

SPECIAL SERIES: PUTTING THINGS INTO PERSPECTIVE



Say it ain't so

Dispelling common myths about the current housing market — Part II

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 SPECIAL TO NEW HOMES

Last week, in the first part of our special three-part series on "Putting things into perspective," we shed light on the following myths about the current real estate market: homeowners are unable to sell their existing homes in order to buy a new one; every builder is reducing prices on new homes and condos, and prices will keep getting lower; and new homes or condominiums are not selling at all.

This week, we take a look at four more myths that are preventing lots of people just like you from taking advantage of some really great opportunities certain to increase in value over time. Ready for the bust to be over? We can all make it happen if we put things into perspective.

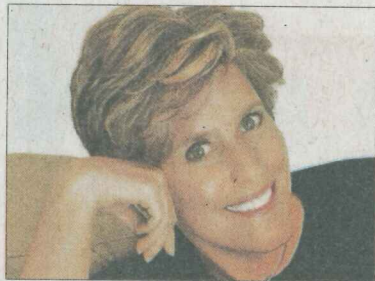
MYTH #4: It is very difficult to obtain a mortgage.

FACT: It is very difficult to obtain a mortgage you cannot afford. In fact, getting a mortgage you can afford, based on good old-fashioned common-sense underwriting calculations, is as easy and hassle-free as it ever was.

Some of the changes within the mortgage marketplace have been welcome news to professionals like Eric Wallberg, managing partner with WCS Lending, LLC in Boca Raton. "Lackadaisical lending policies and lack of common sense were not sustainable," he says.

It is true that no- or low-documentation loans have mostly gone the way of the dinosaur, but only in an effort to make sure buyers are legitimately qualified for their mortgages," he says. "If you have done your own homework and know you can make the payments

on the mortgage you need to buy a home, this financing is readily available."



Personal finance author and TV host Suze Orman urges people to look at the true cost of owning a home.

MYTH #5: Even if someone qualifies for a mortgage, rates are still very high.

FACT: This depends upon your point of reference. If rates inch up, they are still substantially lower than they were years ago.

"Although interest rates have been through a volatile period recently, they are still very low when contrasted against rates of the past 10 years or more," Wallberg says. "Incentive and teaser rates are no longer available (anyone recall 1.25 percent rates for the first 12 months?), and this gives the general overall false impression that rates have come up drastically compared to present levels. When combined with the more reasonable adjustment to current sales prices, buying a home is very favorable for consumers."

Some of us can recall paying a fixed rate of around 13 percent back in the early '80s. That was a high rate, unlike the near record low rates available to qualified buyers today.

As an example, the Florida Association of Realtors announced in a press release said that, according to Freddie Mac, interest rates for a 30-year fixed-rate mortgage in March 2008 averaged 5.97 percent, down from the average rate of 6.16 percent in March 2007.

With a fixed, low-interest rate, you may be able to afford a more expensive residence than you might think because the payments will be low. However, you need to look at the total costs involved with home or condo ownership, and then at what you actually can afford. This will tell you what price point you should be seeking (or if you should wait until you have a larger down payment or your income increases in order to buy that new home).

You are likely to be ready for homeownership if you have a steady, reliable source of income and a steady employment history for several years; a good credit history; your total debt is manageable; and you can afford to take on the costs associated with homeownership. You should also have money saved for a down payment and closing costs or have access to other sources of funds, such as an employment bonus, tax refund, or a gift from a relative.

The cost of a house or condominium isn't just the price you pay for it. Although the largest cost of owning is apt to be your mortgage payment (unless you plan on paying cash), you must also consider property taxes, maintenance and repairs for single-family homes, utility costs, as well as homeowners or condo association fees, membership fees and unexpected assessments (if applicable).

You need to look at the true cost of homeownership, warns personal finance author and TV host Suze

Orman. She estimates that, after adding up all costs, you could be looking at a total net housing cost of 40 to 45 percent more than the base mortgage.

If finances are a concern, perhaps when you do buy a home, it shouldn't be your ultimate dream home. You can "move up" in the future, when your financial situation improves, rather than burdening yourself now. In the meantime, you'll still benefit from homeownership.

MYTH #6: If someone is unable to make their mortgage payments, they have no options other than foreclosure.

FACT: Despite the fact that many people currently find themselves with mortgage payments they cannot afford, losing their homes is not an inevitable conclusion.

Wallberg says consumers working with specially authorized mortgage lenders have found that many government-insured mortgages are available to help transition into a more reasonable financing structure.

"Even consumers facing a mortgage amount which is greater than the present value of their home value have found that, by working with a qualified and reputable mortgage company, they are able to negotiate a lower payoff amount with their existing mortgage holders, thus facilitating an otherwise impossible transaction and saving their houses from foreclosure," Wallberg adds.

MYTH #7: Property taxes keep increasing with no end in sight.

FACT: Incorrect. In January 2008 Florida voters approved Constitutional Amendment 1, giving themselves prop-

erty tax relief.

The amendment cuts \$12.4 billion in property taxes over the next five years. To help homeowners, it doubles the \$25,000 homestead exemption, which means the average homeowner should see taxes drop by about \$240 this year.

The new law also provides portability for homeowners by enabling homestead owners to transfer their tax savings to a new home. Specifically, they can carry accrued tax benefits — up to \$500,000 in benefits under Save Our Homes* — to a new home, a privilege potentially worth thousands. (However, this may be challenged in court because it further favors longtime homeowners over those who bought homes more recently.)

The tax reform package also caps annual assessments of second homes at 10 percent a year. In addition, several tax breaks for businesses are also included, which are not relevant to this article.

Passage of this modest tax relief plan is reportedly the first phase of what Florida Gov. Charlie Crist promised would be "just the start" of a prolonged push to lower property taxes.

* The 3-percent annual cap on assessments that has shielded longtime homeowners from soaring property taxes.

Next week: In the third and final installment of our special series, we dispel the following myths:

- Homeowners can no longer afford property insurance.
- There are no advantages to being a homeowner any longer.
- Real estate is no longer the good investment it was. You're better off renting.