moderate flood risk.

That's because while everyone does not live in a flood plain, everyone does lives in a flood zone, says the NFIP. If you live in a low- to moderate-risk area made so by a system of levees, dams and dikes -- as Midwestern and Gulf of Mexico area residents have learned -- the risk may be reduced but it is not removed. Levees, dams and dikes are not impervious to nature's worst.

Flooding can be caused by heavy rains, melting snow, inadequate drainage systems, failed flood control structures and tropical storms and hurricanes. Even if you have a hillside home and you think you are out of harm's way, there's a risk of mudslide or debris flow which is covered by flood insurance.

The share of claims from low- to moderate-risk homes and the overall risk for flooding could increase. A recent U.S. Climate Change Science Program report "Weather and Climate Extremes in a Changing Climate" said flatly, global warming-spawned climate change is increasing the intensity, duration, frequency, and geographic extent of weather events.

For example, 15 years ago, after the Midwest was previously inundated by what was pronounced a "100-year" or a "500-year" flood, some residents believed they'd seen the worse and dropped coverage. This summer, uninsured homeowners got soaked.

The term "100-year" flood doesn't mean there's a major flood every 100 years. It means a 100-year flood would have a 1 percent chance of occurring again in any given year and a 500-year flood a 0.2 percent chance.

In non high-risk areas you could qualify for the Preferred Risk Policy that provides contents coverage beginning at $39 per year and building plus contents coverage beginning at $119 a year, according to the NFIP.

If the relatively small premium doesn't get you to at least learn more about flood insurance, keep in mind, if you don't move fast you could lose. Once you decide to buy flood insurance, there's a standard 30-day waiting period, from the date of purchase, before a new flood policy goes into effect.

There is no waiting period provided:

The initial purchase of flood insurance is in connection with the making, increasing, extension, or renewal of a loan in a high-risk zone by a regulated lender. The initial purchase of flood insurance occurs within one year of a flood zone map change.

You could have to wait even longer for related coverage. Insurers in the Midwest currently have moratoriums on sewer and drainage coverage, which is part of your homeowner's policy, but can protect you from flood induced sewer and drainage problems. Moratoriums on selling disaster-related insurance coverage are common following a disaster.

If you aren't required to have flood insurance and choose not to buy it, it's a good idea to have as much as $20,000 socked away for self-insurance. For just one inch of water in your home, expect an estimated $8,000 in damages, according to the NFIP's "Cost of Flooding" estimator. A foot of water -12 inches -- will cost you nearly $19,000.

Residential NFIP coverage provides up to $250,000 of insurance to protect your owner-occupied home and up to $100,000 to protect your belongings. In a high-risk area, federally insured or regulated lenders will require you to have flood insurance for the amount remaining on your mortgage, or $250,000, whichever is lower. Renters can get up to $100,000 coverage for the contents of their home.

For more information, visit the consumer-friendly NFIP web site at FloodSmart.gov.

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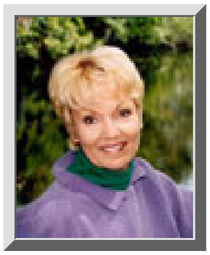

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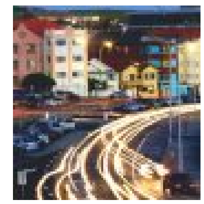
REAL ESTATE Update

Love The House, Hate The Traffic Noise -- There Is Hope!



By Phoebe Chongchua

Depending on the location, whether you're shopping for a new home or trying to sell your current residence, one of the biggest challenges is trying to reduce street noise. Tony Sola, founder of Acoustics.com cautions homeowners and buyers about too high expectations when it comes to reducing traffic noise.

"Too many times I have seen homeowners try to do something about the noise by adding another layer of drywall, or something to the wall itself. It's not minimal return, it's zero return. Unless you control the weak point, that does nothing," says Sola.

Sola says there are some cases where the wall might be the weak point but he says usually that's just one percent of the time. Generally the windows are the weakest noise link. So, if you've fallen in love with a home that's perfect for you but butting up a little close to a busy road, there are options to help make the traffic less noticeable.

Starting with the interior of the house, the first area to listen closely to are the windows. They can tend to let in a significant amount of noise.

"The sound almost always goes through the window and doing anything at all to the walls will be pointless until you have fixed the noise that comes through the window," says Sola.

Windows have a Sound Transmission Class (STC) rating. The higher the rating the less outside noise you should hear inside the home. A typical single-pane window only has a 22-25 STC rating whereas a dual-pane window might have a STC rating of 27-32. There are also specialty windows with even higher STC ratings available. Choosing the right STC rating depends on what you're planning to do.

"If you're looking at a STC 30 window versus a STC 33 window, you're not going to notice a huge difference in that but it might be worth it to you, if they're about the same price. But if you're looking at replacing windows and you're planning to go from a STC 30 to a STC 33, that's a lot of work to get virtually little improvement. If you can get a five or six decibel difference, then that can start to make a noticeable change," explains Sola.

Keeping sound from coming into your home is usually only part of the solution. Many people want to enjoy a traffic-noise-free backyard. This can be a little more complicated but not impossible.

"One of the first things you would look at is the barrier. If you've got a view wall or wrought iron fence that's not going to block anything, or if you have large oleander bushes, that might block the view but it doesn't block the sound at all," says Sola. Instead he says a solid wall that doesn't have gaps in it will help a little.

"Auto noise comes from the tires. So to control auto noise the wall will work pretty well because the source is really low -- it's at ground level but truck noise -- the medium trucks or the semi truck -- comes from about eight feet off the ground, so even if you build a six, seven, or eight-foot wall, that won't help much," says Sola.

However, if you couple a barrier wall with a noise-masking system such as a water feature then you can virtually wash away the traffic sounds.

"A water feature, if done right, can work very well," says Sola.

"You wouldn't want a water feature that's just trickling water. You would want something more substantial that does have a noise level to it and more of a broad band noise," says Sola.

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Getting creative is the key. Working with a sound acoustic expert and landscaper can result in a beautifully designed outdoor area that's doesn't reveal any sign of the chaotic hustle and bustle of the nearby road.

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Pam Bewak

August 2008
REAL ESTATE Update

Equal Housing
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August Real Estate Update

Mortgage Rates Ease

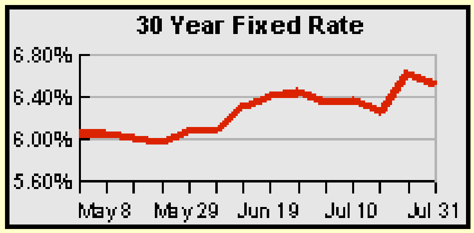
In Freddie Mac's results of its Primary Mortgage Market Survey the 30-year fixed-rate mortgage (FRM) averaged 6.52 percent for the week ending July 31, 2008, down from the previous week when it averaged 6.63 percent.

Last year at this time, the 30-year FRM averaged 6.68 percent.

"Mortgage rates moved lower this week as a drop in commodity prices eased market concerns over inflation pressures," said Frank Nothaft, Freddie Mac vice president. "For instance, the Department of Energy reported that gasoline prices were the lowest since the end of May, and oil prices were at levels not seen since early May."

Mortgage Rates

Source: Realty Times



U.S. averages as of July 31, 2008:

30 yr. fixed: 6.52%
15 yr. fixed: 6.07%
1 yr. adj: 5.27%

Does Inflation Affect Home Prices?

Inflation means that the value of cash is being reduced over time, thus it takes more dollars to buy a loaf of bread -- or a house.

In practical terms, homeowners can beat inflation with a fixed-rate mortgage.

While the interest rate is set, inflation over time means that each month you're paying with less-valuable dollars while the cash value of your home rises.

If the cash value of your home rises faster than the rate of inflation, then you are gaining additional spending power, and that's both one measure of real wealth and often a very good reason to be a long-term real estate owner.

How Can You Tell If You Are In a Buyer's Market?

Markets operate on the basis of supply and demand. If you have a local market where the supply of homes is significantly greater than demand, you will have a market where home sales slow, prices stall or drop, properties are more affordable and purchasers are typically able to negotiate significant concessions from sellers. And that, in a nutshell, is a buyers market.

Today many local markets favor purchasers. No less important, interest rates are at the lower end of the scale on an historic basis, and you can do well with conservative, reasonable financing such as FHA, VA and conventional loans. Relative to the past few years, now is a good time to buy in many areas.

Housing Bill Approved

The massive, 690-page housing bill has plenty of mortgage-related provisions in it, but it also has an important stimulus program designed to jump-start housing sales: It's a tax credit, effective immediately, that could cut up to $7,500 off the federal tax return of anyone who buys a house before the end of next June, when it expires.

Buyers have to be first-time purchasers, or renters who haven't owned a house anytime in the past three years. The "credit" is actually more like an interest free loan, repayable over 15 years.

Single taxpayers can only qualify for a $3,750 maximum credit. But it still puts thousands of after-tax dollars of incentives into home purchases -- money that wasn't there before.

Now, hundreds of thousands of potential buyers who've been on the sidelines can purchase a new or resale house and qualify for the credit. The National Association of Realtors estimates that up to two million sales could be stimulated by the credit in the coming 11 months, and the National Association of Home Builders anticipates a "multiplier effect" in the move-up segment of the market.

That's because people who sell houses to buyers using the credit will then often need to go out and find replacement homes for themselves -- effectively rippling the impact of the credit upstream, triggering even more sales.

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Mortgage Rate Locks Become Crucial

By Broderick Perkins

An interest rate lock is always a good idea in any market. But it becomes a better idea when it's crucial to lock in an interest rate and other loan costs at a level you can afford.

A changing market -- especially when the change is for the worst -- is one of those crucial times. During the first half of 2008, nearly a full percentage point separated the high of 6.45 percent in recent weeks and the low of 5.48 percent in January, according to Freddie Mac.

Get off the interest rate elevator ride with an interest rate lock. A traditional rate lock is a lender's guarantee that your mortgage will come with a specific interest rate, points, other costs and terms. Most locks are designed to protect home buyers from rising rates, but those refinancing can also benefit.

A rate lock's terms include a specified period for the lock. If you fail to complete your home purchase or refinance before the clock runs out, and interest rates rise, brace yourself for higher costs. Those higher costs could come in the form of more up front cash to keep monthly payments in line with what you can afford or what you lender will allow.

With a refinance, if your home ownership isn't at stake, you have more wiggle room and can wait out the market, take less cash out or otherwise cope. Of course, those refinancing to stave off foreclosure could also find higher rates, without a rate lock, to be just as problematic as for home owners.

In an up-and-down interest rate market, falling interest rates are another strong reason for a rate lock. If interest rates fall during the lock period you can't take advantage of the lower rate unless you rewrite the lock at additional cost or include a "float down" provision in the original lock.

The "float down" option grants you a lower rate if rates fall within a given window of time. Again, unless specified otherwise, float downs stick you with the higher rate if rates rise during the lock period.

All these rate lock variations underscore the importance of being sure the language of the lock contract gives you the options you need, for a sufficient term.

Get it all in writing. It's difficult to enforce a verbal agreement. The contract should lock should lock in the interest rate, points and other costs, where possible. The agreement should include your name; the lock's effective date; lock cost; what terms are locked; the lock's expiration date and time; and any post-lock options.

Lock as soon as you see the desired rate or "on application" -- when you first apply for the mortgage -- so that your rate is locked as you spend time getting the application approved. That's particularly important if you barely qualify at today's rates, and an increase would make buying unaffordable.

Of course, you can choose to set the lock on approval, especially in markets where loan applications are prolonged due to heavy demand for housing. In any event, the lock period should be long enough to allow for settlement, contingencies, and other potential delays. Locks average 30 days, but can range from 15 to 60 days.

Also consider:

- Locks cost money. Shop around for both the terms of the lock contract and its cost, which varies from lender to lender. Some lenders want up-front lock fees. Others take them at settlement. There are non-refundable fees, flat fees, and fees based on a percentage of the mortgage, among the variations.
- Before choosing a lock-in period, determine the average time for loan processing. Ask your lender to estimate the time necessary to process your loan and verify the information with other realty professionals. If the loan doesn't close on time, lenders can extend your lock for free, charge more for the extension or charge an additional percentage of the loan amount.
- Once you lock-in a rate, if you haven't already, quickly submit the application and other required documents. You should have previously checked your credit report, prepared income, job, debt, asset and other documents to back up your application information.
- If you have a floater, it's your job to keep an eye on the market.

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What's Hot & What's Not
In Bathroom Redesign

By Peter L. Mosca

While real estate markets are cyclical, features a potential home buyer looks for in her home almost always seems to start in the bathroom, according to the National Association of REALTORS' (NAR) annual "Cost vs. Value Report," published each year in conjunction with Remodeling magazine.

In fact, in NAR's 2007 report, it showed an upscale bathroom remodel recouped 93.2 percent of the costs and a bathroom addition, midrange stood at 86.4 percent and an upscale remodel 85.8 percent.

"Knowing what's in and what's out in bathroom design is important for homeowners deciding just where to spend their makeover dollars," explained Celebrity Interior Designer Will Smith. "I suggest they look at four key areas: the mirror, paint, hardware and lighting. Each can be easily and inexpensively updated to provide a new, modern look for the bathroom."

Smith, who is known for creating high-end looks for less, shares his tips for making over a bathroom on a budget -- without sacrificing style:

Bathroom Mirror

What's Out: Unframed mirrors are a thing of the past. What's In: A frame completes the mirror and gives a bathroom a finished, updated look. A good tip for selecting a frame is to think about what you'd frame a piece of artwork in for the room. The mirror is the focal point in the bathroom and can make a real statement with the right frame.

Paint

What's Out: Paint is never out. It is a tried and true way to make a big impact with little cost. Colors do change though and you'll want to stay away from mauves and pinks.

What's In: Create a spa-like setting with paints in beige and pale tones. Some popular colors are chocolate, aqua, olive, and golds.

When choosing color, remember the more contrast, the more "POP."

Hardware

What's Out: Mismatched hardware gives the room an uncoordinated feel. Brass finishes also add to a dated look.

What's In: Choose brushed nickel, pewter, antique or oil-rubbed bronze finishes that coordinate with the lighting and fixtures, bath bars, knobs, pulls, switches and receptacle covers. These quick fixes pull the room together with one modern, cohesive look.

Lighting

What's Out: Take down that bright Hollywood lighting that casts a harsh light.

What's In: Go with a fixture that adds beauty and soft lighting with shades or sconces. They can run above your mirror or flank it on each side. And remember, these accent your room's greatest focal point so be sure to select a style that is right for you and makes a statement in the room.

"You don't need to do a full scale renovation to get the look of an updated bath," added Smith. "Some strategic and cost-effective changes can go a long way to giving you the look you desire."

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Man's Best Friend May Be Costly When Selling Your Home

By Phoebe Chongchua

As beloved as pets may be to sellers they can be a detriment to the sale of a home.

One of the main reasons has to do with how convenient it is for buyers to see your home. There can be issues caused by the pets that make seeing your home more difficult than viewing other properties. For instance, if sellers have to be called first before their home can be shown this can make it less appealing to buyers and agents. "You've got issues of access because you might have special pet instructions such as remove pets prior to entering home," says Benjamin Little, Realtor with John Hall & Associates in Scottsdale, Arizona. He says that makes it so agents and buyers have to set special appointments. "And in today's market, anything that impedes a showing is a hindrance to selling the house," cautions Little. He adds, "There are so many properties out there for sale that if you've got special pet instructions and there are 10 properties, that on paper are equal, those Realtors are going to be showing the other ones that they have easier access to and don't have to worry about setting up a time so that the pets are removed."

It's not just access to viewing the property that causes the problem. Sometimes, regardless of how friendly the pet is, potential buyers can be reluctant to enter the home. "You might have an overly friendly dog, but the buyer still isn't comfortable being in the room with the dog and it could reduce the show time," says Little.

He gives this example. "I was showing a house recently and the sellers left the house. I felt they should have taken the dogs, because an important feature was going out back and seeing the horse set-up on the property but potential buyers weren't allowed outside because of the dogs," says Little. He says the seller's dogs were left in the backyard and the laundry room. There was even a note from the sellers warning buyers and agents that the sellers were unsure of how friendly their dogs were. This makes viewing the home not only uncomfortable but potentially unsafe. Little says as a result, the showing time was compromised and his clients were not able to see several features of the property such as the horse area, laundry room, and garage. The longer buyers stay in a home, the more likely they are to be considering it for their own residence. Even if you don't leave notes about potentially unfriendly pets, sellers should also consider the stigma that goes along with listing a home for sale when it's obvious a pet is living in it. "If the house smells anything like a pet and buyers see the pet, it is a definite problem because non-pet owners are not sure that they can ever get that smell out of the home," says Little.

However, Little says pets can also cause potential buyers to assume there are problems with the house even when there aren't any.

Little says he worked with a buyer that didn't want any home that had a cat in it even if she couldn't see evidence of a cat living in the home. Her feeling was that cats are climbing around on everything and getting things dirty. Little says that when buyers learn that a pet lives in the house, it can be hard to shake the negative image they create. "The house may be spotless but they already have that image in their mind," says Little.

"Sellers need to understand that they may be comfortable with their pet, but the general public won't be; so they need to do everything they can to make the home as accessible as possible. They need to really have a protocol for getting the pets out of the house before a showing," says Little.

Little says removing pets or putting them in an area of the property that is not considered vital to selling the home is going to create a better experience for potential buyers. He also recommends asking for advice from people who are non-pet owners. Little says, "You should ask your friends if there is any smell or how they would feel if they saw the cat or dog in the house?" But not all pets are a potential hindrance to showing a home. Some pets can actually help to sell a home. "A fish tank can be considered exotic and help to enhance the color of the home, says Little. And if it's a horse property, by all means, have a horse there! "The horse can actually be a bonus if you're marketing a horse property. So in that sense, the pet actually enhances the property," says Little. But for the most part, sellers have to remember that even though their pet may be treated like family, there's still good reason that man's best friend isn't always friendly to the most successful real estate deals.

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Credit Scores
Remain Misunderstood

By Broderick Perkins

Too many consumers still don't get it when it comes to credit scores. And what you don't know about credit scores can hurt you when it's time to buy a home -- especially in a tight credit market.

Only 28 percent of consumers are aware they need a minimum credit score of 700 to qualify for a low-rate mortgage. Three of every four consumers incorrectly believe that credit scores are influenced by income. And even more, 79 percent, erroneously believe that credit scores can be obtained for free once a year. (They're probably thinking about their credit report, instead.)

Those are among the findings of a new report, "Consumer Understanding Of Credit Scores Improves But Remains Poor" commissioned by the Consumer Federation of America (CFA) and Washington Mutual Bank (WaMu).

First, your credit score is a number assigned to your creditworthiness.

Your credit score indicates how well or how poorly you'll repay a debt. The higher the number, the more likely you'll repay on time.

Your bill paying information on credit reports provides the basis for your credit score. Consumers who take the time to obtain their credit score, for only about $15 under most circumstances, are more likely to have a better understanding of the scores.

That includes knowledge that mortgage lenders rely heavily upon credit scores to approve or reject home loan applications.

Informed consumers also know they can generally raise their credit score by consistently paying bills on time every time; by paying off debt and closing those paid off accounts; by not coming close to maxing out credit cards and by regularly checking their credit reports to make sure they are accurate.

Your credit report is free from AnnualCreditReport.Com. For more information about your credit score go to MyFICO.com. The study also found that consumers could save $28 billion a year in lower finance charges if they improved their credit scores by 30 points.

"Lack of consumer knowledge about credit scores not only increases the costs of their credit and insurance, but also reduces the availability of these and other services," said CFA Executive Director Stephen Brobeck.

The study's findings include:

- When asked to define "credit score," only 31 percent correctly identified the answer "risk of not repaying the loan" in a multiple choice question that also included "financial resources to pay back loans" (21 percent), "amount of consumer debt" (16 percent), "knowledge of consumer credit" (15 percent), and "attitude toward consumer credit" (9 percent) as other options.
- Consumers typically fail to understand that a credit score reflects only how they use credit, not factors such as income and age. Significant percentages incorrectly believe that credit scores are influenced by income (74 percent); age (40 percent); marital status (38 percent); the state in which they live (29 percent); level of education (29 percent); and ethnicity (15 percent).
- Majorities correctly understand that they can learn their credit scores if they are denied a mortgage loan (72 percent) or declined for a credit card (65 percent). But, an even larger group, (79 percent), incorrectly believes that credit scores can be obtained for free once a year. Only credit reports are free every year.

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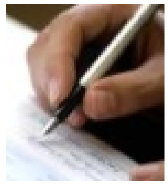
Washington Report: Tax Provisions

By Kenneth R. Harney



The mortgage bailout sections of Congress's massive federal housing bill have gotten all the attention in the press, but there are two tax provisions tucked away that could prove far more significant for some home buyers.

First-time buyers would get a tax credit of 10 percent of the purchase price of the home - up to a maximum of $8,000 - to encourage them to get off the sidelines and help reduce the unsold inventories of properties currently weighing down many local markets.

The tax credit would reduce buyers' federal tax bills, dollar for dollar, for the year of the purchase.

A second form of new tax benefit would be available to millions of home owners who do not itemize on their federal tax filings. They are in line to receive a $500 to $1,000 "standard" annual deduction for the real property taxes they pay but currently can't write off.

The $1,000 deduction would be for married homeowners filing jointly; the $500 maximum would be for single filers.

Now as with all seeming gift packages from Capitol Hill, you need to read the fine print of the legislation because there are some key limitations.

For example, on the new tax credit, the $8,000 maximum is limited to married home buyers who file their taxes together. Singles get maxed out at $4,000.

By the way, the credit isn't free. It's more like a loan. You've got to repay it to the IRS over a fifteen year period that starts one year after you close on the purchase. Each year of the fifteen, you're required to repay six and two-thirds percent of the original tax credit amount.

If you sell the house within the first year, you don't qualify for any credit whatsoever. If you sell later, you're liable for taxes on any remaining amounts of the credit you haven't already repaid, but not beyond your capital gain - if any - on the sale.

Finally in the fine print -- and this is good news -- the definition of "first time buyer" isn't necessarily what you think. You can still qualify for the credit even if you've bought and owned homes before.

You just can't have owned a house any time in the three years preceding your latest purchase.

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Re-examine Your Risk For Flood

By Broderick Perkins

Flood insurance is only mandated for properties in high-risk flood zones, but even if you live in a low- or moderate-risk area, you should bone up on the National Flood Insurance Program (NFIP).

To help get you started, here's a quick primer on floods and flood insurance.

Floods are the most common natural disaster in the U.S. If you live in a flood plain, your home has a 26 percent chance (more than one in four) of being damaged by a flood during the course of a 30-year mortgage, compared to a 9 percent chance (less than one in ten) for fire damage.

Your regular homeowner insurance policy typically does not provide benefits for losses caused by a flood, yet the NFIP says one in four flood insurance claims come from areas with low-to-moderate flood risk.

That's because while everyone does not live in a flood plain, everyone does lives in a flood zone, says the NFIP. If you live in a low- to moderate-risk area made so by a system of levees, dams and dikes -- as Midwestern and Gulf of Mexico area residents have learned -- the risk may be reduced but it is not removed. Levees, dams and dikes are not impervious to nature's worst.

Flooding can be caused by heavy rains, melting snow, inadequate drainage systems, failed flood control structures and tropical storms and hurricanes. Even if you have a hillside home and you think you are out of harm's way, there's a risk of mudslide or debris flow which is covered by flood insurance.

The share of claims from low- to moderate-risk homes and the overall risk for flooding could increase. A recent U.S. Climate Change Science Program report "Weather and Climate Extremes in a Changing Climate" said flatly, global warming-spawned climate change is increasing the intensity, duration, frequency, and geographic extent of weather events.

For example, 15 years ago, after the Midwest was previously inundated by what was pronounced a "100-year" or a "500-year" flood, some residents believed they'd seen the worse and dropped coverage. This summer, uninsured homeowners got soaked.

The term "100-year" flood doesn't mean there's a major flood every 100 years. It means a 100-year flood would have a 1 percent chance of occurring again in any given year and a 500-year flood a 0.2 percent chance.

In non high-risk areas you could qualify for the Preferred Risk Policy that provides contents coverage beginning at $39 per year and building plus contents coverage beginning at $119 a year, according to the NFIP.

If the relatively small premium doesn't get you to at least learn more about flood insurance, keep in mind, if you don't move fast you could lose. Once you decide to buy flood insurance, there's a standard 30-day waiting period, from the date of purchase, before a new flood policy goes into effect.

There is no waiting period provided:

The initial purchase of flood insurance is in connection with the making, increasing, extension, or renewal of a loan in a high-risk zone by a regulated lender. The initial purchase of flood insurance occurs within one year of a flood zone map change.

You could have to wait even longer for related coverage. Insurers in the Midwest currently have moratoriums on sewer and drainage coverage, which is part of your homeowner's policy, but can protect you from flood induced sewer and drainage problems. Moratoriums on selling disaster-related insurance coverage are common following a disaster.

If you aren't required to have flood insurance and choose not to buy it, it's a good idea to have as much as $20,000 socked away for self-insurance. For just one inch of water in your home, expect an estimated $8,000 in damages, according to the NFIP's "Cost of Flooding" estimator. A foot of water -12 inches -- will cost you nearly $19,000.

Residential NFIP coverage provides up to $250,000 of insurance to protect your owner-occupied home and up to $100,000 to protect your belongings. In a high-risk area, federally insured or regulated lenders will require you to have flood insurance for the amount remaining on your mortgage, or $250,000, whichever is lower. Renters can get up to $100,000 coverage for the contents of their home.

For more information, visit the consumer-friendly NFIP web site at FloodSmart.gov.

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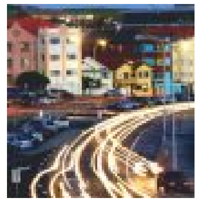
Love The House, Hate The Traffic Noise -- There Is Hope!

By Phoebe Chongchua



Depending on the location, whether you're shopping for a new home or trying to sell your current residence, one of the biggest challenges is trying to reduce street noise. Tony Sola, founder of Acoustics.com cautions homeowners and buyers about too high expectations when it comes to reducing traffic noise.

"Too many times I have seen homeowners try to do something about the noise by adding another layer of drywall, or something to the wall itself. It's not minimal return, it's zero return. Unless you control the weak point, that does nothing," says Sola.

Sola says there are some cases where the wall might be the weak point but he says usually that's just one percent of the time. Generally the windows are the weakest noise link. So, if you've fallen in love with a home that's perfect for you but butting up a little close to a busy road, there are options to help make the traffic less noticeable.

Starting with the interior of the house, the first area to listen closely to are the windows. They can tend to let in a significant amount of noise.

"The sound almost always goes through the window and doing anything at all to the walls will be pointless until you have fixed the noise that comes through the window," says Sola.

Windows have a Sound Transmission Class (STC) rating. The higher the rating the less outside noise you should hear inside the home. A typical single-pane window only has a 22-25 STC rating whereas a dual-pane window might have a STC rating of 27-32. There are also specialty windows with even higher STC ratings available. Choosing the right STC rating depends on what you're planning to do.

"If you're looking at a STC 30 window versus a STC 33 window, you're not going to notice a huge difference in that but it might be worth it to you, if they're about the same price. But if you're looking at replacing windows and you're planning to go from a STC 30 to a STC 33, that's a lot of work to get virtually little improvement. If you can get a five or six decibel difference, then that can start to make a noticeable change," explains Sola.

Keeping sound from coming into your home is usually only part of the solution. Many people want to enjoy a traffic-noise-free backyard. This can be a little more complicated but not impossible.

"One of the first things you would look at is the barrier. If you've got a view wall or wrought iron fence that's not going to block anything, or if you have large oleander bushes, that might block the view but it doesn't block the sound at all," says Sola. Instead he says a solid wall that doesn't have gaps in it will help a little.

"Auto noise comes from the tires. So to control auto noise the wall will work pretty well because the source is really low -- it's at ground level but truck noise -- the medium trucks or the semi truck -- comes from about eight feet off the ground, so even if you build a six, seven, or eight-foot wall, that won't help much," says Sola.

However, if you couple a barrier wall with a noise-masking system such as a water feature then you can virtually wash away the traffic sounds.

"A water feature, if done right, can work very well," says Sola.

"You wouldn't want a water feature that's just trickling water. You would want something more substantial that does have a noise level to it and more of a broad band noise," says Sola.

He says the problem with water features is they tend to be very localized. Sola says he's been to some homes where the homeowner placed one water feature in the backyard and it drowned out the traffic noise in that one area of the yard but the street noise could be heard from other parts of the backyard. He says that's when a couple of fountains might need to be used.

Getting creative is the key. Working with a sound acoustic expert and landscaper can result in a beautifully designed outdoor area that's doesn't reveal any sign of the chaotic hustle and bustle of the nearby road.

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