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THE BOCA BEACH REPORT

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*Privileged
information about
your real estate*

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*This publication is not
a solicitation but is an
information service from
this real estate office.*

Time To Remodel – Or Sell

You are outgrowing the home. You need a real office instead of the kitchen table. The kids are fighting it out over closet space.

Is there a solution? Should you improve the home or move to another?

When you answer four primary questions, it is a good place to start in the dilemma. If you are happy with the current neighborhood and school district (usually the top two priorities), answer the following:

1. How long did you originally intend to remain in the home?

If you might move, it makes no financial sense to pour money into a house when you are going sell it. Also, if you have ever lived through a remodeling project, you know of the upheaval in your life during the construction.

If you are not thinking of moving, be sure to complete the thinking brought up in the following question before starting a project.

2. Can you recover the cost of improvements when you sell?

An appraiser or real estate agent can show you comparable properties (comps) of recent sales to determine how much, if any, the improvements will increase market value. Often, improvements do not add to market value. Do you want to go through the grief of remodel-

eling, only to lose money?

3. Are improvements, if you make them, compatible with the surrounding homes?

Making expensive additions to a house that is old and old-fashioned makes little financial sense.

It is more difficult to recover the expense of home improvements if they are not similar in style and design to the existing home. Before starting anything, make sure you check the setback requirements for construction on rear and side lot lines. The local zoning laws may not allow the changes you want to make.

4. Could your changes over-improve the house?

There are some additions that aren't welcomed by certain buyers.

A swimming pool is an example. More people shy from it than are attracted. A remodeled master suite in a third-floor area might be undesirable if the prospective buyer was retired. If you look to the future – who will the next buyer be? Will anyone want the home after you have remodeled?

Certainly, asking yourself these questions you may not have all of the information to give you a final decision. But they will help to get you focused on solving your homeownership needs in an organized and cost-effective manner. ❖

The Untapped Wealth In A Home

There are retired people all over the country who are receiving a retirement income that is less than they would like. Many of these couples own a home that is free and clear of loans or nearly so. They often struggle along on a very small income when they literally have untapped wealth all around them in their home every day. There are ways of using this home equity for additional income monthly for life.

Parents Sell To Children

Here is a transaction that we heard about recently. It was a solution that a tax planner proposed for an older couple and their children.

The retired parents needed cash so the tax planner suggested that the children buy the parents' home from them on an installment basis and then lease it back to them at fair market rent. The parent's gain will probably be sheltered from tax by the \$500,000 exclusion for home-sale profits available to persons in the 1997 tax law.

The transaction can be structured so that the installment payment is higher than the rental payments the parents make, giving them extra cash income each month. The children can afford to funnel the extra money to the parents because of the possible tax benefits received from the property.

There is an extra bonus because the parents' estate tax liability is cut because the house is removed from the estate.

Another suggested strategy had the parents giving the house in trust while retaining the right to live in it. This could be possibly done at a low gift-tax cost, and it removes the house and any future apprecia-

tion on it from the parents' taxable estate.

Reverse Mortgages

The Federal National Mortgage Association, known as Fannie Mae, is offering "reverse mortgages," which enable senior citizen homeowners to convert the equity in their homes into income.

The "Home Keeper Mortgage" is available to over 80% of older Americans who own their home, according to a spokesman for Fannie Mae.

"With staying in one's own home a major goal for older homeowners, the Home Keeper Mortgage can provide crucial funds for a senior who may wish to remain financially independent," he added.

The reverse mortgage is an adjustable-rate loan that allows seniors to borrow against the value of their home. The amount available depends on the number of borrowers, their ages and the value of their homes.

The funds are available for most personal financial needs, such as health care, home repair or a monthly income supplement. The difference between this and a traditional home equity loan is repayment would not be due until the borrower died, moved, sold the property or transferred title to another individual.

A borrower also could not be forced to sell or vacate the property to pay off the loan, even if the total of mortgage payments plus interest exceeded the value of the home.

If these types of ideas could fit your situation, be sure to discuss it with your own tax planner and attorney before taking any action. ❖

Trade-In Agreement For New Homes

When a homeowner wants to move to a new home but does not have the cash needed to make the purchase, a trade-in agreement can help to use the equity in his present home to provide a down payment. The other party in the trade (usually a builder) takes the homeowner's property as an aid to selling the home.

There are builders of homes in tracts for sale on speculation now in some parts of the country. They must be a little more creative in their thinking about selling the "product" for sale than a homeowner who has just one home for sale at one time.

When we think about a trade-in, the automobile comes to mind. Everyone is familiar with the transaction. Keep that in mind, for the trade of a home is not too different.

There are three kinds of trade-in agreements—outright, contingent, and guaranteed.

The Outright Trade-In. With this agreement, the builder buys the homeowner's home outright. The homeowner now has the cash for the down payment on the new home. From the homeowner's point of view, this is the closest to an exchange, since the sale of the old home and the purchase of the new home are completed at the same time.

Builders may make use of the outright trade when they are prepared to carry an inventory of houses and are familiar with the financial arrangements that have to be made.

The Contingent Trade-In. This works like the combination of an option agreement on the old



(continued)

home and a conditional sale of the new one. Both of the contracts of sale are executed at the same time, but the contract for the sale of the new house is conditioned upon resale of the old house within a designated period, such as 90 days. If no resale can be made by the builder before the end of that period, both of the contracts are canceled. This transaction requires no capital investment by the builder, and requires that both parties be willing to tie up the properties for the option period. The builder might limit his obligation to keep the property available by a provision that the conditional contract can be terminated at any time with a 10 day notice.

The contingent trade-in can be a good tool for a builder who has a number of unsold new houses

in his inventory.

The Guaranteed Trade-In. This may be the most used trade-in arrangement, since it combines the best features of the other two. The builder has a limited time to sell the present home at an agreed-upon price. If he sells within that time, the homeowner receives the entire price the builder received. If the house is not sold, the builder buys the house at the agreed-upon price which is somewhat lower than what a third party might be willing to pay.

With this plan, the homeowner is assured of a minimum price for the old home by the time that he must take title to the new one. The builder only assumes a conditional obligation, which, in most cases, he will not be called upon to fulfill. ❖

Let The Experts Help You Sell Your Home

When you are ready to list your home for sale, we will assist you in the same way that we assist and counsel the buyer. Since we represent buyers and sellers in our transactions, when you are ready to sell, remember there's a prospect for your home. We work closely with our other office associates to make available a list of pre-screened prospects. These are not lookers, but serious persons interested in buying a home.

We Know The Territory

It is our job to know the community in which you live. We're familiar with zoning codes, schools, churches, shopping, transportation and other pertinent information important to prospective buyers. This expertise goes a long way towards making the sale.

An Unemotional View

That is what is needed between buyer and seller. We have no ties to the property and can objectively answer all questions from the buyer regarding value and condition of your property.

We are experts at marketing and selling property. It is our only business. We know how to best market a particular piece of property in order to bring top dollar to you, the seller. We can give suggestions on how to make your home more attractive, more salable to those prospective buyers.

Some Things To Think About

When you are selling a home, you do not just put it on the market without some kind of a pre-marketing fix-up. A few people put a neglected

home for sale "as is" but this is rare. Whether it is a complete remodel and upgrade or just a thorough cleaning, there should be some preparation.

Most everyone has heard all of the hints about the gardening, the painting, fixing faucets, etc., so here a few hints that you may not have thought about.

- Add a window or a skylight to a dark room. If you do not want to cut holes, at least add a new light fixture.
- Home offices are hot. Why not show one of the bedrooms furnished as a home office.
- Use closet organizers. They give up to twice as much usable space. Most important, they make the space look larger.
- Get rid of the "pack rat" look in any room by removing excess furniture. A room packed with furniture looks smaller than it is.

Consider hiring a stager to enhance the look of your home.

- Visit the "open houses" that our office holds for our "for sale" clients. We will be glad to go over various rooms with you and show you what is right and wrong about a home being shown.

Closing The Sale

We assist the buyer and seller in the necessary paperwork, and with other professionals, will help guide you through the proper execution of title evidence and other necessary documents. We're specialists in all phases of selling, then closing the transaction. ❖

The Comparative Market Analysis

Are you thinking of selling your home? Do you know what the selling price should be? You know exactly how much you paid when you purchased it. If you have lived there long, the possible present value may be questionable in your mind. If some of your neighbors with similar sized homes have sold over the years, you might know their asking price and maybe even the final selling price for some. It is so critical to get the right asking price when a home is listed that you need the most expert assistance.

When we meet with you to market your home, we introduce you right away to a priceless document - the comparative market analysis (CMA). It shows you in black and white exactly what homes like yours have sold for and what your competition is. Together, we will use the CMA, among other tools, to determine an asking price for your home and compare it to others which are on the market. In this way, we determine the highest possible asking price.

With a CMA we can give information such as number of bedrooms and baths, approximate

square footage, size of major rooms, amenities such as fireplaces and pools, age of the home, property taxes.

In order to estimate a selling price accurately, the CMA must include homes that are currently for sale and those which have recently sold. We can go back in time as long ago as a year or a month or as recently as a week ago. **The more recent, the more exact.** The CMA covers similar homes like areas as narrow as one or two streets surrounding your home, or as broad as an entire subdivision, or several subdivisions. These comparisons will give the agent and the owner a price per square foot of homes sold that will help them to set the best asking price.

The CMA is also a buying tool. When the listing agent furnishes a copy to the agent of an interested buyer, it can give that buyer confidence that the price that is being asked is right. The buyer can use it to find reasons to either choose or eliminate the home. With enough information, a favorable decision can be made, quickly. ❖

Your Real Estate Brokers

How can we be of service to you? When you are buying or selling a home, of course. At other times, we can handle property management for any properties you might own. Let us help in determining the value of your home, anytime you need to know.

Call this office when you need services of an expert in this community's real estate. We have the records of all properties for sale at all times. Today's interest rates, availability of loans, and any other financial information that can affect your property is as close as your phone.

Keep our newsletter as a file of useful real estate information and to remind you to call us whenever you need "Professional Service".



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