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Nora Ling Lane

October 1999

# REAL ESTATE Update

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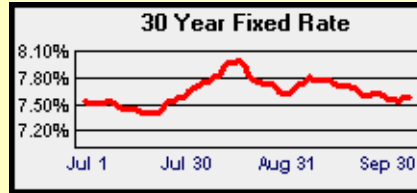
## Interest Rates Stable, May Turn Down

The chief economist for the NAR believes current interest rates -- hovering in the 7.75% range -- has probably closed some buyers out of the market for now, but he continues to forecast rates in the 6.5% range by the end of the year.

According to Dr. James F. Smith, "Even through last month's increase in interest rates may slow the economy a bit, the increase will not derail this market. The economy looks good, demand for housing remains strong, and housing affordability conditions

## Mortgage Rates

Source: Bank Rate Monitor



National averages as of September 30, 1999:

30 yr. fixed: 7.59%  
 15 yr. fixed: 7.25%  
 1yr. adj: 6.20%

are expected to remain healthy through the end of the year."

Economists at Freddie Mac, however, are less optimistic, seeing rates above 7% well into 2000.

## 1999 Sales Still Going Strong

The nation's top housing leaders are continuing to see very healthy numbers as 1999



starts drawing to a close, believing the year almost certainly will exceed the sales records of 1998 and set the stage for a strong Year 2000.

The latest figures from the NAR suggest the year will end with about 5.2 million homes being sold, up from last year's record of 4.97 million homes sold. Also, the median price of an American home has now topped \$137,000 -- well above '98.

The Realtors said home sales are coming off their all time highs recorded earlier this year but sales are still brisk. In August, sales dropped by 2.8% -- but remained 9.2% ahead of the Aug. '98 rate.

NAR President Sharon Millett attributed the drop to normal seasonal declines after the big, early-spring home buying season.

The National Association of Home Builders is agreeing that 1999 almost certainly will be a record year. The builders note that their "housing index" -- which gauges affordability -- came in at 73 last month, higher than the previous two months but below July's high of 74.

Some builders remain concerned that rising interest rates will affect buyer demand, the NAHB said. "However, the fact that rates have come down a bit since this time last month is a good sign," Charlie Ruma, NAHB president, said.

## Group Hopes to Wire The Future



A New York-based group of 15 technology, publishing and home development companies has organized a group called "Wiring America's Homes" in an effort to devise an industry standard for making new homes compatible with the future. The group is being lead by IBM, Lucent Technologies and Intel.

They hope to establish industry standards for making sure new homes are adequately wired to access the Internet, handle security and electrical issues.

The organization hopes a basic package can be developed for less than \$2,000. It believes by the year 2004 more than 45% of single family homes will be wired.

## More Downpayment Assistance Needed

Assistance with down



payments would put more people into a modestly priced home than lowered interest rates or closing costs, finds a new report by the Census Bureau. The report reveals that if renters received a down-payment subsidy of \$5,000, about 2 in 10, or 8.9 million renters would have been able to afford a modestly priced house. A \$10,000 subsidy would have increased the proportion of renters who would qualify for a mortgage to 3 in 10, or 13.4 million renters.

Reducing rates by 3 percentage points would have increased the proportion of renters who would have qualified for a mortgage from about 10% to about 11%.

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## Be a No-Show At Showings

By Realty Times Staff



It's 6:30 p.m. on a lazy Sunday evening. You've finished dinner, washed the dishes and settled in front of the television, when the telephone rings. Your real estate agent has an opportunity to show your home to an out-of-town buyer who's stopping by a few more properties before catching a late flight out of town. Should you hang around while the buyers go through your home? Or should you head out for a frozen yogurt or take the dog for an extra walk? Unless you have a reason to distrust your agent, making yourself scarce and letting him or her show your home is probably in your best interest. Here are a few reasons why:

### 1. Buyers are uncomfortable when the seller is present.

Remember how you felt when you were walking through other people's homes shopping for the one you decided to buy? You probably felt a bit intimidated or reluctant to spend much time in a home when the seller was at home. If you clear out, prospective buyers will be more inclined to give your home their full attention and consideration.

### 2. Sellers usually say something they shouldn't.

Are you moving because your home is too small for you? Or too large? Is your beautiful front lawn or refreshing swimming pool expensive to maintain? Did your neighbors balk at

sharing the cost of repairing your boundary fence last year? Revealing this type of innocent-sounding information to prospective buyers may give them pause. Similarly, simply disclosing your motivation for moving can give buyers an edge at the negotiating table.

### 3. Leaving is less stressful than staying.

Selling a personal residence is an emotional experience for most people, regardless of their reasons for moving. There really aren't any compelling reasons to put yourself through the trauma of watching strangers wander through your home and listening to their criticisms or redecorating plans.

### 4. You'll be helping your agent.

Most agents feel they are better able to show a for-sale home when the seller is off the premises. If your agent asks you to leave and is cooperative about scheduling showings only with qualified buyers at times that are reasonably convenient for you, you should go along with your agent's request. After all, that's why you hired a professional to market your home and negotiate the deal for you, right?

By the way, these considerations apply to weekend open houses and broker-only events as well as private one-on-one showings to individual buyers.

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## Will Y2K Raise Your Mortgage Rates?



By Peter G. Miller

Like the hula hoop and pet rocks, fads come and go, including -- we hope -- all the end-of-the-world visions associated with the Y2K computer glitch. Alas, and doesn't it figure, the latest Y2K victim may well be mortgage rates.

The Washington Post and New York Times report that loan rates worldwide are rising in part because corporations are now borrowing more than usual so they will have cash in case there's a run on the banks at the end of the year.

If big companies are now borrowing more just to be on the safe side, then there is less cash available for other purposes, and so those worried about a lack of legal tender around New Year's Day are right. In effect, worries about a Y2K cash shortage are being translated into a self-fulfilling prophecy -- and also into higher mortgage rates because fewer dollars are available for mortgage products.

In fact, excess company borrowing is real and it is a potential -- if short term -- problem. The Federal Reserve Bank of New York, for example, lends money overnight to banks -- loans which are secured with U.S. Treasury securities. By lending cash, or withholding cash, the Fed can impact overnight interest rates.

For the coming New Year, however, the N.Y. Fed is going all-out, offering to provide cash in exchange for not only paper from the U.S. Treasury, but also other forms of collateral such as mortgage-backed securities issued by Fannie Mae and Freddie Mac.

By making more cash available, the N.Y. Fed hopes to hold down rates that might otherwise rise as a result of Y2K-inspired company borrowing.

The Y2K rate surge is not a problem if you now have a fixed-rate mortgage, but for the millions of people with ARMs that will adjust in the next few months, and for those in the buying mode, Y2K may mean facing a brief

interest-rate bulge.

What to do?

If we're really seeing a Y2K interest rise, then figure it's temporary. By the first week of January, when the terrors of Y2K will have hopefully passed and the world has not come to an end, it follows that interest rates should begin to decline as companies and countries once again begin putting their excess cash into bonds and notes.

What to do if you're a borrower or home buyer?

Let's agree that no one can predict future loan rates -- just consider the efforts of seers, soothsayers, and economists. And let's also agree that I too haven't the foggiest knowledge of where rates may head or not head. That said, if rates go up because of Y2K concerns, here are strategies to consider if you're looking for mortgage money.

If you have a fixed-rate loan you don't have a problem. Sit back and enjoy the New Year.

If you have an ARM that adjusts in the next few months, Y2K may cause a marginal rate bump. Should this happen, consider that it's cheaper to pay a few dollars more in deductible interest than to refinance.

If you're refinancing, it may pay to wait. Or, you may want to look at an ARM or a phased mortgage, something with one rate for an introductory period and then a fixed rate or one-year adjustable for the rest of the 30-year term.

Be sure to visit with online lenders and watch the mortgage marketplace.

In the end, of course, loan rates change all the time and for any number of reasons. Y2K worries are just one consideration among the many factors which impact interest levels. But the good news about Y2K concerns is that at least we won't be worrying about them six months from now.

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## Sellers' Tips: The Home Inspector's Coming



*By Realty Times Staff*

Your home is in escrow, and the buyer has scheduled a home inspection. Should you be worried about what the inspector might find? The answer depends, of course, on the condition of your home and how well you've maintained its major components over the years.

Regardless of what the inspector may uncover, however, you shouldn't be overly concerned about the actual home inspection. Keeping in mind that disclosure laws and customary real estate practices vary from place to place, here are six suggestions as to how you might help the home inspection process go smoothly:

### 1. Leave the premises.

It's perfectly reasonable to absent yourself from your home during the home inspector's visit and turn over the duties to your real estate agent. Your agent should be familiar with the home inspection process and able to act as your representative. In fact, many listing agents prefer that the seller not be at home during the buyer's home inspection.

### 2. Be courteous.

Some sellers mistakenly assume the home inspector is an adversary. Experienced professional home inspectors aren't on a mission to find fault with every tiny aspect of your home. The home inspector's role is to offer the buyer a fair assessment of the property. Tips: Don't keep the inspector waiting on your doorstep and allow at least two hours for the inspection.

### 3. Don't attempt to refute negative comments about your home during the inspection.

Inspectors don't appreciate being followed around by argumentative or defensive home sellers (or sellers' real estate agents). The time to explain and negotiate will come after you receive and review your copy of the inspector's report.

### 4. Don't make statements about your home that are beyond your personal knowledge or can't be verified.

For instance, if the inspector asks you how old the roof is or when certain appliances were installed, check your records before you answer. If you have documentation, provide a copy of it. If repairs or modifications were made prior to your purchasing the home, don't guess when that work was performed. The same caution about misrepresentations applies to questions about whether permits were obtained for remodeling, the exact square footage of your home, the name of the architect who designed it and so on.

### 5. Don't block access to normal living areas of your home.

If the home inspector can't enter a room or complete some other aspect of the inspection, that will be noted in his or her report and the buyer may question it.

### 6. Make agreed-upon repairs promptly.

The buyer may ask the inspector to okay any repairs you agree to make as a result of the inspection. The sooner you make the repairs, the sooner the contingency can be met. Delaying the repairs until the last minute won't stop the buyer from having those items reinspected, but it could delay the closing of escrow.

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## Are You Ready To Buy?



*By Realty Times Staff*

Suppose you're shopping for a home. You've found a terrific real estate agent, who comes highly recommended, really knows the market in your preferred neighborhood, is a sharp negotiator and has an action plan to help you find a great home. In a hot market, though, having the best agent in the world can't get you past one obstacle - your lack of preparedness to buy.

If you are tired of having other buyers' contracts accepted over yours, or missing out altogether on homes that hit the market and are quickly put under contract by someone else, it may not be your agent's fault, but yours. Maybe it's time to ask yourself - How badly do you want to buy a home?

You may be sending mixed messages to your agent, and you may be getting inconsistent results as a consequence. If you want your agent to really work hard for you, then be a client who is ready to buy. People who are ready to buy demonstrate their preparedness in the five following ways:

**1. They get preapproved for a mortgage.** Buyers who haven't demonstrated their financial ability to purchase a home won't be a high priority for most top agents. That's why a simple loan preapproval letter, preferably from a well-respected local mortgage broker, is a must. A prequalification letter is helpful, but not nearly as strong a motivator as a preapproval letter.

**2. They are loyal. Agents admit they work harder for loyal buyers.** Don't work with multiple agents in one area at the same time. If you decide to switch agents or if you're house-hunting with two agents in two distinct areas, disclose the situation to both agents. If you visit an open house, sign the guest book and write in your agent's name and telephone number. If you spot a new for-sale sign or a new listing on a Web site, ask your agent to get the

details. If you decide to check it out yourself, mention your agent's name. If your agent asks you to, sign a buyer's representation agreement for a period of time.

**3. They know their own priorities.** Some agents get frustrated with buyers who seem clueless about what they need and want in their home. Before you start house-hunting, make a list of your priorities and discuss each item with your agent. Write down the nonnegotiables that you must have and the amenities that you'd like to have, but could forgo if the other minimum requirements were met. When you start touring homes, be as specific and direct as possible in communicating what you like and don't like about each home.

**4. They are open-minded.** Agents work harder for imaginative buyers who can see beyond dead landscaping and hideous wallpaper. The perfect home for you could be hiding behind a decor you can't stand. Ask your agent what it would take to upgrade, remodel or redecorate an unappealing home that happens to be in the right neighborhood and the right price range.

**5. They are ready to act fast.** Some buyers want to move into their new home within a couple of months. Others won't be ready to start packing for two years. People who are planning to move sooner rather than later will be a higher priority for most real estate agents. Buyers who aren't encumbered with a home they need to sell also get more attention. If you intend to move quickly, make that intention known to your agent and act on it.

If you have these characteristics, there isn't an agent in the world who wouldn't consider you an A-list buyer. These are the buyers they will move heaven and earth for to get them into the home they want.

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## Getting A Mortgage After Bankruptcy

By Realty Times Staff



Lenders are understandably reluctant to loan money to people who have a history of not paying their bills. That's why homeownership is a difficult goal to achieve for people who've filed for bankruptcy or been through a foreclosure in recent years. However, an impaired credit history doesn't necessarily mean all hope is lost. Here are seven ways to better your chances of eventually obtaining a home mortgage even if your past credit history is unimpressive.

### 1. Demonstrate good credit habits.

Lenders want to see a proven track-record of willingness and ability to repay borrowed sums as agreed. Get a secured credit card or make a purchase on account at a local retailer, then make the payments on time every month. Get a personal loan secured by an older automobile and, again, make the payments on time every month. Make sure you make other regular payments (e.g., utility bills or car insurance payments) on time.

### 2. Contest any errors on your credit reports.

There's no reason to compound the problem of a troubled credit history by allowing errors to languish uncorrected. Order copies of your credit reports from the major credit reporting companies: Equifax, (800) 685-1111, Experian (formerly TRW), (800) 392-1122, and TransUnion, (800) 888-4213. Ask your creditors to correct any inaccuracies and add your own notations to clarify negative items. A credit counselor can help you with this process.

### 3. Pay back whatever you owe on your previous mortgage.

If your mortgage is upside-down (the outstanding balance exceeds the market value of the home), sell your home,

sign an unsecured note for the difference and make a good faith effort to pay it off. Lenders generally don't view a short payoff any more favorably than a foreclosure.

### 4. Educate yourself about mortgage lending, credit reports, credit scoring and the responsibilities of homeownership.

Get some advice from a REALTOR and a mortgage broker. Read some how-to books about personal financial management. Attend home-buying seminars and homeownership counseling sessions.

### 5. Be patient.

You might be able to qualify for a mortgage fairly soon after a bankruptcy, but you'll be penalized with a high interest rate and unattractive terms. The more time that passes, the better your odds will become of obtaining a reasonable mortgage.

### 6. Get professional help and shop around for a willing lender.

Banks, savings and loans, mortgage banking companies, credit unions and other mortgage lenders follow different underwriting guidelines and lending rules and regulations. A sharp mortgage broker can help you figure out which lender is most likely to approve your loan application despite your impaired credit.

### 7. When you're ready to buy a home, think small.

Lenders are more willing to risk smaller amounts of money. That means the less you want to borrow and the larger your own financial commitment (i.e., your downpayment) is, the more likely it will be that your loan application will be approved.

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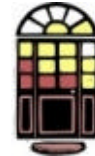
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## What A Difference A Door Makes

By Dena Amoruso



One of the great things about making changes to your home is seeing just how truly transforming one or two changes can be. Interior paint can lighten or tone down the home's ambience; a new carpet can make you feel as if you are living in a brand new house, and the change-out of just one doorway can bring about an entirely new image to a room or an entire home.

Indeed, if windows have been referred to as the "eyes" of a room, then doors are the mouths, speaking volumes about the rooms they complement. Take the entry door, for example. How much of an instant impression does a beautiful front door make on you? Windows, cut glass, carved oak, arched, or decorated with brass accents? While waiting for this door to open, it's an eye-catching item to study, from a visitor's point of view. Simple front doors can be replaced by fancier ones to exude your own sense of style. Even a modest home can seem palatial with a beautiful front door as a greeting.

Your family room can be transformed by the change-out of a sliding door to a French door, opening wide to a manicured yard, or just "look" like a French door with panes of glass and beautiful hardware (there are several manufacturers of sliding French doors.) But what if you prefer more wall space in the family room and less glass? You can investigate the possibility of changing a larger sliding door to a single "atrium" door and adding sheet rock, texture and paint to the recipe, making more room for sofas and entertainment pieces.

Master bedrooms can become a refuge for the weary by adding a door to the outside, possibly leading to an existing (or future) bubbling outdoor spa and the greenery

beyond. Even second story master bedrooms may have the option to add a door and balcony, creating a covered patio area below.

An old world, but still popular idea, is the installation of single or double interior French doors to a living room, office, or den, giving occupants a view of activity elsewhere, but adding an elegant dimension to the floor plan. Even with closed doors, these rooms can become aglow within when entertaining and a showpiece of your own personal decorating and style.

You may not want to underestimate the power of a door and all it represents both physically and metaphysically. Sound abstract? If one really considers how we use the word to describe so many allegorical facets of our existence, it doesn't sound so far-fetched. From "opening the door of opportunity", or "closing the door on that subject" to literally "slamming the door in one's face", doors are almost as cultural as they are physical.

So, next time you see a door that really makes an impression on you, think about what it is that brings it to your attention, and you'll probably never think of doors in the same way again. New home builders have added more and more creative options for doors to their design center repertoire, so ask the design consultant for all the possibilities.

For a wealth of information on doors and door manufacturers, use your favorite search engines on the Internet, or check out the National Association of Home Builder's web site at HomeBuilder.com and search by product.

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## Dealing With Clouds On Your Title

By Sandy Gadow



At closing time, the seller will be asked to provide good and marketable title to the property, a title which is free of any liens or judgments, or "clouds on the title." A lien is a claim to property for the payment of a debt, and the lien holder could foreclose on the property if the debt is not paid off. Liens can be generally be removed by the payment of the amount owed. This payment can occur before the closing takes place, or at the time of closing.

There are several types of liens, all of which could cloud the title and prevent the seller from conveying marketable title to the buyer. A mechanic's lien, or a construction lien, is a claim made by contractors or subcontractors who have performed work on the house who have not been paid. A supplier of materials delivered to the job may also file a mechanic's lien.

In some states, contractors and subcontractors must notify the home owner when they intend to file the lien, but in other states they can file the lien without any prior notification to the owner.

An owner could face a mechanic's lien if his contractor fails to pay a subcontractor or a materials supplier. To insure that your property is free of any mechanic's liens, an owner should obtain a release of lien form signed by all subcontractors and material suppliers before making the final payment to the contractor.

Another type of lien which may occur is one related to a divorce. Often in a divorce, one or

the other spouse may be awarded the right to live in the house. When that spouse sells the property, for instance, the ex-spouse may be entitled to half of the equity. If things don't go as they should, the ex-spouse could file a lien for his share of the sales proceeds.

There are liens which exist in connection with condominiums and a homeowner's association dues. At closing, the title or escrow company will request a certificate of payment from the homeowner's association to be sure that all due and assessments have been paid and are current.

Some states allow a lien to be placed on property of divorced parents for unpaid child support payments. This is a lien which would have to be paid off before the property could be sold. Court judgments for unpaid debts, such as credit card judgments or unpaid legal fees, is a type of lien which would have to be paid and removed before closing.

If you find a lien on your property, contact the lien holder and negotiate to pay off the debt, or if there is a question as to whether the debt is your responsibility, contact a lawyer to determine how to remove the lien from your property. If you are advised to pay off the lien to clear the title, be sure to have the lien holder sign a release of lien form and file this at the county recorder's office to clear the title in the official records.

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## 'Slash Your Debt' With Home Equity Consolidation

By Robert Lee



The economy is booming - so is your debt. This year, the official household savings rate fell to the lowest level since the Great Depression. But with households gaining so much real estate equity, you can manage that debt, according to a team of money-saving experts who've pooled their expertise to extol the virtues of transforming many debts into one.

Debt consolidation comes with the possibility of a single payment, and a low interest rate that allows you to pay off your indebtedness in less time for less money -- provided you practice sound financial behavior. To help to that end a timely tome "Slash Your Debt: Save Money and Secure Your Future," Financial Literary Center, (\$8.95) devotes a full chapter to tapping your equity as a cure for indebtedness. Provided you've got the equity, you have two options:

### Home equity loans

More than one third of all home equity loans are used for debt consolidation, according to Marc Eisenson, one of the book's authors and a partner with the consumer advocacy firm Good Advice Press in Elizaville, NY.

To make home equity loans work as a debt consolidation tool, Eisenson and co-author and partner Nancy Castleman advise:

- Change your spending habits. Before you apply for the loan, practice living on a lower income. Save the difference. Don't take on additional debts while the equity loan is outstanding.
- Choose a short payment period. Even with a low interest rate a 10 to 15 year home equity loan can be expensive. Prepay your loan in three to five years. The savings can be startling. If you transfer a \$15,000 balance of just one 17 percent credit card to a 9 percent home equity loan and pay it off in five years, you'll save more than \$30,000.
- Avoid loans for more than the value of your home. Not only can't you deduct all the interest but you'll also put your home at unnecessary risk for a costly loan.

- Shop around for the lowest rate. HSH Associates provides insightful informative to that end.

- Beware. Avoid high closing costs, low introductory or "teaser" rates and credit cards tied to home equity lines of credit. They all undercut your reason for consolidating -- to save money. -

### Refinanced mortgages

If your mortgage is a small portion of your home's value or if you are paying an interest rate higher than prevailing rates, you could be a candidate for tapping equity through a refinanced first mortgage, says the book's third author Gerri Detweiler, an advisor with the Debt Counselors of America.

With a refinanced mortgage, for the same mortgage payment or less than you've been making each month, you can pay off more expensive debts. If you take out the loan for 30 years, however, you'll borrow against more of your home equity for a longer period. That could be both expensive and risky, by putting your home in jeopardy for a longer period of time than the previous mortgage.

- Don't pay for more of a refinance than you can afford. Don't let a lender talk you into a 15-year refinance if you can't make the payments.

"There's no point in starting a debt consolidation program, unless the goals you set are ones you can live and stick with," Detweiler said.

- Keep making the same monthly payments. If you've managed to make all the payments before consolidation, adding that money to your monthly refinanced mortgage can save you thousands.

- Negotiate. Points and fees are negotiable, especially if lenders are hungry for customers. Check rates, points and fees with at least three to five lenders before signing on the dotted line.

- Pay closing costs up front. If you have the cash, paying closing costs will save you on financed interest charges over the life of the loan.

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## Trend Talk: New Notes On Color



By Kathy Lamancusa

Color is one of the most personal choices consumers can make when they choose to buy a product for their homes. You may be wondering what is influencing color these days. Here are some important color notes that you will find available in consumer product palettes:

**Green** -- Subtle sage is a big color. It broadens to include a yellow version of lime green, which has lightened. Dark greens have more of an olive tone and emerge as classic colors.

**Yellow** -- Dreamy, creamy shades of yellow are mainstream as other shades of this sunny color interact in color combinations across the board. It is especially strong in combination with other fruit and vegetable tones.

**Red** -- Is gaining prominence, including true reds, orange reds, terra cotta, pinkish reds and cool, salmon-like reds, even browns are taking on a red influence.

**Orange** -- Variations from creamy peach to rustic, allspice tones are making their way in.

**Teal** -- Around for eight to ten years now, the turquoise/teal family, considered gender neutral because it is equally popular with men and women, has a little more blue in it and is predicted to return strong in an all new color value reestablishing its popularity with consumers.

**Neutrals** -- Disappeared from the color palette, but not from the home. Much will continue to be neutral, but color will be brought out in window treatments and decorative and tabletop

accessories. The more expensive and durable the item, the less likely people will adopt a new color. The more impulse-related an item is, however, the more readily they will try new hues.

**Metallics** -- Brushed metals such as stainless steel and metallic touches on items are emerging.

**Tip of the month:** Trying to make decisions before their time can cause inaccuracies as well as stress and frustration. As we move through busy days we feel we are forced to complete one project so that we can move into the next one -- 'close the book' -- so to speak.

Consider the architect who built a cluster of office buildings around a central green. When construction was completed, the landscape crew asked him where he wanted the sidewalks. The architect told them to plant grass solidly between the buildings. By late summer the new lawn was laced with paths that had been created by the constant flow of people on their normal course of business. The architect then used these paths as the basis for the paved walkways and sized them according to traffic flow. The paths had an interesting design and directly responded to user needs.

What decisions are you trying to make before their time? Can you let some things flow freely, then observe where the pathways are created naturally before you add the permanence of cement?

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Nora Ling Lane

September 1999

**REAL ESTATE**  
*Update*

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# October Real Estate Update

By The Realty Times Staff



Sept. 99

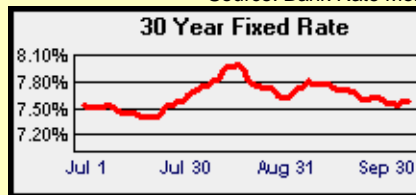
## Interest Rates Stable, May Turn Down

The chief economist for the NAR believes current interest rates -- hovering in the 7.75% range -- has probably closed some buyers out of the market for now, but he continues to forecast rates in the 6.5% range by the end of the year.

According to Dr. James F. Smith, "Even through last month's increase in interest rates may slow the economy a bit, the increase will not derail this market. The economy looks good, demand for housing remains strong, and housing affordability conditions

## Mortgage Rates

Source: Bank Rate Monitor



National averages as of September 30, 1999:

30 yr. fixed: 7.59%  
15 yr. fixed: 7.25%  
1yr. adj: 6.20%

are expected to remain healthy through the end of the year."

Economists at Freddie Mac, however, are less optimistic, seeing rates above 7% well into 2000.

## 1999 Sales Still Going Strong

The nation's top housing leaders are continuing to see very healthy numbers as 1999 starts drawing to a close, believing the year almost certainly will exceed the sales records of 1998 and set the stage for a strong Year 2000.

The latest figures from the NAR suggest the year will end with about 5.2 million homes being sold, up from last year's record of 4.97 million homes sold. Also, the median price of an American home has now topped \$137,000 -- well above '98.

The Realtors said home sales are coming off their all time highs recorded earlier this year but sales are still brisk. In August, sales dropped by 2.8% -- but remained 9.2% ahead of the Aug. '98 rate.

NAR President Sharon Millett attributed the drop to normal seasonal declines after the big, early-spring home buying season.

The National Association of Home Builders is agreeing that 1999 almost certainly will be a record year. The builders note that their "housing index" -- which gauges affordability -- came in at 73 last month, higher than the previous two months but below July's high of 74.

Some builders remain concerned that rising interest rates will affect buyer demand, the NAHB said. "However, the fact that rates have come down a bit since this time last month is a good sign," Charlie Ruma, NAHB president, said.

## Group Hopes to Wire The Future



A New York-based group of 15 technology,

publishing and home development companies has organized a group called "Wiring America's Homes" in an effort to devise an industry standard for making new homes compatible with the future. The group is being lead by IBM, Lucent Technologies and Intel.

They hope to establish industry standards for making sure new homes are adequately wired to access the Internet, handle security and electrical issues.

The organization hopes a basic package can be developed for less than \$2,000. It believes by the year 2004 more than 45% of single family homes will be wired.

## Internet Making a Difference in Homebuying

Assistance with down



payments would put

more people into a modestly priced home than lowered interest rates or closing costs, finds a new report by the Census Bureau. The report reveals that if renters received a down-payment subsidy of \$5,000, about 2 in 10, or 8.9 million renters would have been able to afford a modestly priced house. A \$10,000 subsidy would have increased the proportion of renters who would qualify for a mortgage to 3 in 10, or 13.4 million renters.

Reducing rates by 3 percentage points would have increased the proportion of renters who would have qualified for a mortgage from about 10% to about 11%.

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# Be a No-Show At Showings

By Realty Times Staff



It's 6:30 p.m. on a lazy Sunday evening. You've finished dinner, washed the dishes and settled in front of the television, when the telephone rings. Your real estate agent has an opportunity to show your home to an out-of-town buyer who's stopping by a few more properties before catching a late flight out of town. Should you hang around while the buyers go through your home? Or should you head out for a frozen yogurt or take the dog for an extra walk? Unless you have a reason to distrust your agent, making yourself scarce and letting him or her show your home is probably in your best interest. Here are a few reasons why:

## **1. Buyers are uncomfortable when the seller is present.**

Remember how you felt when you were walking through other people's homes shopping for the one you decided to buy? You probably felt a bit intimidated or reluctant to spend much time in a home when the seller was at home. If you clear out, prospective buyers will be more inclined to give your home their full attention and consideration.

## **2. Sellers usually say something they shouldn't.**

Are you moving because your home is too small for you? Or too large? Is your beautiful front lawn or refreshing swimming pool expensive to maintain? Did your neighbors balk at

sharing the cost of repairing your boundary fence last year? Revealing this type of innocent-sounding information to prospective buyers may give them pause. Similarly, simply disclosing your motivation for moving can give buyers an edge at the negotiating table.

## **3. Leaving is less stressful than staying.**

Selling a personal residence is an emotional experience for most people, regardless of their reasons for moving. There really aren't any compelling reasons to put yourself through the trauma of watching strangers wander through your home and listening to their criticisms or redecorating plans.

## **4. You'll be helping your agent.**

Most agents feel they are better able to show a for-sale home when the seller is off the premises. If your agent asks you to leave and is cooperative about scheduling showings only with qualified buyers at times that are reasonably convenient for you, you should go along with your agent's request. After all, that's why you hired a professional to market your home and negotiate the deal for you, right?

By the way, these considerations apply to weekend open houses and broker-only events as well as private one-on-one showings to individual buyers.

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# Will Y2K Raise Your Mortgage Rates

By Peter G. Miller



Like the hula hoop and pet rocks, fads come and go, including -- we hope -- all the end-of-the-world visions associated with the Y2K computer glitch. Alas, and doesn't it figure, the latest Y2K victim may well be mortgage rates. The Washington Post and New York Times report that loan rates worldwide are rising in part because corporations are now borrowing more than usual so they will have cash in case there's a run on the banks at the end of the year.

If big companies are now borrowing more just to be on the safe side, then there is less cash available for other purposes, and so those worried about a lack of legal tender around New Year's Day are right. In effect, worries about a Y2K cash shortage are being translated into a self-fulfilling prophesy -- and also into higher mortgage rates because fewer dollars are available for mortgage products.

In fact, excess company borrowing is real and it is a potential -- if short term -- problem. The Federal Reserve Bank of New York, for example, lends money overnight to banks -- loans which are secured with U.S. Treasury securities. By lending cash, or withholding cash, the Fed can impact overnight interest rates.

For the coming New Year, however, the N.Y. Fed is going all-out, offering to provide cash in exchange for not only paper from the U.S. Treasury, but also other forms of collateral such as mortgage-backed securities issued by Fannie Mae and Freddie Mac.

By making more cash available, the N.Y. Fed hopes to hold down rates that might otherwise rise as a result of Y2K-inspired company borrowing.

The Y2K rate surge is not a problem if you now have a fixed-rate mortgage, but for the millions of people with ARMs that will adjust in the next few months, and for those in the buying mode, Y2K may mean facing a brief interest-rate bulge.

What to do?

If we're really seeing a Y2K interest rise, then figure it's temporary. By the first week of January, when the terrors of Y2K will have hopefully passed and the world has not come to an end, it follows that interest rates should begin to decline as companies and countries once again begin putting their excess cash into bonds and notes.

What to do if you're a borrower or home buyer?

Let's agree that no one can predict future loan rates -- just consider the efforts of seers, soothsayers, and economists. And let's also agree that I too haven't the foggiest knowledge of where rates may head or not head. That said, if rates go up because of Y2K concerns, here are strategies to consider if you're looking for mortgage money.

If you have a fixed-rate loan you don't have a problem. Sit back and enjoy the New Year.

If you have an ARM that adjusts in the next few months, Y2K may cause a marginal rate bump. Should this happen, consider that it's cheaper to pay a few dollars more in deductible interest than to refinance.

If you're refinancing, it may pay to wait. Or, you may want to look at an ARM or a phased mortgage, something with one rate for an introductory period and then a fixed rate or one-year adjustable for the rest of the 30-year term.

Be sure to visit with online lenders and watch the mortgage marketplace.

In the end, of course, loan rates change all the time and for any number of reasons. Y2K worries are just one consideration among the many factors which impact interest levels. But the good news about Y2K concerns is that at least we won't be worrying about them six months from now.

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# Sellers' Tips: The Home Inspector's Coming



By Realty Times Staff

Your home is in escrow, and the buyer has scheduled a home inspection. Should you be worried about what the inspector might find? The answer depends, of course, on the condition of your home and how well you've maintained its major components over the years.

Regardless of what the inspector may uncover, however, you shouldn't be overly concerned about the actual home inspection. Keeping in mind that disclosure laws and customary real estate practices vary from place to place, here are six suggestions as to how you might help the home inspection process go smoothly:

## 1. Leave the premises.

It's perfectly reasonable to absent yourself from your home during the home inspector's visit and turn over the duties to your real estate agent. Your agent should be familiar with the home inspection process and able to act as your representative. In fact, many listing agents prefer that the seller not be at home during the buyer's home inspection.

## 2. Be courteous.

Some sellers mistakenly assume the home inspector is an adversary. Experienced professional home inspectors aren't on a mission to find fault with every tiny aspect of your home. The home inspector's role is to offer the buyer a fair assessment of the property. Tips: Don't keep the inspector waiting on your doorstep and allow at least two hours for the inspection.

## 3. Don't attempt to refute negative comments about your home during the inspection.

Inspectors don't appreciate being followed around by argumentative or defensive home sellers (or sellers' real estate agents). The time to explain and negotiate will come after you receive and review your copy of the inspector's report.

## 4. Don't make statements about your home that are beyond your personal knowledge or can't be verified.

For instance, if the inspector asks you how old the roof is or when certain appliances were installed, check your records before you answer. If you have documentation, provide a copy of it. If repairs or modifications were made prior to your purchasing the home, don't guess when that work was performed. The same caution about misrepresentations applies to questions about whether permits were obtained for remodeling, the exact square footage of your home, the name of the architect who designed it and so on.

## 5. Don't block access to normal living areas of your home.

If the home inspector can't enter a room or complete some other aspect of the inspection, that will be noted in his or her report and the buyer may question it.

## 6. Make agreed-upon repairs promptly.

The buyer may ask the inspector to okay any repairs you agree to make as a result of the inspection. The sooner you make the repairs, the sooner the contingency can be met. Delaying the repairs until the last minute won't stop the buyer from having those items reinspected, but it could delay the closing of escrow.

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# Are You Ready To Buy?



By Realty Times Staff

Suppose you're shopping for a home. You've found a terrific real estate agent, who comes highly recommended, really knows the market in your preferred neighborhood, is a sharp negotiator and has an action plan to help you find a great home. In a hot market, though, having the best agent in the world can't get you past one obstacle - your lack of preparedness to buy.

If you are tired of having other buyers' contracts accepted over yours, or missing out altogether on homes that hit the market and are quickly put under contract by someone else, it may not be your agent's fault, but yours. Maybe it's time to ask yourself - How badly do you want to buy a home?

You may be sending mixed messages to your agent, and you may be getting inconsistent results as a consequence. If you want your agent to really work hard for you, then be a client who is ready to buy. People who are ready to buy demonstrate their preparedness in the five following ways:

**1. They get preapproved for a mortgage.** Buyers who haven't demonstrated their financial ability to purchase a home won't be a high priority for most top agents. That's why a simple loan preapproval letter, preferably from a well-respected local mortgage broker, is a must. A prequalification letter is helpful, but not nearly as strong a motivator as a preapproval letter.

**2. They are loyal. Agents admit they work harder for loyal buyers.** Don't work with multiple agents in one area at the same time. If you decide to switch agents or if you're house-hunting with two agents in two distinct areas, disclose the situation to both agents. If you visit an open house, sign the guest book and write in your agent's name and telephone number. If you spot a new for-sale sign or a new listing on a Web site, ask your agent to get

the details. If you decide to check it out yourself, mention your agent's name. If your agent asks you to, sign a buyer's representation agreement for a period of time.

**3. They know their own priorities.** Some agents get frustrated with buyers who seem clueless about what they need and want in their home. Before you start house-hunting, make a list of your priorities and discuss each item with your agent. Write down the nonnegotiables that you must have and the amenities that you'd like to have, but could forgo if the other minimum requirements were met. When you start touring homes, be as specific and direct as possible in communicating what you like and don't like about each home.

**4. They are open-minded.** Agents work harder for imaginative buyers who can see beyond dead landscaping and hideous wallpaper. The perfect home for you could be hiding behind a decor you can't stand. Ask your agent what it would take to upgrade, remodel or redecorate an unappealing home that happens to be in the right neighborhood and the right price range.

**5. They are ready to act fast.** Some buyers want to move into their new home within a couple of months. Others won't be ready to start packing for two years. People who are planning to move sooner rather than later will be a higher priority for most real estate agents. Buyers who aren't encumbered with a home they need to sell also get more attention. If you intend to move quickly, make that intention known to your agent and act on it.

If you have these characteristics, there isn't an agent in the world who wouldn't consider you an A-list buyer. These are the buyers they will move heaven and earth for to get them into the home they want.

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# Getting A Mortgage After Bankruptcy



By Realty Times Staff

Lenders are understandably reluctant to loan money to people who have a history of not paying their bills. That's why homeownership is a difficult goal to achieve for people who've filed for bankruptcy or been through a foreclosure in recent years. However, an impaired credit history doesn't necessarily mean all hope is lost. Here are seven ways to better your chances of eventually obtaining a home mortgage even if your past credit history is unimpressive.

## 1. Demonstrate good credit habits.

Lenders want to see a proven track-record of willingness and ability to repay borrowed sums as agreed. Get a secured credit card or make a purchase on account at a local retailer, then make the payments on time every month. Get a personal loan secured by an older automobile and, again, make the payments on time every month. Make sure you make other regular payments (e.g., utility bills or car insurance payments) on time.

## 2. Contest any errors on your credit reports.

There's no reason to compound the problem of a troubled credit history by allowing errors to languish uncorrected. Order copies of your credit reports from the major credit reporting companies: Equifax, (800) 685-1111, Experian (formerly TRW), (800) 392-1122, and TransUnion, (800) 888-4213. Ask your creditors to correct any inaccuracies and add your own notations to clarify negative items. A credit counselor can help you with this process.

## 3. Pay back whatever you owe on your previous mortgage.

If your mortgage is upside-down (the outstanding balance exceeds the market value of the home), sell your home,

sign an unsecured note for the difference and make a good faith effort to pay it off. Lenders generally don't view a short payoff any more favorably than a foreclosure.

## 4. Educate yourself about mortgage lending, credit reports, credit scoring and the responsibilities of homeownership.

Get some advice from a REALTOR and a mortgage broker. Read some how-to books about personal financial management. Attend home-buying seminars and homeownership counseling sessions.

## 5. Be patient.

You might be able to qualify for a mortgage fairly soon after a bankruptcy, but you'll be penalized with a high interest rate and unattractive terms. The more time that passes, the better your odds will become of obtaining a reasonable mortgage.

## 6. Get professional help and shop around for a willing lender.

Banks, savings and loans, mortgage banking companies, credit unions and other mortgage lenders follow different underwriting guidelines and lending rules and regulations. A sharp mortgage broker can help you figure out which lender is most likely to approve your loan application despite your impaired credit.

## 7. When you're ready to buy a home, think small.

Lenders are more willing to risk smaller amounts of money. That means the less you want to borrow and the larger your own financial commitment (i.e., your downpayment) is, the more likely it will be that your loan application will be approved.

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# What A Difference A Door Makes



By Dena Amoroso

One of the great things about making changes to your home is seeing just how truly transforming one or two changes can be. Interior paint can lighten or tone down the home's ambience; a new carpet can make you feel as if you are living in a brand new house, and the change-out of just one doorway can bring about an entirely new image to a room or an entire home.

Indeed, if windows have been referred to as the "eyes" of a room, then doors are the mouths, speaking volumes about the rooms they complement. Take the entry door, for example. How much of an instant impression does a beautiful front door make on you? Windows, cut glass, carved oak, arched, or decorated with brass accents? While waiting for this door to open, it's an eye-catching item to study, from a visitor's point of view. Simple front doors can be replaced by fancier ones to exude your own sense of style. Even a modest home can seem palatial with a beautiful front door as a greeting.

Your family room can be transformed by the change-out of a sliding door to a French door, opening wide to a manicured yard, or just "look" like a French door with panes of glass and beautiful hardware (there are several manufacturers of sliding French doors.) But what if you prefer more wall space in the family room and less glass? You can investigate the possibility of changing a larger sliding door to a single "atrium" door and adding sheet rock, texture and paint to the recipe, making more room for sofas and entertainment pieces.

Master bedrooms can become a refuge for the weary by adding a door to the outside, possibly leading to an existing (or future) bubbling outdoor spa and the greenery

beyond. Even second story master bedrooms may have the option to add a door and balcony, creating a covered patio area below.

An old world, but still popular idea, is the installation of single or double interior French doors to a living room, office, or den, giving occupants a view of activity elsewhere, but adding an elegant dimension to the floor plan. Even with closed doors, these rooms can become aglow within when entertaining and a showpiece of your own personal decorating and style.

You may not want to underestimate the power of a door and all it represents both physically and metaphysically. Sound abstract? If one really considers how we use the word to describe so many allegorical facets of our existence, it doesn't sound so far-fetched. From "opening the door of opportunity", or "closing the door on that subject" to literally "slamming the door in one's face", doors are almost as cultural as they are physical.

So, next time you see a door that really makes an impression on you, think about what it is that brings it to your attention, and you'll probably never think of doors in the same way again. New home builders have added more and more creative options for doors to their design center repertoire, so ask the design consultant for all the possibilities.

For a wealth of information on doors and door manufacturers, use your favorite search engines on the Internet, or check out the National Association of Home Builder's web site at HomeBuilder.com and search by product.

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# Dealing With Clouds On Your Title

By Sandy Gadow



At closing time, the seller will be asked to provide good and marketable title to the property, a title which is free of any liens or judgments, or "clouds on the title." A lien is a claim to property for the payment of a debt, and the lien holder could foreclose on the property if the debt is not paid off. Liens can be generally be removed by the payment of the amount owed. This payment can occur before the closing takes place, or at the time of closing.

There are several types of liens, all of which could cloud the title and prevent the seller from conveying marketable title to the buyer. A mechanic's lien, or a construction lien, is a claim made by contractors or subcontractors who have performed work on the house who have not been paid. A supplier of materials delivered to the job may also file a mechanic's lien.

In some states, contractors and subcontractors must notify the home owner when they intend to file the lien, but in other states they can file the lien without any prior notification to the owner.

An owner could face a mechanic's lien if his contractor fails to pay a subcontractor or a materials supplier. To insure that your property is free of any mechanic's liens, an owner should obtain a release of lien form signed by all subcontractors and material suppliers before making the final payment to the contractor.

Another type of lien which may occur is one related to a divorce. Often in a divorce, one or

the other spouse may be awarded the right to live in the house. When that spouse sells the property, for instance, the ex-spouse may be entitled to half of the equity. If things don't go as they should, the ex-spouse could file a lien for his share of the sales proceeds.

There are liens which exist in connection with condominiums and a homeowner's association dues. At closing, the title or escrow company will request a certificate of payment from the homeowner's association to be sure that all due and assessments have been paid and are current.

Some states allow a lien to be placed on property of divorced parents for unpaid child support payments. This is a lien which would have to be paid off before the property could be sold. Court judgments for unpaid debts, such as credit card judgments or unpaid legal fees, is a type of lien which would have to be paid and removed before closing.

If you find a lien on your property, contact the lien holder and negotiate to pay off the debt, or if there is a question as to whether the debt is your responsibility, contact a lawyer to determine how to remove the lien from your property. If you are advised to pay off the lien to clear the title, be sure to have the lien holder sign a release of lien form and file this at the county recorder's office to clear the title in the official records.

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# 'Slash Your Debt' With Home Equity Consolidation

By Robert Lee



The economy is booming - so is your debt. This year, the official household savings rate fell to the lowest level since the Great Depression. But with households gaining so much real estate equity, you can manage that debt, according to a team of money-saving experts who've pooled their expertise to extol the virtues of transforming many debts into one.

Debt consolidation comes with the possibility of a single payment, and a low interest rate that allows you to pay off your indebtedness in less time for less money -- provided you practice sound financial behavior. To help to that end a timely tome "Slash Your Debt: Save Money and Secure Your Future," Financial Literary Center, (\$8.95) devotes a full chapter to tapping your equity as a cure for indebtedness. Provided you've got the equity, you have two options:

## Home equity loans

More than one third of all home equity loans are used for debt consolidation, according to Marc Eisenson, one of the book's authors and a partner with the consumer advocacy firm Good Advice Press in Elizaville, NY.

To make home equity loans work as a debt consolidation tool, Eisenson and co-author and partner Nancy Castleman advise:

- Change your spending habits. Before you apply for the loan, practice living on a lower income. Save the difference. Don't take on additional debts while the equity loan is outstanding.

- Choose a short payment period. Even with a low interest rate a 10 to 15 year home equity loan can be expensive. Prepay your loan in three to five years. The savings can be startling. If you transfer a \$15,000 balance of just one 17 percent credit card to a 9 percent home equity loan and pay it off in five years, you'll save more than \$30,000.

- Avoid loans for more than the value of your home. Not only can't you deduct all the interest but you'll also put your home at unnecessary risk for a costly loan.

- Shop around for the lowest rate. HSH Associates provides insightful information to that end.

- Beware. Avoid high closing costs, low introductory or "teaser" rates and credit cards tied to home equity lines of credit. They all undercut your reason for consolidating -- to save money. -

## Refinanced mortgages

If your mortgage is a small portion of your home's value or if you are paying an interest rate higher than prevailing rates, you could be a candidate for tapping equity through a refinanced first mortgage, says the book's third author Gerri Detweiler, an advisor with the Debt Counselors of America.

With a refinanced mortgage, for the same mortgage payment or less than you've been making each month, you can pay off more expensive debts. If you take out the loan for 30 years, however, you'll borrow against more of your home equity for a longer period. That could be both expensive and risky, by putting your home in jeopardy for a longer period of time than the previous mortgage.

- Don't pay for more of a refinance than you can afford. Don't let a lender talk you into a 15-year refinance if you can't make the payments.

"There's no point in starting a debt consolidation program, unless the goals you set are ones you can live and stick with," Detweiler said.

- Keep making the same monthly payments. If you've managed to make all the payments before consolidation, adding that money to your monthly refinanced mortgage can save you thousands.

- Negotiate. Points and fees are negotiable, especially if lenders are hungry for customers. Check rates, points and fees with at least three to five lenders before signing on the dotted line.

- Pay closing costs up front. If you have the cash, paying closing costs will save you on financed interest charges over the life of the loan.

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# Trend Talk: New Notes On Color

By Kathy Lamancusa



Color is one of the most personal choices consumers can make when they choose to buy a product for their homes. You may be wondering what is influencing color these days. Here are some important color notes that you will find available in consumer product palettes:

**Green** -- Subtle sage is a big color. It broadens to include a yellow version of lime green, which has lightened. Dark greens have more of an olive tone and emerge as classic colors.

**Yellow** -- Dreamy, creamy shades of yellow are mainstream as other shades of this sunny color interact in color combinations across the board. It is especially strong in combination with other fruit and vegetable tones.

**Red** -- Is gaining prominence, including true reds, orange reds, terra cotta, pinkish reds and cool, salmon-like reds, even browns are taking on a red influence.

**Orange** -- Variations from creamy peach to rustic, allspice tones are making their way in.

**Teal** -- Around for eight to ten years now, the turquoise/teal family, considered gender neutral because it is equally popular with men and women, has a little more blue in it and is predicted to return strong in an all new color value reestablishing its popularity with consumers.

**Neutrals** -- Disappeared from the color palette, but not from the home. Much will continue to be neutral, but color will be brought out in window treatments and decorative

and tabletop accessories. The more expensive and durable the item, the less likely people will adopt a new color. The more impulse-related an item is, however, the more readily they will try new hues.

**Metallics** -- Brushed metals such as stainless steel and metallic touches on items are emerging.

**Tip of the month:** Trying to make decisions before their time can cause inaccuracies as well as stress and frustration. As we move through busy days we feel we are forced to complete one project so that we can move into the next one -- 'close the book' -- so to speak.

Consider the architect who built a cluster of office buildings around a central green. When construction was completed, the landscape crew asked him where he wanted the sidewalks. The architect told them to plant grass solidly between the buildings. By late summer the new lawn was laced with paths that had been created by the constant flow of people on their normal course of business. The architect then used these paths as the basis for the paved walkways and sized them according to traffic flow. The paths had an interesting design and directly responded to user needs.

What decisions are you trying to make before their time? Can you let some things flow freely, then observe where the pathways are created naturally before you add the permanence of cement?

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