In the Loop Realty Newsletter

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Amerival

Your One Stop Valuation Center

PAY THE MORTGAGE OR THE CREDIT CARDS??

by: Albert M. Cerone, IFAS, FELLOW

MORTGAGE PAYMENT VS CREDIT CARD PAYMENT- Bob Bottone, a one time member of Amerival who moved to N. Carolina but still can help us all, sent this info for us. One would think that most Americans would do nearly anything to protect and keep their homes. In these times many are faced with delinquencies and foreclosure and are forced to make hard decisions. The quandary you ask? What quandary, pay your mortgage, Right? Wrong! A mortgage & financing counseling service found that many people coming for assistance, are revealing that they are paying their credit cards but not their mortgage payments. WOW!! Well, maybe not so wow. The thought process is the loss in value of so many houses in many marketplaces throughout the United States has been quite dramatic. Couple that with adjustable rate or no interest mortgages coming due, there is no equity remaining in their primary investments, their homes. So, in order to preserve the availability of cash if needed, it makes more sense to them to pay the credit cards on which they can draw down, while their houses are no longer a source of funds if needed. Worse, it actually makes sense to a degree. By the way, Bob Bottone's former full time partner, Bob McCook is still part of Amerival. Bob is an auctioneer for both real estate, business equipment and personalty. Many of our attorney and accountant readers could well use his services. Just contact us at 732-286-3000.

COLLEGE COSTS- Not all of us can be glib when thinking or discussing upcoming college costs, as typical costs are commonly between $30,000—$75,000 per year now. In 10 years that cost could rise substantially. Well, there are four possible means of saving for college expenses. One is a 529 Plan which is a savings or prepaid plan in which the donor is in control of the funds and determines when the beneficiary shall receive the funds.

Another is via savings bonds which encompasses EE and Series I bonds. Denominations run from $50 to $10,000; and remain in the name of the purchaser. These funds avoid income tax on earned interest if spent on tuition or college fees.

A third method is the Coverdell originally known as Education IRA's. These are savings which can be established at any financial institution and managed by it. The advantage is it can be used for any type education, not just college and the accepted reasons for payout are broader than the others.

The last is a Custodial Account which is similar to a Trust Account. In this scenario the child becomes the immediate owner of the asset established (i.e. cash) when same is deposited. However, the depositor may retain control or place it in another's hands. An age for payout and reasons can be established.

These four methods of preparing for college expenses set forth here are for advisement *only*. I strongly urge you seek the assistance of professionals such as Alan E. Meyer, CPA of Hutchins, Farrell, Meyer & Allison, P.A who can be reached at 732-240-5600 or Thomas Froehlich of Froehlich Financial Group in Spring Lake Heights is a nationally recognized financial wealth planner and can be contacted at 732-974-3770. Time and space precludes me from naming others. I recommend those with whom I have a rapport and am confident of their credentials. I have had conversations with both gentlemen named about this issue and believe they are more than merely qualified to provide professional assistance. ***CON'T***

Courtesy of

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ON THE LIGHTER SIDE–

Some interesting questions that cross all our minds at some point.

WHY *do banks charge a fee on "insufficient funds" when they know there is not enough money?*

WHY *doesn't glue stick to the inside of the bottle?*

IF *people evolved from apes, why are there still apes?*

IS *there a day when mattresses are not on sale?*

WHY *do they use sterilized needles for death by lethal injection?*

THE *statistics on sanity indicate that one of every four people suffer from some sort of mental illness. Think of your three best friends. If they're alright, then its you that has the problem.*

EXISTING HOME SALES-

Following are the statistics for September 25th from the NAR.

Year		Existing Home Sales	Single Family Sales	Condo/Co-op Sales
2004		6,778,000	5,958,000	820,000
2005		7,076,000	6,180,000	896,000
2006		6,478,000	5,677,000	801,000
		Seasonally Adjusted Annual Rate		
2006	Sept	6,230,000	5,460,000	774,000
	Oct	6,270,000	5,520,000	752,000
	Nov	6,250,000	5,490,000	756,000
	Dec	6,270,000	5,500,000	768,000
2007	Jan	6,440,000	5,670,000	769,000
	Feb	6,680,000	5,880,000	800,000
	Mar	6,150,000	5,350,000	800,000
	Apr	6,010,000	5,240,000	770,000
	May	5,980,000	5,190,000	790,000
	Jun	5,760,000	5,020,000	740,000
	Jul	5,750,000	5,000,000	750,000
	Aug r	5,480,000	4,790,000	690,000
	Sept p	5,040,000	4,380,000	660,000
	vs. last month:	**-8.0%**	**-8.6%**	**-4.3%**
	vs. last year:	**-19.1%**	**-19.8%**	**-14.7%**
	year-to-date:			

Clearly, the housing market is in trouble. A review of the statistics reflect that 2005 was the spike upward year. And, contrary to the belief of many who profess to be experts, 2006 was not a continuum of the 2005 trend. It does conclude that there is was little vacillating in sales activity throughout the last half of 2006 which led many to believe that the downward spiral was ending…..quite shortsighted! Single family sales are down nearly 20% from this time last year and the worst is yet to come. According to some, the Spring of 2008 shall have an abundance of adjustable rate mortgages due. However, it was anticipated that the last quarter of this year has a preponderance of mortgages due. Regardless, there is more to come. The feds, Fannie Mae, Freddie Mac and the FHA are trying desperately to develop means to avoid a plethora of foreclosures. The advice given now is for those anticipating a mortgage repayment problem to contact their lenders before they become delinquent in payments. It is suggested that many lenders will work with their mortgagees in "*re-writing*" their mortgages. Some suggestions attorneys, accountants and real estate people can make to their clients whom they helped finance or refinance their properties are based on the *re-write* possibilities. They can re-cast and begin their 30 year fixed loan again. They can make a lump payment now before the problem starts and have it applied to a future missed or short payment. They can re-cast their mortgage for a 40 year term or possibly while their credit is good they may be able to secure a lower interest loan. The primary key is to contact the lender **"BEFORE"** the problem begins.

IGNORANCE IS BLISS??- A recent study contained over 1,000 interviews to determine just how informed the general American public is concerning the mortgages on their homes. The result is quite scary. 34 % of those polled didn't know what type of mortgage they obtained on their home. If you add that to the 6% of those with adjustable rate and interest only loans it comprises just less than half the people. Of course who knows how many of the remaining 57% who believe they have fixed rate mortgages truly don't. The results supports those who have blamed the public itself for the present mortgage debacle. Scary, right?