



Still time to get an FHA loan before new rules go into effect

If you are on the fence about buying a home and financing it through the FHA, it would be a good idea to go forward with the plan right now. The curtain is closing on easy qualifying and low down payments.

Changes are in the works at the Federal Housing Administration. They have to make plans to reduce their present number of loan defaults and fraud. An estimated 116,000 FHA loans will lead to foreclosure in 2010 and another 108,000 are in foreclosure right now.

The new rules won't be finalized until FHA determines how to make them in a way that weeds out the most problematic borrowers, while ensuring that qualified people will not be inadvertently shut out.

On December 2, Housing and Urban Development (HUD) Secretary Shaun Donovan testified before the House Financial Services Committee. HUD insures the FHA loans. He outlined the tougher rules they want to impose on borrowers.

- * Down payments will rise to 5 percent from the present 3.5 percent minimum.
- * Qualifying credit scores will rise from the present minimum of 500, but how high the minimum score will be has not been determined. Those making a minimum down payment will need a higher score.
- * Sellers will be able to provide only 3 percent of the home's cost as a contribution to closing costs, as opposed to the 6 percent contribution they could now make.
- * There will probably be higher prices for mortgage insurance.

Some members of the committee wanted FHA to institute risk-based pricing, which would allow them to charge more for high risk borrowers.

That's the story right now. In the future, when the rules are sorted out, qualified buyers will still be able to get an FHA loan. It will just cost them more.

FHA says that if buyers put up more up-front cash, they will be less likely to walk away from their mortgages.



401(k)s are looking better

Check your investments and you'll find a surprise. When the stock market average went over 10,000, your 401(k) could be worth more than it was two years ago when the market was at an all-time high.

At Vanguard Center for Retirement Research, a late 2009 look at Vanguard's 3.5 million 401(k) and other retirement savings accounts found that 60 percent of balances were either about the same as in 2007 or they were higher than they were two years ago.

How much your account has grown depends on whether you continued to invest and how diversified your portfolio is. The study showed that some accounts were still down by 10 percent, but that was still an improvement over what the value was in previous months.

Protect your pet from dog-nappers

The American Kennel Club reports that dog theft is not an unusual crime. State legislatures are taking the matter seriously. In Texas, the legislature is considering making pet theft a felony. California and Delaware have tried to regulate roadside pet sales, where stolen pets are often sold.

Some dog-nappers aim to collect a ransom. One California woman paid \$10,000 for the return of a dog taken from her parked car. Other thieves want to make money selling the dog or may want to keep the pet for themselves.

Here are some tips to help you avoid pet-nappers:

- * Don't leave a dog unattended in the yard for long periods, especially if the fenced yard is visible from the street.
- * If a stranger admires your dog during walks, don't answer questions about how much it cost or tell where you live.
- * Never leave a dog alone in the car even if it's locked. It's an invitation to thieves.
- * Don't tie your dog outside a store. Either shop at a store that allows pets to come in or leave the dog at home.

If your pet is missing, check with animal control. Dogs should have an identification on their collars or on a microchip. Immediately file a police report and distribute a flyer with a recent photo of the dog.



Ask the expert

Q & A on \$8,000 or \$6,500 home buyer tax credits

We've had many questions about the legislation signed on November 6. It provides a \$6,500 tax credit for some homeowners who buy another home. The law also extends the \$8,000 tax credit for first-time home buyers.

Some of the things prospective buyers are asking us:

Q: How do I qualify for the \$6,500 credit?

A: It's available for home buyers who sign a binding contract on a new or existing home by April 30, 2010 and settle by July 1. The deadline also applies to the first-time home buyer credit.

You have to have lived in your present home for five consecutive years out of the last eight, and the new home has to be your primary residence.

You don't have to sell your present home. You can use it as a second home or a rental and still claim the credit.

Q: Does the home I buy have to be more expensive than the one I own?

A: No. You can use it to downsize, which makes it attractive to seniors who want to sell their family homes.

Q: I'm a homeowner and would like to build a new house. Can I get the credit?

A: Yes, but your builder will have to move pretty fast. You can claim the credit as long as you have a binding contract in place by April 30 and close by July 1. But for a new home, the closing date is the day you move in.

Q: We have a rental home we would like to sell to our son, who never owned a home. Can he get the \$8,000 credit?

A: No. The purchase can't be from a related party such as a parent, grandparent, child or grandchild.

Q: I bought a home on April 10, 2008 and claimed the \$7,500 buyer's credit, which must be repaid over 15 years. Did the new law change that rule?

A: No: The \$7,500 credit still has to be repaid. The \$8,000 credit only applies to homes bought after December 31, 2008.

Q: I sold my home this year and have been renting. Do I qualify for the \$6,500 expanded credit?

A: Yes, as long as you meet all of the other requirements.

Black bean chili, a hearty winter dinner

Dispel the myth. Chili is not a native Mexican dish and far from the fare of the South American country Chile.

Most early references referred to "chili con carne" or meat stew. Some legends trace it to a Spanish nun who came to the New World in the 17th Century, while others say it was brought to San Antonio, in 1731 by settlers from the Canary Islands.

Chili has evolved in many forms and has spawned cook-offs everywhere from county fairs to national festivals. Except for meat-less recipes, all have two things in common, meat and some form of peppers.

Mary "Mom" Unser, matriarch of the famous auto racing family, made hers with shredded pork, Vodka, and large cans of jalapeños. Many varieties are topped with items like cheese or poured over spaghetti as a topping.

The recipe below uses Louisiana hot sauce in place of the traditional chili powder. (Add the hot sauce and pepper to suit your taste.)

Quick black bean chili

1 pound ground beef chuck,

turkey or chicken

1 medium onion, diced

1 14-15 ounce can

chili-ready tomatoes

1 14-15 oz. can beef broth

1 14-15 ounce can

black beans

1 teaspoon

black pepper

3 tablespoons ketchup

10 dashes Louisiana hot sauce, Tabasco, or small can of peppers

Salt to taste

In a large, deep skillet or wok, brown the meat and onions, adding the salt, pepper and hot sauce.

Add the beans, tomatoes and broth and simmer on low for about 45 minutes stirring from time to time.

Serve with crackers as a main course or in a cup as a soup course. The mixture freezes well and still tastes great as a leftover.



Qualifying for the medical expense deduction on 2009 taxes

The medical expense deduction has been one of the least-used tax breaks because it allows no write-off for the first 7.5 percent of adjusted gross income.

This year could be different for the 16 percent of the workforce who have been unemployed for part of the year or were underemployed. While their year's income was lower, their out-of-pocket medical expense may still have been high. Every tax deduction helps.

* Health insurance paid with after-tax dollars is deductible from taxable income, including COBRA and Medicare Parts B and D.

* The deduction covers a wide range of expenses including eyeglasses, hearing aids, contact lens solution, physical therapy, acupuncture, home health care and dental work.

* Travel to doctors' and dentists' appointments and treatments is deductible at 24 cents a mile for travel by car or the actual expense of other travel.

* Medical expenses must be paid this year with after-tax dollars or a credit card.

* Home modifications, such as air conditioning for a person with allergies or a swimming pool for physical therapy are deductible.

* The cost of programs to treat alcoholism, stop smoking and lose weight may also be deductible.

* You can't deduct the cost of cosmetic surgery, hair transplants, gym memberships or spa treatments. The cost of over-the-counter drugs is not deductible.

Note that, unlike a tax credit that counts dollar-for-dollar against taxes you owe, the deduction simply reduces the amount of your taxable income.

For more information, see IRS Publication 502 at www.irs.gov.

Quote of the Month!

Believe that problems do have answers, that they can be overcome, and that we can solve them.

Norman Vincent Peale



"I'm sure they don't think you're really a bad kitty...just a kitty that sometimes does bad things."



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