

Real Estate

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BLUFFTON'S ONLY DAILY HOMETOWN NEWSPAPER

Experts offer first-time homebuyer tips

BY FRANK DUNNE JR.
SPECIAL TO BLUFFTON TODAY

In this real estate market, a first-time homebuyer might be tempted by the affordable deals and low interest rates that are getting so much news. It's hard to blame them with so many people shouting in their faces: "It's the chance of a lifetime!"

The problem with that is it's not necessarily the chance of a lifetime for everybody. For the purposes of this article, "first-time buyer" is defined as one who has never owned a home. This as opposed to one who has not owned within the past three years, a definition used, for example, to determine eligibility for a federal first-time buyer tax credit and elsewhere.

Tara-Nicholle Nelson, real estate broker, attorney, accredited buyer's representative and founder of www.REThinkRealEstate.com, provides some common sense tips in a recent column for Inman News (www.inman.com). Her premise is that many folks who are inexperienced in the world of homeownership are unaware of the true cost. That is, it's much more than being able to afford the monthly mortgage payment.

"It's only a good time to

buy a home if and when it makes sense for your life to buy," said Nelson. "Don't let the market drive your decisions whether and when to buy a home; rather, use the market to guide the strategies you use for executing those decisions, once you make them (e.g., how much to offer, how much to put down, what sort of mortgage to take, etc.)."

"In most markets, there will be deals to be had for months or even years to come."

Even if you have to buy after the market has bottomed out, you'll still likely save money compared to buying a home in 2005 or 2006. Don't let the fear of missing the market drive you into a premature decision to buy."

Nelson goes on to outline some of the costs and responsibilities that people who are accustomed to renting neglect to consider: property taxes,

insurance and utility bills, for example. Then there are variables like home repairs and ongoing maintenance.

If you are prepared to handle all of this, you still have a tough decision. Buying a home is a rare combination of practical financial considerations and emotional involvement. In addition to being the biggest financial move of your life, this is going to be your home. It's up to you to strike that balance between the emotional and financial aspects of the transaction.

Realtor Carl Kratz of ERA Evergreen Real Estate offers some advice:

"Make sure that you are 'buying right,'" said Kratz. "Knowing that you paid a fair price for a home by evaluating comparable properties can save you thousands of dollars. It is easy to fall in love with a house and pay based on that warm and fuzzy feeling you get, rather than facts and logic. Décor is the easiest component of the house to generally change."

Kratz also suggests care in selecting a real estate agent. You don't want somebody to simply be an order-taker and transaction facilitator, you want somebody committed to working for you.



Real estate questions and answers

BY ILYCE GLINK
TRIBUNE MEDIA SERVICES

Q: We are going through foreclosure. We will not be able to pay the difference between what is owed on the mortgage and what the home will bring at the foreclosure sale.

I am on disability and work a part-time job. My husband is also on disability and works a part-time job. We have no other assets, no savings account and no other money anywhere. We cannot afford to make any kind of a payment. What can the mortgage company do to us if we cannot pay?

A: I'm sorry you are going through such troubled times. In some states, your lender might have the right to go against you for a deficiency judgment — the difference between what the lender receives from the foreclosure sale and what you owe on the loan. In reality the lender may be unable or unwilling to take any further action against you, even in a state that allows deficiency judgments.

In some states, lenders can't sue borrowers for a deficiency judgment when they foreclose on a home in a situation like

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Poll: Would-be homebuyers cautious as layoffs rise

ALAN ZIBEL
AP REAL ESTATE WRITER

WASHINGTON (AP) — More than half of potential homebuyers say they're still not prepared to jump into the market, and fear of losing their jobs is the No. 1 reason, a new poll shows.

With unemployment at a 26-year-high and rising, nearly 53 percent of consumers who said they were planning to buy a home in the future cautioned they're not ready to take such a large financial step right now, according to the survey released Thursday by Realtor.com.

Nearly a third of potential homebuyers surveyed cited concern about their jobs as the main reason they would shy away from the housing market. Worries about selling their current home are stopping 16 percent of the prospective buyers surveyed, while just under 8 percent said they fear home prices will keep falling.

Americans recognize there are great deals to be had in the housing market, but many are in too much of a financial

pinch at the moment to even think about buying.

"If I was able to buy, I'd definitely buy because this is the time to do it," said Mark Wells, 42, of West Chester, Ohio, who lost his job at FedEx Corp.'s freight division in February and has been looking for a job ever since. His wife makes \$8 an hour working at a day care.

Wells has been renting since he skirted foreclosure two years ago by negotiating a short sale, in which his lender agreed to accept less than the total balance due on the mortgage.

Among those consumers who are interested in buying, the survey found, some believe that prices aren't going to fall further and others are looking to take advantage of government incentives designed to kick-start sales.

Nearly one in five potential buyers said they were interested in a deeply discounted foreclosed home, while nearly 15 percent said they want to receive a new \$8,000 tax credit for first-time buyers or other state incentives.

customer level service, you are not the first priority.

"Look for a specialist in your area of town, price range or other criteria. You wouldn't ask a general practitioner to perform heart surgery, so why not look for someone who is more in tune with your needs?"

Q&A

From the cover

yours. In other states, laws may allow lenders to get deficiency judgments but judges aren't giving the lenders that right. In other states, deficiency judgments aren't allowed at all in some circumstances. Even if they get the right to go after you, some lenders recognize that having a deficiency judgment will do them little good if the people they're suing have nothing.

In your situation, even if your lender has the right in your state to obtain a deficiency judgment against you, how would the company benefit? Both of you work part-time, are on disability and don't have a wealth of other assets to pay your lender. Certainly, the lender could spend additional money to try to get more money from you, but the legal team would probably decide that they are spending good money that will not result in a return on the investment.

In the current economic climate, many lenders have moved beyond looking to go after borrowers for additional money. They have come to recognize that while they may have a legal right to collect the deficiency, it's not worth the time and cost.

To answer your question, if you're truly broke and have no other assets, there may be little that the lender can do to try to collect.

In the future, we may see more lenders trying to pursue claims, but for now lenders are trying to get through all of the foreclosures they have on hand and move on.

Q: I have an adjustable rate mortgage (ARM) on my home and would like to lock in the rate without having to refinance. Is there a "loan modification" that would enable me to do this, or is my only alternative to refinance?

A: At various times over the past 20 years, some lenders have offered to modify the terms on borrowers loans quickly and with simple loan documentation. Some times that process is referred to as a streamline loan modification or streamline refinance. Lenders have used different names for this process over time, so you shouldn't get hung up on the name.

The essence of the process is that the lender would allow you to modify the rate on your loan for a period of time by signing a simple document. You may or may not have to pay a fee to the lender for the process, but you get the benefit of a reduced rate for a period of time.

But while some lenders will do that, the vast majority will not. Why? If your loan is owned and serviced by a lender, that lender has the ability to work with your loan in any way it might want, especially if it wants to keep you as a customer.

However, if your loan was sold off to a pool of investors, as most home loans are, the servicing company for your loan may be unwilling or unable to change the terms of your loan, particularly if you are not delinquent with your payments.

In coming months we may see loan servicers obtain the authority they need to deal with borrowers who are current on their loans but need assistance in refinancing or changing their loan terms.

For now, however, if your lender can't or won't help you out, you'll have to do a refinance if you want to change the terms or interest rate on your loan.

One interesting bit of information is that many borrowers with adjustable rate mortgages (ARMs) are finding that the interest rate on their loan is actually going down as their loan resets.

For loans that are tied to the United States Treasury Rates and LIBOR (the London Interbank Offer Rate), the approximate one-year Treasury Rate is around 1 percent and the one-year LIBOR rate is a bit over 1.5 percent. Most ARM loans add a margin of profit to the base rate. That margin can be around 3 percent, although some loan margins are higher or lower.

Given that margin and today's interest rates, an ARM loan adjusting to the Treasury Rate would adjust today to about 4 percent (or less) and an ARM loan adjusting to the LIBOR rate would change today to about 4.5 percent. Your loan documents should spell out how your interest rate would change and what index your loan is tied to. You can also contact your loan servicer and ask what your loan terms are and how much the interest rate will change.

If you plan to live in the home a couple of years, you may find that your new ARM rate is a better deal than refinancing at a higher rate with the added costs of refinancing.

On the other hand, if you plan to live in the home a long time, you may decide to lock in today's lower rates, particularly if you think interest rates will go up significantly in the future.

Tips

From the cover

"Find a Realtor that you trust and sign up for client level services. Otherwise, you aren't getting the wisdom and expertise that you need," he said. "With

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