

# From The Desk of Meredith Callahan

*Even MORE Practical Tips to Enhance Your Financial Freedom*

**Keep More of What You Make in Real Estate** – Practically all investment property has appreciated over the last few years. If you're planning on selling yours, keep more of your profit by using a 1031 exchange. It allows you to defer taxes due on the money you've made by rolling your proceeds into property of equal or greater value within the time frame specified by the Internal Revenue Code. You can't do this with your primary home, but you can utilize it for that investment condo that you're going to rent out.

The key is hiring a "qualified intermediary," a Q.I. to deal with the money until it is reinvested. If you handle the yield yourself, you'll lose the tax advantages. Choose a Q.I. who is bonded and insured for negligence and fraud. You can find one by visiting [www.1031.org](http://www.1031.org) or by consulting your accountant. Your CPA can also assist you with sidestepping tricky depreciation issues.

**Conforming Loan Limit Raised** - Since Fannie Mae and Freddie Mac dominate the market, they have a major hand in setting mortgage rates. Specifically, they determine the ceilings for what they consider to be conforming loans. Because Fannie Mae and Freddie Mac only buy conforming loans to repackage into the secondary market, the demand for larger loans is far less. As a result, these jumbo loans typically have a higher interest rate.

Each year the conforming loan limits are raised, reflecting the rise in the median cost of housing in the US. For 2006, in the contiguous 48 states, the new cut off has been set at \$417,000 for a single unit home. Fanny Mae predicts that nearly half a million additional homeowners can now save on their mortgages with the redefined loan ceiling. This is more than good news for new home buyers. This is a great opportunity to see how much interest you can now save by consolidating previously borrowed "piggy back" or home equity loans.

**Consider a Fixed Rate Mortgage** - The recent real estate boom was fueled by low interest rates. Many homebuyers took advantage of the Federal Reserve's aggressive monetary policy by getting variable rate mortgages at very low interest. These borrowers are now watching in dismay as the inflation worried Fed continues to raise its federal funds rate with no end in sight. However, an opportunity for mortgage holders is developing.

In 2005, the Dow Jones Average finished the year with a loss. As investors turned their backs on stocks and moved into bonds, securities yields have dropped in the face of increased demand and an unusual situation has developed. The interest on adjustable rate mortgages, dependent on the rate set by the Federal Reserve, is rising, while interest on fixed rate mortgages, backed by mortgage-backed securities, has fallen. This paradox is called an inverted yield curve. For many mortgage holders it makes sense to lock in a guaranteed payment on a fixed mortgage instead of coping with the uncertainty of an adjustable rate loan. Call us to review your current mortgage program and discuss potential refinancing opportunities.

**Rely on a Solid Team** - It has become more important than ever to depend upon reputable mortgage professionals. The booming real estate market has led to a dramatic increase in the volume of loans, enabling an increasing number of loan professionals to assist consumers with their financing needs. Unfortunately, not all of these individuals

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are scrupulous, which ultimately results in higher costs for everyone. Half of all defaulted loans and 25% of all foreclosures are thought to have been obtained through misrepresentation.

State regulators are planning to create a national registry of mortgage officers who play fast and loose. Also, Digital Risk is developing a computerized database search system to accurately profile applicant income. With the FBI's financial crimes investigation team increasingly on the prowl, it's important to rely upon quality financial advisors who will provide you with the best possible options and steer you clear of any whiff of fraud.

If you or someone you know is in need of financing assistance, please be sure to contact us. We'll be sure that you obtain the guidance you need.