Owner's Title Insurance - Protecting your Equity

Title insurance is an insured statement of the condition of your ownership rights, or "title," to a certain piece of property. The policy describes your property in detail as well as any limitations there may be to your use and ownership. Most importantly, an owner's title policy guarantees that the property you are purchasing is free of undisclosed liens, confusion in the rights of ownership and other "clouds on the title."

Here are a few of the risks against which an owner's title policy protects you:

- Clerical errors in public records
- Mistakes in recording legal documents
- Wills not probated
- Confusion from similarity of names
- Forged documents
- Undisclosed or missing heirs
- Unpaid taxes
- Fraud
- Invalid divorces or misrepresentation of marital status
- Attorney's fees for handling specific title defects in or out of court

Title Search

Before a policy is issued, the title insurance company conducts an extensive search for "matters of public record" that affect title to the property. Upon completion of this investigation, the title insurance company issues a preliminary commitment for Title Insurance. This includes information regarding matters which affect the title to the property. Final insurance is provided at closing to protect both the owner and the lender (provided a mortgage loan is involved).

What Does Owner'sTitle Insurance Cover?

If, after you purchase your home, a "flaw" or problem that could affect your right to own the property in title is discovered, the title insurance company generally agrees to: **1)** Defend your title in the courts, as insured, at its own expense. **2)** Correct or clear the title when possible. **3)** Promptly pay you for your loss in the event of an unsuccessful defense of your title. You should also consider the following:

The cost of an Owner's Policy is often times less than the cost of a single office visit to an attorney to discuss a title problem.

The Importance of a Survey

How else do you know what you own?

Until several years ago, a property purchaser always obtained a new land survey when they bought a home. Nowadays, practically no lender requires a survey and it's up to the purchaser whether or not to have one . . . The cost of which is typically $350 to $500. Most homebuyers assume that the property has been surveyed in the past and that everything must still be okay. Sometimes the buyer has a copy of an old survey or has even been shown some markers on the property and believes that all is well.

There are many instances where fences, retaining walls, driveways, outbuildings and trees encroach a few feet, and sometimes 20 to 40 feet into a neighbor's property. Relying on the seller to tell you that the fence is right on the line or that your property includes those trees might be fine until your neighbor decides to cut down those trees, which really belong to her.

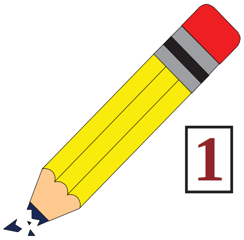
There are other instances that over the years, a pin or other marker mysteriously grows feet and moves! One of the things a registered land surveyor does is to make sure that the property lines "close". In other words, the markers in the field must match the master plat of the subdivision or the other legal records.

This is even more the case with new construction, where people sometimes assume that since it's "new", everything must be okay. In these days of bigger houses on smaller lots, you can't rely on a builder's or their subcontractor's skill as an ersatz surveyor. If you have any questions about that sort of thing, you might talk to my next door neighbor, who has a few feet of his other neighbor's driveway on his property (and be sure to thank him for the nice trees <u>his</u> builder planted in my yard).

These types of things aren't a problem until there is a problem. There may be a few cases where the property has been recently surveyed and the corners are relatively apparent, and there's really no need to spend a few hundred dollars for a new survey.

Even though ordering a new survey is an elective, it may be a wise decision to consider having one. Having great peace of mind is far better than having potential problems.

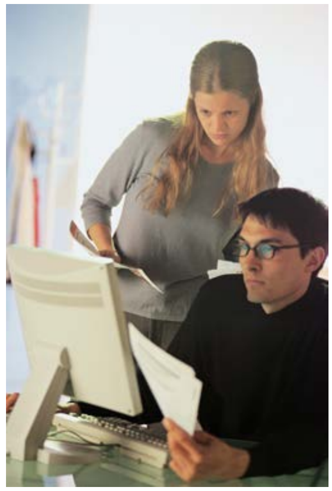
Discrediting Four Credit-Scoring Myths



There's a lot of misinformation being propagated about what does, and doesn't, hurt your credit score. Following are four of the most widely circulated myths to watch for:

1 Closing accounts can help your credit score. No, no, no. Closing accounts, in fact, could hurt your credit rating. Credit scoring looks at the difference between your available credit and the amount you use. Shut down accounts, and your total available credit shrinks. That makes your actual balances loom larger in comparison, which could hurt your score.

Credit scoring also tracks the age of the credit accounts. Shutting older accounts can make your credit history appear more "immature" than it actually is. Instead of closing accounts, it's generally better to pay down the debt you have.



2 The three major credit bureaus - Experian, Equifax and TransUnion all use identical data and scoring systems. Not true. Because they use slightly different formulas, you probably have a different score with each credit bureau, which most lenders "average" when making financing decisions. Before applying for a mortgage, it makes sense to check all three credit reports and fix any errors you find.

3 Checking your credit score can damage your credit rating. Applying for new credit or spending to your available credit limit is what hurts a credit score. Ordering a copy of your credit report doesn't count.

4 Credit counseling will hurt your score as much as a bankruptcy. This is false. The widley used FICO scoring system (created by the Fair, Isaac Company) ignores any reference to credit counseling in your file because history proved that consumers who get credit counseling have the same default rate as those who don't.

Using Money that Pays You Back

Did you know that renovating your home could provide a tax break?

Deciding to make home improvements is a win-win situation for both the value of your home and the amount you're taxed when you decide to sell. Whether you receive a tax write-off for home repairs depends on the type of repairs you need.

Permanent repairs, such as replacing old windows and doors with storm versions - are approved by the IRS for tax savings. Cosmetic changes or temporary repairs are not.

When and if you do decide to sell your home, these permanent repairs are added onto the adjusted basis money spent improving and buying the property of your home.

Here's a chart from the IRS that shows improvements that may provide tax benefits.

Furnace	Filtration, soft	Updating
Duct Work	Water heater	Wall-to-wall
Central	Septic system	Built-in
Attic	In-ground	Wiring upgrades,
Floors, walls	New roof	Central
Pipes	Heating,	Satellite dish

Understanding Appraisals

Q: Is there a difference in an appraisal value that was ordered for a refinance and one ordered for a purchase?

A: Both purposes should be based on market value, and should be the same whether ordered for a refinance or for a purchase.

Q: Explain why my refinance appraisal - 12 months ago came in at $200,000, and now that I am planning to sell, the new appraisal comes in at $175,000?

A: Appraisals are based on current market conditions and recent sales comparisons of other homes in your immediate neighborhood.

Q: I am thinking about finishing my basement. How much will it increase my value?

A: In most neighborhoods, finishing the basement may not increase the value as much as the cost to do the improvements. For instance, if it will cost $20,000, it might only increase your value $12,000. It is a good idea to hire an appraiser and obtain a "subject to" the improvements appraisal, if you are concerned about the investment. If you plan to live in your home for several years, then the value may be in your enjoyment of the finished basement.

Q: I have a lovely sunroom and the appraiser did not consider it in my square footage. Why?

A: I am guessing that the room does not have A/C and heating. To be considered in the gross living area (GLA) a room must be heated and cooled. The appraiser should have given you credit for the room in a different area of the appraisal.

Q: There have been several low sales in my subdivision recently. I need an appraisal to be the highest number for my refinance. Can sales be used in the subdivision next to me? It is within a mile of my subdivision.

A: An appraiser cannot ignore sales within your <u>own</u> subdivision as that is the best indication of your value. Basic rule of real estate . . . location, location, location.

Q: Does being in a swim/tennis neighborhood increase my value?

A: Swim/tennis communities are very popular in the market. Typically a home in a subdivision with amenities will sell for more.

Q: How would installing a lovely swimming pool costing $30,000 effect my home's value? It is worth about $250,000 presently.

A: A swimming pool is almost never a good investment. There would be little or no increase in the value of your home. In reality when you are ready to sell, it could make it more difficult to sell. Most buyers do not want the cost, liability and upkeep that comes with a swimming pool.

Q: You said almost never. When would it be a better investment?

A: Many luxury home buyers ($1,000,000-plus) expect a private swimming pool.

Which backyard improvements pay off?

Creating an outdoor retreat can be a worthwhile but costly venture. So make sure your money is well-spent on features that add the most value to your property. When it comes to backyards, a couple of lawn chairs and a portable grill just don't cut it these days. But if you decide to make a significant investment in landscape, it won't look as good if you don't have a proper irrigation system and your investment will erode. Best to install the irrigation system before the landscaping. So, which features add value and which ones don't?

Covered patio - adds value. There's no reason to have a great outdoors without an area to sit and enjoy it. For a patio to add value, though, it's got to be more than a concrete slab. Pavers that come in a variety of styles and colors are a good choice and patios should be covered to provide shade or protection from rain - otherwise, you might be wasting your money.

Kitchens - add value. Somewhat pricey, but you can have a refrigerator, grill and sink installed to cook and dine al fresco. Why not have it all outside where cooking is part of the process of entertaining?

Fireplaces - luxury item only. The outdoor fireplace, as well as the firepit, is a relatively new trend and is growing in popularity. Portable firepits are a cheap way to create a cozy outdoor setting while actual built-in fireplaces can cost $8K to $35K. Although beautiful to look at, aren't that functional.

Swimming pools - questionable value. Pools are one of those features that can be both functional and aesthetic and add value - or detract, depending on the type of pool and type of home buyer or owner. Custom made/in-ground concrete always adds the better value.

Water features (such as a pond or waterfall) also are somewhat questionable as to whether they add value. They are popular and initially have a high level of value but are expensive to maintain. They usually aren't worth the money you have to put into them because 50% are abandoned or ignored after the first four years.

Bottom line: If two similar neighboring houses were for sale and one had a great landscape design, that house would sell faster! However, you won't get a return on your investment if your property is the only one in the neighborhood with the outdoor fireplace and kitchen, waterfall, custom-made pool and spa.

Source: Jacon Cupp, co-founder of design/build, landscape company Highland Outdoor of Olathe, KS.

Deferring Taxes . . .

On Gain from the Sale of Real Estate

The question arises, "How can I postpone paying taxes on the profit realized from selling real estate?" The answers to that question are found in IRS Code section 1031 which is commonly known as a **1031 Tax Deferred Exchange**. Ronald L. Raitz of REES (Real Estate Exchange Services), one of the foremost experts as an intermediary for 1031 Tax Exchanges defines them as "a method by which one qualified property can be sold and another property acquired without having to pay any tax." Raitz goes on to explain that:

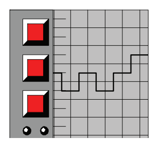
"Exchanges are executed either simultaneously or on a delayed basis... The vast majority of exchanges today are done on a 'delayed' basis with the assistance of a qualified intermediary. The use of a qualified intermediary is known as a safe harbor technique that when used correctly can make exchanging appear as easy as selling one property and buying another property."

How does a 1031 Tax Exchange work? A basic example would be a Taxpayer owns land in Fulton County, and is offered a price he/she cannot refuse on this land. The Taxpayer purchased this property for $1 million dollars. The current value of the Fulton county land is five million dollars. To delay the taxes on the $4 million dollars gain, which is the difference between the acquired price ($1 million) and the contract price ($5 million), the Taxpayer at closing has the proceeds from the sale of the Fulton county land transferred directly from the closing attorney to a Qualified Intermediary (QI).

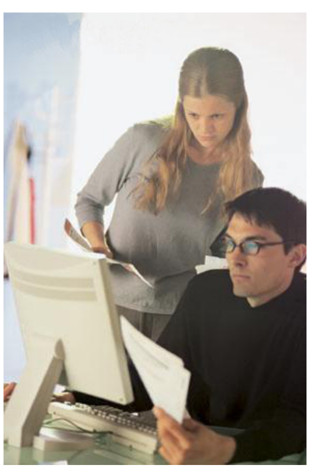
At this point our Taxpayer has 45 days to notify the QI in writing of a "like kind" or similar property to purchase with the gain from the sell of the Fulton county land. After a replacement property is determined, the Taxpayer has no longer then the earlier of "180 days from the date on which the taxpayer transfers the relinquished property (the Fulton county land) or the due date for the taxpayer's tax return for the tax year in which transfer of the relinquished property occurs" to purchase a replacement property. Time lines and definitions within the IRS code can be very tricky and subject to interpretation; therefore, it always advisable to contact an authority like REES or Old Republic Exchange Facilitator Company before you even begin the process of a 1031 Tax Deferred Exchange. However, if conducted correctly a 1031 can be a great way to defer taxable gain realized from the sale of real estate.

Source: Neel & Robinson Attorneys at Law, LLC - 404.459.9600 - www.neelandrobinson.com

Improving your . . . Credit Score



Here are some helpful suggestions you may consider in the coming months as you prepare to buy a new home or refinance your current one:



1) Do not take on any new debt. New accounts typically have a negative affect on your credit score.

2) Make all your credit payments on time since credit bureaus weigh most heavily on your recent credit payment activity.

3) If you have credit cards or accounts you do not use, then close those accounts. You can contact them via phone or mail. Too much "available credit is viewed negatively. If choosing between two credit cards, close the newest account and keep the longer established account open.

4) If you have a credit card with a low balance but a high available balance, request that the creditor reduce your maximum available balance. i.e.: If you have a credit card you normally carry a balance on of $1,000, yet you are
allowed to charge as high as $8,000, it is better for you to have the creditor drop the maximum available credit to $3,000.

**Note: It is important NOT to carry a balance close to or equal to your available limit.

5) Do not let anyone pull your credit report in the coming months. i.e.: Multiple mortgage companies, automobile dealerships, or other creditors. Multiple inquiries on your credit report could reduce your credit score.

Doing the above items should improve your credit score, making you a better credit risk and allowing us to get you approved easier and will entitle you to get the best interest rates available on the market.