BUYING

Use lifestyle and price guidelines to choose your perfect 'home sweet home'

By Teri Cettina
BANKRATE

When it comes to buying the perfect home, there's no such thing as "one type fits all."

A young couple planning a family might want a suburban house with a huge yard for romping dogs and youngsters. A single professional who racks up record frequent-flyer miles might consider a low-maintenance condo a "home nirvana," while an empty-nest older couple might find their perfect abode in a planned community that offers extra amenities for seniors.

The one thing all of these folks have in common is that they are part of a growing trend: buyers who are considering their lifestyle needs — not just a house's price tag — when they choose "home sweet home."

Fortunately, today's market offers housing options to suit every buyer's fancy, from traditional single-family homes to urban lofts, condominiums and townhouses.

While some people jump into the home-buying process with a very clear vision of the ideal type of home for their families, Terry Hankner, a Realtor in Cincinnati, said most of her clients are still working that out.

"I spend a lot of time asking questions about how they live and how it might influence the home they choose," explained Hankner. "Are they planning a family? Do they routinely have out-of-town visitors? Do they need a formal room for entertaining? Do they enjoy yard work? The answers make a huge difference in the type of home that will fit them best."

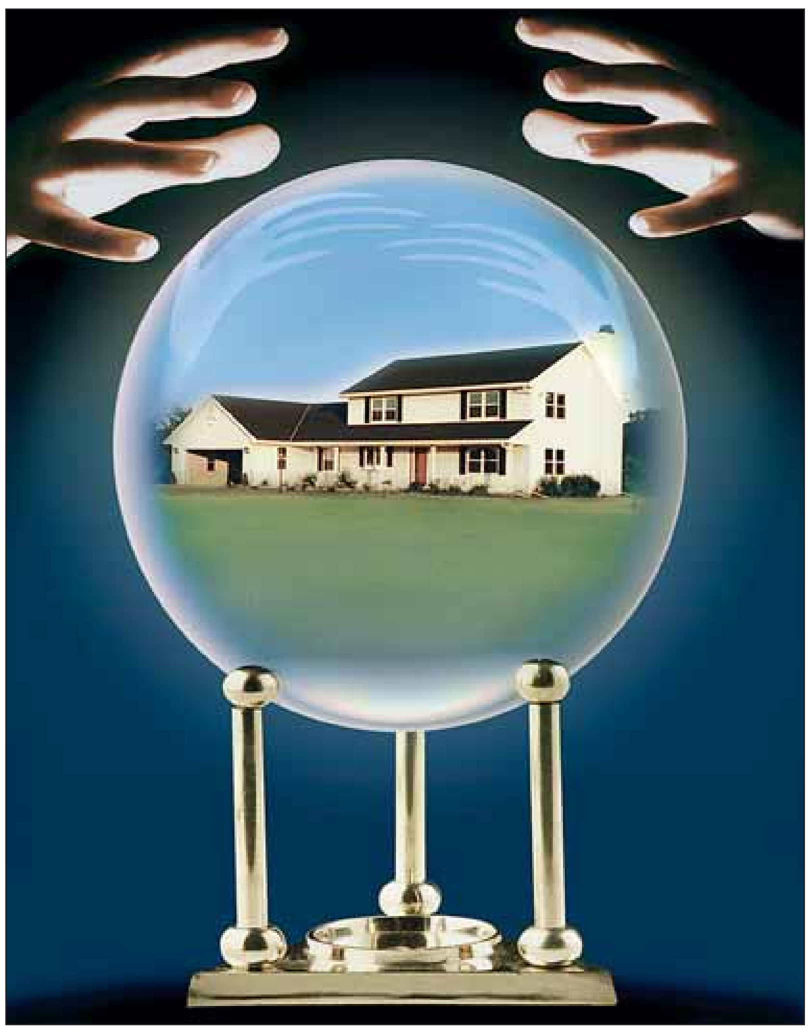
Realtor Rick Harris of Ashland, Ore., agreed that developing your home wish list goes far beyond selecting the ideal number of bedrooms and bathrooms.

"To pick the right house, you really need to evaluate your own personality," Harris said. "Are you an orderly person who likes to look out your window and see that all of your neighbors' yards are neatly trimmed? You might enjoy a home in a planned development with landscaping guidelines. Do you want your home to be a refuge, where you can relax without having to do a lot of yardwork? If so, a condo or townhouse might be perfect.

"Or maybe you want your house to express your individuality — and you don't want any limitations on the way you do so," said Harris. In that case, a single-family home with no homeowners association would be a better option.

Another big issue when choosing your ideal home is privacy. "Some folks are comfortable living 'cheek to jowl,' or very close to their neighbors, as in a condo," said Harris. "Others are not, and need the space that a traditional home on a big piece of land can provide."

Last but not least, consider how much time you want to spend driving. "Many buyers choose a particular neighborhood because it is close to work or, in the case of older parents, close to where their children live," said Dick Gaylord, a Realtor in Southern California's desirable Long Beach area. "If the buyers are set on a specific area, that's great, but they may have to choose the kind of home that is most available — and affordable — in that neighborhood."



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You don't need a crystal ball to find the perfect home. A realtor is ready to help you find your dream home based on your lifestyle and needs.

These are the most readily available housing options on the market:

● Single-Family Home (SFH): The first kind of house that comes to most people's minds: a detached home on its own plot of land.

"This is the American dream, a little piece of the world that belongs to you," Hankner said.

SFHs are still the most popular American home option, according to surveys by the National Association of Realtors. As of early 2004, sales of SFHs accounted for 79 percent of all new home sales.

Pros: Best choice for someone who wants freedom in how they care for their home — and also is willing to take responsibility for maintenance. If you want to paint your house purple with a red front door, the choice is yours.

Other pluses: In most parts of the country, SFHs are reliable financial investments that appreciate steadily over time; mortgage interest is still tax-deductible; homeowner maintains full decision-making about the property; usually offer the greatest amount of privacy.

Cons: Possibly higher purchase price and maintenance expenses than other housing options, depending on home's age and condition.

● Condominium: Often looks like an apartment in a shared building. You own the airspace between the condo's walls (but not the building or land) and a share in common space, such as parking and recreation areas. Condos are increasingly popular and now account for 13 percent of all new home sales, according to the NAR.

Pros: Great for owners who want to do minimal maintenance or who travel a lot. The condo association often provides landscaping and exterior building maintenance. Security can be better, since neighbors are close. Can be less expensive than a SFH, though some new luxury condos are quite pricey. May offer amenities such as a clubhouse and covered parking.

Also, condos in urban centers may be within walking distance of upscale retail shops and restaurants.

Cons: Usually smaller than a SFH; less privacy and more noise, since you may have upstairs and downstairs neighbors; resale prices may not be as strong as for a SFH.

● Townhouse or row house: Similar to a condo, except that units may not be connected. Often consists of several levels and a private garage.

Pros: Same as condos, but with less noise since you probably won't have anyone living above or below you; increasingly available in urban areas — now 8 percent of home sales, according to the NAR.

Cons: Possibly more expensive than a condo; owner may have responsibility for landscaping: a "pro" if you have a green thumb!

TAXES

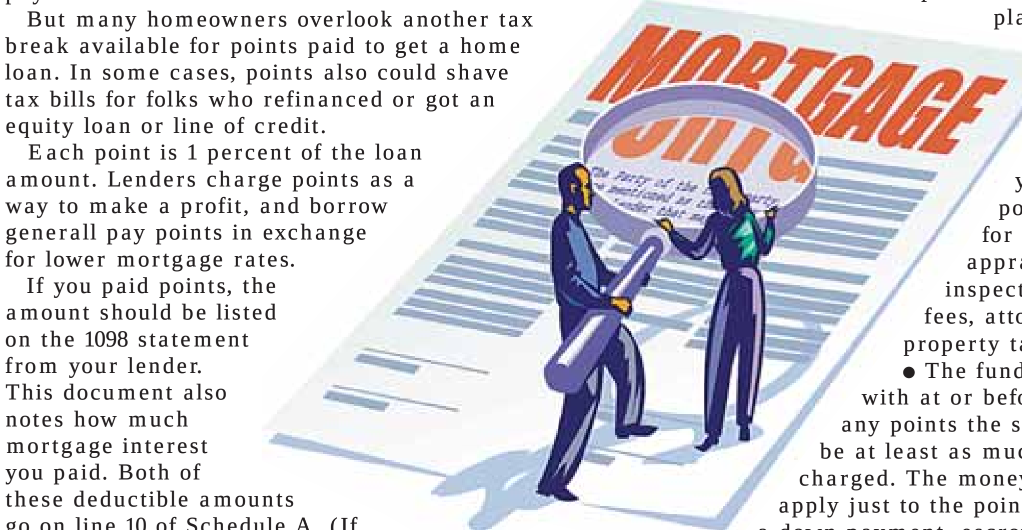
Don't overlook your points for tax break

By Kay Bell
BANKRATE

If you have ever taken out a mortgage, you probably already know of the tax advantage provided by deducting your mortgage interest payments.

But many homeowners overlook another tax break available for points paid to get a home loan. In some cases, points also could shave tax bills for folks who refinanced or got an equity loan or line of credit.

Each point is 1 percent of the loan amount. Lenders charge points as a way to make a profit, and borrow generall pay points in exchange for lower mortgage rates.



If you paid points, the amount should be listed on the 1098 statement from your lender. This document also notes how much mortgage interest you paid. Both of these deductible amounts go on line 10 of Schedule A. (If the points aren't on that statement, but show up elsewhere — for example, on your closing documents — enter them on Line 12. Check the Schedule A instructions for details.)

Getting the maximum deduction

On a conventional mortgage, usually a fixed-rate, 30-year loan that is not insured by a federal agency, points may be paid by either buyer or seller or split between them. Even if the seller pays all the points, the buyer gets the deduction. Exactly how much of one and when depends on the loan circumstances.

Loan points are fully deductible in the year paid if they meet all these requirements:

● The loan is secured by your main home, the house you live in most of the time.

● Paying points is an established business practice in your area.

● The points are generally what is charged in your region.

● You use the cash method of accounting: You report income in the year you receive it and deduct expenses in the year you pay them. Most individuals do this.

● The points are not paid in place of amounts ordinarily stated separately on the settlement sheet. That is, you cannot pay points in exchange for lower or no appraisal fees, inspection fees, title fees, attorney fees and property taxes.

● The funds you come up with at or before closing, plus any points the seller pays, must be at least as much as the points charged. The money does not have to apply just to the points. It can include a down payment, escrow deposit or earnest money. But it all must come to at least as much as the points. For example, you took out a $100,000 mortgage and were charged $1,000 (one point). However, your lender only required a $750 down payment. In this case, you cannot deduct the full $1,000 points payment, only $750 of it. The remaining $250 must be deducted over the life of the loan. And you cannot have borrowed any of the money you paid at closing from your lender or mortgage broker.

● The loan is used to buy or build your main home.

● The points are computed as a percentage of your mortgage's principal amount.

● The amount is clearly shown on the settlement statement as points charged for the mortgage. The points may be shown as paid from either buyer or seller funds.

On the Net: Which policy do you have?

In a survey of recent homebuyers, 79 percent indicated that they did not need an owner's policy of title insurance since their lender required them to buy a lender's policy. Unfortunately, these people are mistaken.

When you obtain a mortgage, the lender will require that you purchase a lender's title insurance policy to protect their investment. However, this policy will not protect you. That's why the American Land Title Association recommends that homebuyers insist on obtaining an owner's policy of title insurance. The owner's policy is obtained for a one-time fee at closing and is good for as long as the buyer or heirs have an interest in the property. It will even protect you in the future, should a problem arise that was not found in the initial title search. Insist on an owner's policy when buying your next home. It will give you peace of mind with your new purchase.

For more information on title insurance, visit the Consumer Information section of www.alta.org.

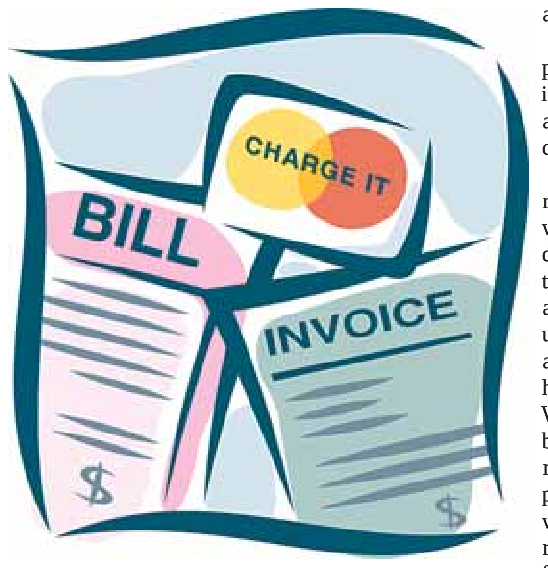
—North American Precis Syndicate

HOME Q & A

Check your credit report before home shopping

Q: I'm thinking about buying a house. What can I do to repair my credit if it isn't up to par?

A: The first thing is to be aware of the information on your credit report. What is your credit score?



It will tell you where you stand and what you need to work toward, if necessary. A score of 700 is excellent; anything above 620 is acceptable for a conventional loan. FHA and other loans will accept lower credit scores. Look for duplicates or errors.

These are the easiest things to correct. Fax proof of payment for charges that are erroneously showing as open on your report. Credit bureaus may charge a fee to update information so give them all the information you can. Make sure the credit report includes information on each person whose name will appear on the mortgage.

Secondly, provide a reasonable explanation for items that might send a red flag to the person approving the loan.

Your credit history for the past 12 to 24 months is more important, in most cases, than a past problem that has been corrected.

Everyone has a bump in the road at some point in time ... whether it's a lay-off, death or divorce. They can all take a toll on your credit. But, if you are back on track, and the underwriter knows that it was a one-time bump in the road, he or she is apt to overlook it. While all late payments should be avoided, be aware that your mortgage/rent and car payment records hold more weight than your charge card records when it comes to financing a mortgage.

If your credit is less than stellar, meet with a credit professional and get pre-qualified prior to home hunting. The benefit: you won't invest time on a home for which you don't qualify and you won't risk losing your earnest money.

— Denise Long, president
Channelwood Mortgage Inc.