

Real Estate

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BLUFFTON'S ONLY DAILY HOMETOWN NEWSPAPER

Selling a home in a slumping market

FRANK DUNNE, JR.
SPECIAL TO BLUFFTON TODAY

There are all kinds of opinions about the state of the economy out there. It's a recession. It's a depression. It's neither. It's the worst ever. It's not as bad as "they" say. Stimulus will work. No, it won't. We need tax cuts. It'll turn around this year. It'll turn around next year.

It adds up to a lot of news copy, but not many concrete answers and no consensus. That's because in reality, this thing called "the economy" can be summed up for most people in terms of, "How am I doing?" And if you are trying to sell a home, there is only one piece of information that matters: houses are not selling like they used to.

Right now in the Bluffton and Hilton Head area, the pressure is all on the sellers. Local Realtors' housing inventory estimates range between 18 and 24 months on the market, which is generally considered to be a buyer's market. One of the first things sellers do when a housing market slumps is take the property off the market and ride out the storm, but that option is not always available to everyone. Things like job transfers and personal financial difficulties can make that choice impossible. In that case, all

you can do is make the best of a bad situation.

While pricing a home correctly is always critical, it takes on an added dimension in the current market. Instead of pricing a home as high

as the market will bear, a seller needs to think in terms of giving a good deal without looking cheap. So it is as important as ever to stay on top of where similar homes are priced and for how much they are selling in the same neighborhood.

You can do your reconnaissance by attending open houses and researching local listings in newspapers and real estate publications and Web sites. Also, your real estate agent can provide reports on comparable listings from the multiple listing service (MLS).

Speaking of real estate agents, some sellers are

tempted to go the For Sale by Owner (FSBO) route, thinking that the elimination of sales commissions will allow more leeway in setting a price that will return a profit. The flip side to that coin, though, is that FSBO's tend to see less traffic. A Realtor provides a much broader range of marketing resources to which most homeowners do not have the necessary access.

Real estate professionals also stress the importance of making the property as visually attractive as possible. "We picked up a

listing that had been on the market for a very long time and wasn't selling," said Bernie Timms of Julie Toon Pawley Real Estate. "The house hadn't been kept up very well, so I told the owners what



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Financial questions and answers

BY ILYCE GLINK
TRISUNE MEDIA SERVICES

Several weeks ago, a reader read what seemed like conflicting advice in the same real estate section. In an answer to a reader, I wrote that it's generally better to inherit property, because you get a "step-up" in the cost basis. In other words, you inherit the property at the current market value on the day of the owner's death. So if you turn around and sell it for the price that is the current market value, you wouldn't owe any taxes on the property.

Another columnist wrote that the stepped-up basis tax law will expire in 2010, and that you would inherit property at the owner's current basis. If you sold the property, you would then pay capital gains tax on the difference between the decedent's cost basis and the current market value.

Confused? Here's what Chet Burgess, an enrolled agent who owns Brookwood Tax Service in Atlanta, has to say: "As the law currently stands, the basis step-up would expire with the estate tax, which is also set to expire in 2010. However, the president has already made it clear he will not allow the estate tax to expire, and is proposing to hold the estate tax exemption and tax rates at or close to their current amounts. If he succeeds in

that effort, he generally is expected to maintain the basis step-up."

President Obama has indicated that he would support freezing the current estate tax exemption at \$3.5 million per person, or \$7 million for a married couple. Next year, the estate tax exemption is scheduled to fall to zero, meaning you can inherit any amount estate tax-free. The exemption is currently expected to resume at \$1 million in 2011.

Burgess said that since an extension of the current estate tax laws has not yet been brought up for a vote in either house, figuring out what will happen "would be pure speculation at this point."

Q: I have a credit card that is my second oldest, but it is a subprime card that charges a monthly maintenance fee of \$6.95. I've had this card for three years.

I only use this card for small amounts each month and to continue the account history. Will closing this account hurt my score? I have eight other cards that are not sub-prime.

A: I don't think closing a sub-prime card that is costing you nearly \$7 per month (or about \$94 per year) is going to hurt your credit history or score that much,

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Mortgage rates fall, shy of record lows

ALAN ZIBEL
THE ASSOCIATED PRESS

WASHINGTON — Rates on 30-year mortgages dipped this week after rising a week earlier, and remain just above record lows.

Mortgage finance giant Freddie Mac said Thursday that average rates on 30-year fixed-rate mortgages fell to 4.82 percent this week, down from an average of 4.87 percent last week. Rates have been below 5 percent for five consecutive weeks.

The all-time low of 4.78 percent was recorded on the week of April 2. Freddie Mac's

survey dates back to 1971.

Low rates have sparked a surge in refinancing activity, with nearly 80 percent of new home loan applications coming from borrowers seeking to refinance. Freddie Mac's sibling company, Fannie Mae, refinanced \$77 billion in loans last month, nearly double February's level and the best month for such activity since 2003, when the housing market was still surging.

Mortgage rates fell dramatically over the winter. They fell further after the Federal Reserve said last month it would buy \$1.2 trillion in mortgage-backed securities

and \$300 billion in long-term government debt, which traditionally influences rates on 30-year home loans.

"The housing industry is starting to exhibit some positive signs," Frank Nothaft, Freddie Mac's chief economist, said in a statement but noted they were "scarce and too early to tell how permanent."

Homebuilders are feeling a lot more optimistic that the worst housing downturn in decades may be finally starting to turn around. An index of builders' confidence released Wednesday posted its biggest one-month

jump in five years in April as many homebuyers seized on lower prices and incentives, and took advantage of lower interest rates and tax credits.

Qualifying for a loan, however, is still tough. Lenders have tightened their standards dramatically over the past year, so the best rates are available to those with solid credit.

Freddie Mac collects mortgage rates on Monday through Wednesday of each week from lenders around the country. Rates often fluctuate significantly, even within a given day.

The average rate on a 15-

year fixed-rate mortgage fell to 4.48 percent this week, from 4.54 percent last week, according to Freddie Mac.

Rates on five-year, adjustable-rate mortgages fell to 4.88 percent from 4.93 percent last week. Rates on one-year, adjustable-rate mortgages rose to 4.91 percent from 4.83 percent.

The rates do not include add-on fees known as points. The nationwide fee averaged 0.6 point last week for all mortgages in Freddie Mac's survey except for one-year adjustable mortgages, which had an average fee of 0.7 point.

Selling

From the cover

they needed to do. They went in there and cleaned it up, fixed some windows, and put some nice plants out front. We got an offer within a few weeks."

Interior designer Carla Jaynes of River Interiors agrees, but also points out that even well kept properties can use aesthetic adjustments. Jaynes consults on home staging with real estate agents. "I saw one home that had a beautiful water view, but the owner's art collection overpowered the view," she said. "When you've got a lot of competition, you really need to put your best foot forward."

Q&A

From the cover

if at all. I think you'll find the effect on your credit history is small to none simply because the card isn't that old yet, and you have at least one other credit account that is older.

If you told me that you were thinking of closing a credit card that has been active for 10 or 15 years, and you didn't have any other credit accounts that were nearly that old, it might be a different story.

You should strive to maintain your oldest credit accounts. But if your oldest accounts are just two or three years old, and you have several that are about the same age, you should be fine with

cancelling this one and saving the monthly fee.

While your credit card company may not have a replacement card that suits your needs, before you cancel the card, you should investigate whether you can transfer the card you currently have to a different card that does not charge a monthly fee.

If that option is available to you, ask if transferring the card simply transfers your credit history from the old card to the new card. You could consider that option if it's available to you. Otherwise, if it cancels the old card and creates a new account and doesn't transfer your history, you'll be better off canceling that card and then choosing a card that you really would want and need.

Q: After reading about how to get a "free copy of your credit report," I went online and without my knowledge was directed to FreeCredit.com. They thanked me in an e-mail for my membership to Triple Advantage Monitoring. I am so upset that this company has all of my important personal information, along with my credit card information. Please inform all of your readers of this unbelievable scam.

A: You're not the only one to be fooled by a Web site purporting to offer "free" credit reports and scores. However, there are a couple of places to get a truly free copy of your credit report online: AnnualCreditReport.com and CreditKarma.com.

AnnualCreditReport.com

is a Web site sponsored by the three main credit reporting bureaus, Equifax, TransUnion and Experian. It will not ask for your credit card information (that should have been a red flag for you) unless you purchase a credit score.

Credit Karma is a Web site that offers a TransUnion credit score. When I signed up, it did not require me to input a credit card at all. CreditKarma works by offering you credit cards that match your credit profile. But you're under no obligation to apply for any of the deals you're offered.

Any Web site that purports to give you a "free credit score" or a "free credit report" but that asks for a credit card number to generate your "free" score or report should be avoided.

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