

REAL ESTATE

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What are home shoppers waiting for?

“I want one,” a little girl said to her mother at the beginning of a television commercial.

“I do, too,” the mom responded, “but they told us to wait.”

The camera then pans out and shows this young family sitting on the fence gazing at their “dream home.”

You may have recently seen this ad, which, in all fairness, I have to disclose is sponsored by the National Association of Realtors. This ad points to the sad fact that there are families waiting to buy a new home because “they” told them they should wait.

The “they” that some families are listening to are the so-called experts on the 24-hour news channels that claim to know what is best for us.

Sadly, too many families are listening to “them” and not realizing “they” are not telling the whole story. The truth is that all real estate is local. The real estate market in your region or neighborhood is much more important than what is happening elsewhere. In many parts

of our country and right here in St. Charles County, it is a great time to buy a home.

“They” tell you not to buy until the prices have bottomed out. The truth is that if you are waiting for the “bottom,” the moment of absolute profit, you probably will never buy.

Remember, once the bottom has been identified, prices are already on their way back up. Besides, you buy your home as a long-term investment to provide shelter for your family.

Like many of you, if my husband Jim and I had waited for the “best time” to buy our home, we still would be cramped in the small starter home we lived in when we married. We knew that homeownership is about more than just money. We took the chance and today live in our dream home.

We all know that St. Charles County is a great place to raise a family; and here in our county, the money still works. In 2008, the median home price dropped just 4.3 percent from its all-time high in 2006, after several

years of record-setting increases in value. While the value may fluctuate from month to month or year to year, nothing outperforms your home as a long-term investment.

“They” will tell you all sellers today are desperate and you should wait until a home has been on the market a long time and then make a low offer. In today’s market, like any market, homeowners decide to move for a variety of reasons: Some want a bigger home, some want a smaller home, some want to move into a different neighborhood or school district for various reasons, and, yes, some have to move due to financial hardship.

Remember, however, it is a myth to think that all sellers are desperate or that the longer their home is on the market the more desperate they will be.

If you find the house you want, make your offer today. If you wait for the seller to get anxious or the price to drop, there is a good chance some other family will be

living in your dream home.

“They” will tell you it really doesn’t matter what you want because mortgages are only available to buyers with at least 20 percent down and an outstanding credit score. The truth is, mortgage money is very available and very affordable in today’s market.

Yes, the more money you have for a down payment and the better your credit, the better loan terms that are available to you. Mortgage rates under 6 percent are available to average buyers in our area. Many loan programs are available that require far less than 20 percent down payment.

Under the FHA program, mortgage financing is available to you with only 3.5 percent down payment and an average credit score.

If you are still having difficulty coming up with the needed cash, you might ask the seller to help with closing costs.

When you look at the information “they” are giving you in the media, it is easy to think



YOUR PLACE TO CALL HOME

Karen Vennard is the 2009 president of the St. Charles County Association of Realtors. E-mail her at comments@StCharles-REALTORS.com if you have any real estate-related questions or comments you would like to see addressed in this column.

it is time to board up the windows and head to the storm shelter until these difficult times pass. If you take a moment to look behind the sound bites, you will find a different story.

So if you are one of those families who is sitting on the fence staring at your dream home, I have just one thing to ask: What are you waiting for? It is time to hop off that fence and jump into the market.

For more information on why 2009 is the right time for real estate, call your Realtor and visit www.RightTimeForRealEstate.com.

The tax advantages of homeownership

Owning your own home can be a very rewarding experience — especially when tax time rolls around.

Three tax items in particular — the mortgage interest deduction, the property tax deduction and the capital gains exclusion — can provide significant financial benefits to homeowners when the time comes to settle up with Uncle Sam.

Mortgage interest deduction

The interest you pay as part of your mortgage payment is deductible on your federal tax return and may also be on your state income tax return, depending on where you live.

This deduction applies to first and second mortgages up to \$1 million of mortgage

debt. Your lender should provide you with one or more IRS Form 1098s, which will provide the amount you may claim on your tax return. To benefit from this deduction you must itemize your deductions using a Schedule A form.

You also may deduct the interest on money you borrow against your home to finance housing or non-housing-related expenses. An example is a home equity loan, which many homeowners use to remodel their home, pay off credit card bills, buy a car, finance a vacation or pay for educational expenses.

Property tax deduction

State and local taxes paid on the assessed value of the home are also

deductible on your federal return. Like the mortgage interest deduction, itemizing is necessary if you wish to deduct property tax payments.

Notably, for many homeowners the combined deductions for mortgage interest and property taxes exceed the standard deduction — currently between \$5,450 and \$10,900, depending on filing status.

When this is the case, homeowners are able to deduct or “write off” many other items, including charitable contributions, state income or sales taxes, medical and dental expenses, tax preparation fees and other miscellaneous allowable deductions, which collectively can reduce your federal and state income tax liabilities dramatically.

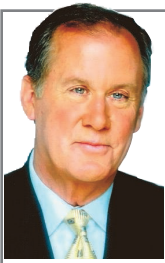
Research by economists at the National Association of Home Builders indicates that for the typical homeowner, these savings can exceed \$8,000 in the first year of homeownership.

Capital gains exclusion

Perhaps the biggest advantage to owning a home is the ability to avoid paying capital gains when it is sold.

Under current law, married homeowners filing jointly may exclude up to \$500,000 of capital gains. Single tax filers may exclude \$250,000 from taxation.

This exclusion applies only if you have lived in your primary residence for two years or more. But the exemption may be used repeatedly as long as the residency



HBA COMMENTARY

Dan Barnard is the 2008 president of the Home Builders Association of St. Louis and Eastern Missouri.

rules are met.

The tax benefits conferred on homeowners by the federal government are substantial. Annual benefits, such as the mortgage interest deduction and the property tax deduction, along with the less frequently used benefit of the capital gains exclusion, make homeownership more tax advantageous than almost any other investment.

Take advantage of it! Be sure to consult your tax adviser about the deductions you may be eligible to claim.