



The Professional Avenue To Your Home  
Chris Reisbeck's Real Estate Review

Chris Reisbeck  
Chris@ChrisReisbeck.com  
Cell: (818) 298-6413



(818) 298-6413      www.ChrisReisbeck.com      Chris@ChrisReisbeck.com

## Current Tax Breaks for Homeowners

There are many benefits to owning a home, not the least of which are the financial advantages of home ownership. Homeowners can gain a number of tax benefits, and, combined with the Fed's indication to keep interest rates attractively low throughout the new year, home buying in 2012 is promising to be a financially astute plan. Consult with your accountant about which of the following perks you might enjoy.

### Mortgage Interest Deductions

(MID) allow home-owning taxpayers to reduce their taxable income by the amount paid in interest on their residential home loan. Since interest payments alone can easily be double (even triple) the sale price of the property, this deduction can be quite valuable.

In 2011, the legislature considered putting this tax benefit on the chopping block. The good news is that the deadline for action passed in November, and there is presently no proposal to limit this mortgage interest deduction.

**Home improvements** that add value to a home can be deducted. From increasing energy efficiency through improved insulation or high performance windows to installing qualifying medical improvements like wheel chair ramps, upgrading your home can pay you back with some significant tax breaks. (This doesn't apply to necessary home repairs, however.)



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**On the market?** Hang onto all records relating to the sale of your property, since selling costs can be deducted from any capital gains you realize from the sale. Selling costs can include agent commissions, title insurance, legal and inspection fees, even administrative and advertising costs. Some minor improvements and repairs might be considered selling costs, if performed within 90 days of the sale to increase the property's appeal. Moving costs might also be deductible.

**Property taxes** (called "real estate taxes" in some areas) are fully deductible. Take into account any city or state property tax refunds, as those will affect the total amount you can deduct.

**Other Deductions.** The deduction for Private Mortgage Insurance premiums is set to expire soon, but it's been extended before, so there's a chance that benefit could continue. Various "green" technology benefits may be available. Be sure to ask your CPA about all the ways home ownership can save you big money.



## Key Questions to Ask Before Buying a Forecloser

Although foreclosed properties can be good deals, the process of buying is rife with pitfalls. Here is what you must know:

**1. Have you done your research?** of clouds on its title, from multiple bank loans to tax and contractor's liens. Once you buy, you're responsible for all such balances. Be especially wary of the situation where one bank forecloses, but another still demands to be paid.

**2. How far has the process gone?** If the foreclosure hasn't happened yet, it's often possible to contact the owners and arrange a pre-foreclosure sale, which can benefit both parties. The next step is the foreclosure auction, where the greatest risks and rewards are found. Finally, it's possible to buy post-auction properties from the bank. These are usually spruced up, but they're priced higher as a result.

**3. What is the condition of the property?** When buying at auction, you're usually not allowed to tour the home. Even in the other two situations, you



usually buy "as is." Always assume you're buying the value of the land and basic structures, and discount everything else. Disgruntled homeowners have been known to strip cabinets and appliances and pour concrete down the drains. If you're able to get into the property, hire a thorough home inspection before making a bid.

**4. Will you have to evict?** If the property is occupied, getting the former owners out is your problem. An unoccupied property is often a better bet. If a formal eviction is necessary, be sure you take the cost into account.

**5. Can you get a loan?** Keep in mind banks are often unwilling to loan money on properties in poor condition. Moreover, auctions usually require you to show up with cash in hand. Given extra repair costs and other possible surprises, foreclosure purchases require an ample cash cushion.

Foreclosures can be a great deal, but they are best pursued by those with a tolerance for hassles, knowledge of the game, and an ample checkbook. If that's not you, a non-distressed home sale or a short sale is a better option.

## Great Décor is in the Details

Sometimes the grandest design changes are in the small details - a recovered lampshade, painted knobs for old cabinetry, a new valance above a window. Plus, small changes are manageable because they don't cause household upheaval. Transform your home décor style by paying attention to little design details.

### Replace dated hardware for a shiny new look.

Simply replacing wooden doorknobs, for instance, with gorgeous crystal knobs can add dramatic vintage appeal to bedrooms or closets. Switch



nondescript drawer pulls with something sleekly modern or decidedly retro for a new look. You can find vintage hardware online; or buy stylish

reproductions of old hardware in many home improvement and home décor stores.

### Paint small accents for a big design statement.

Painting can be a big project, but a few strategically painted accents are enough to make a huge design statement. For a surprising pop of color, paint a medallion around a ceiling

fixture, or paint an old hutch a bold color and use it to brighten a dark corner. Painting furniture not only breathes new life into old, shabby pieces, but it also ties mismatched pieces together.

**Swap out weary fabrics to revive a room.**

If you are tired of staring at the same prints in a room, consider swapping them for pieces of tapestry. Change out picture frames too. Matching black frames might indicate a more contemporary look, while vintage frames will add charm. For inexpensive updates that add visual appeal to any room, consider a new tablecloth for a dining room table, new curtains for windows, re-covered throw pillows for sofas, and new seat cushions for chairs.

**Add the unexpected.**

Move a dining room chandelier to the bedroom or

bring in an interesting piece of furniture to break the monotony of a matchy-match set. Make a treasured family heirloom the focal point of a room.

**Show off a collection.**

out on a buffet or on top of a shelf where it can be seen and enjoyed. Frame your collection of vintage postcards to hang in a hallway; show off antique quilts or chenille spreads in an armoire or make a pottery collection stand out by displaying the pieces together. Collections that are part of a home's design style are easier to enjoy than collections that are haphazardly displayed.

## Mortgage Rates Remain Low

According to the Freddie Mac Primary Mortgage Market Survey, average fixed mortgage rates have held steady in recent weeks. For five weeks in a row, average rates on 30-year fixed-rate mortgages haven't increased over the 4 percent mark. At the same time last year, the average rate on 30-year FRMs averaged 4.46. While the 15-year FRMs held steady at an average of 3.3 percent from the week before, rates are down an average of 0.51 percent from the same time last year. Adjustable-rate mortgages, meanwhile, have also fallen to record lows.

**Good News for Home Buyers**

The loss of percentage points is good news for home buyers. Due to these low mortgage rates, home affordability has never been higher. And it seems as if home buyers and homeowners looking to refinance are taking advantage of this opportunity. Data from the Mortgage Bankers Association's Weekly Mortgage Applications Survey shows that for the week starting November 28, mortgage applications were up 12.8 percent from the previous week.

**An Increase in Consumer Confidence**

The Conference Board Consumer Confidence Index improved from October to November—jumping from 40.9 to 56.0 percent in the span of a month. A decrease in mortgage rates and an increase in

consumer confidence may help explain

the recent report from the National Association of Realtors, which shows a sharp increase in pending home sales, from 84.5 percent in September to 93.3 percent in October.

**Higher FHA Loan Limit**

Buyers looking for a home in one of the country's high-priced housing markets just caught a break. The recent passing of a bill reinstated the former limit of \$729,750 for Federal Housing Administration-backed mortgages in high-priced areas, effectively canceling the October imposition of a \$625,500 ceiling. Unfortunately, Fannie Mae and Freddie Mac backed loans won't see an increase in line with the FHA. The rise in mortgage applications and pending home sales means many people are taking advantage of these record-low mortgage rates. If mortgage rates remain at record lows, more Americans should regain their confidence in the real estate market.



# Monty Kennedy

Wells Fargo

Direct Phone: (626) 720-3067

[monty.kennedy@wellsfargo.com](mailto:monty.kennedy@wellsfargo.com)

NMLS ID245468



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## Plan Your Home Improvements for 2012

*Courtesy of ARA Content*



It's the beginning of a new year; start planning for home improvement projects now to help you prioritize and budget throughout 2012.

**Make a deadline** After completing your fixit list, call a household meeting. Bring to that meeting not only an idea of how much you can afford to spend but also an estimate of how much each task will cost to complete.

**Create a List and a Budget** Go through each item, weighing the pros and cons of doing it now or letting it wait. You'll inevitably have many options, including putting things off and saving more money throughout the year, or investing some money in repairs now and letting your savings grow for midyear projects.

**Think Long-Term** If you're planning to sell soon, consider carefully whether your remodeling projects will pay off at sale time. If you need help or advice, consult your real estate agent for the best fix-ups and repairs within your budget.