

REAL ESTATE

Make the most of your home investment

AD / SPONSORSHIP

Ask our broker



How Much Financial Info Must We Disclose to Purchase a House?



Q: We're looking to purchase a property and intend to pay cash. In the past we have allowed the seller's agent to look at accounting documents that verify our net worth. We think this is a mistake because it lets the seller know our total financial condition and therefore weakens our negotiating position. What's an acceptable way to communicate financial solvency in a cash transaction without giving strangers information they don't really need?

A: There are things that sellers need to know and things that should be private. In such situations you need to provide evidence of your ability to buy the home, not your total financial capacity. So, for example, if the money is in an account with a stockbroker or bank, show only relevant statements for those accounts.

Q: We're trying to sell our house. The homeowners association of our sub-division has filed a suit against a homeowner for the removal of a children's temporary, inflatable above-ground pool. Many homeowners are against this action because it's going to cost the association a lot of money. It's also going to cause a rift between homeowners. Am I required to disclose this action to prospective buyers? Is it going to impact the sale of our home?

A: Follow Miller's disclosure rule: When in doubt, spell it out - in writing. The cost of litigation could lead to a "special" assessment and raise association insurance costs, results that might concern buyers.

This type of situation can raise strong feelings on both sides. Rather than going to court, perhaps the warring parties can agree to a quick, binding and inexpensive resolution through the American Arbitration Association.

Q: We're retired Air Force officers considering the purchase of a \$280,000 home. We'd like to go with a 15-year mortgage, but have had difficulty getting solid, impartial advice on the pros and cons of a 15-year versus a 30-year mortgage. Which do you suggest?

A: Different sorts of loans work for different borrow-

See **ASK OUR BROKER**, Page 2



Inspection time: To get the most from your home inspection, ask questions, check references and accompany your inspector. "Pretend you are looking for someone to do open-heart surgery," advises Tom Kraeutler, host The Money Pit Home Improvement Radio Show.

How to Hire a Domicile Detective

BY CHARLES SCUTT
Content That Works

You wouldn't just buy a used car without looking under the hood first and taking it for a test drive. Considering that a home purchase is one of the biggest investments you'll ever make, it's only logical to enlist the help of a professional home inspector before claiming a resale residence.

A qualified, experienced inspector can identify problem areas - inferior building materials, deteriorating systems and materi-

als, hidden pests, faulty workmanship - and offer the buyer some protection from making an unwise purchase or paying too much for a home.

"Even though you may feel that you're opening Pandora's box, it is extremely important to read between the lines, peer behind the walls and check out every system in your future home," says Jonathan Nicholas, the Indianapolis-based regional director for RE/MAX of Indiana. "Consider some of the items a good inspection report can uncover, including the remaining life of the roof and

major heating/air systems, the existence of termites and wood rot, safety code violations, fire hazards, energy waste and previous repeated repairs."

A home inspector can be found by checking the yellow pages or via referral from other homeowners or your real estate agent.

Many experts also encourage consumers to choose inspectors who are members of the American Society of Home Inspectors (ASHI). ASHI inspectors must successfully

See **DETECTIVE**, Page 2

Tag Sale 101: How to Get Rid of Stuff

BY BARBARA BALLINGER
Content That Works

Whether you're ready to list your house, pack up to move, remodel or are just plain tired of cluttered rooms, it may be time to purge. The decision to get rid of stuff is often tougher than the actual process of weeding out.

One way to make the process pleasurable and earn cash is to organize a yard sale, sometimes termed a tag sale or even an estate sale, even though someone may not have died. Such events can produce significant dollars.

Eric A. Spanitz, a management consultant in Chicago, earned

more than \$1,000 for some possessions in his first sale five years ago. His old air conditioner brought him \$50; a pair of shoes \$2. "I couldn't imagine someone buying them, but they did," he says.

How much you make often depends on the time you devote to gathering goods, cleaning and

arranging them and getting out the word. The following tips will help you make the most of your downsizing effort.

Build inventory. Although it seems elementary, you need enough stuff to generate interest and sales. For a first-time sale that can difficult to judge since you

See **TAG SALE**, Page 2

AD / SPONSORSHIP

DETECTIVE

CONTINUED FROM PAGE 1

complete two written examinations that test their knowledge of building systems and components and of the ASHI Standards of Practice and Code of Ethics. Their inspection reports are also verified as meeting the ASHI Standards of Practice, and they must perform a minimum of 50 fee-paid inspections, only becoming a full member after completing an additional 200 fee-paid inspections. To locate an ASHI inspector in your area or to take a virtual home inspection online, visit www.ashi.org.

When hunting for an inspector, "Don't shop based on price, shop for experience," recommends Tom Kraeutler, host of the nationally syndicated radio program, The Money Pit Home Improvement Radio Show. "Pretend you are looking for someone to do open-heart surgery. Making sure the operation gets done right is the most important thing."

As is true with a contractor, look for an inspector who is licensed, bonded and insured, and who has several years of experience in the field.

"A savvy consumer should not be remiss in asking for background information, just as any employer would not hesitate to ask probing interview questions," says Nicholas. "It is perfectly acceptable to ask for a list of references or for the inspector to provide a list of previous customers. A few quick phone calls to closing and title agents or real

estate firm sales managers should also give a good indication of how the inspector is perceived in the community."

To compare the services rendered to the value received, screen the inspector carefully with questions prior to hiring him, advises Reggie Marston, president of Residential Equity Management Home Inspections, Springfield, Virginia, and a regular guest on HDTV's House Detective program.

"Find out how long the inspection will take," Marston says. "Will the inspector explain how to operate the home and how to maintain it? What kind of report will you receive at the end of the inspection? Will you be able to contact the inspector after the inspection with questions that arise? And how long after the inspection can you contact the inspector without a charge?"

Be sure the person is familiar with homes in the area you are purchasing. "Ask, for example, 'What are the common types of defects you find in homes in this area?'" says Kraeutler. "A good home inspector who knows his territory ought to be able to rattle off a list immediately."

The inspection itself may take between one and four hours, depending on the size of the home and the amount of problem areas detected, and should be scheduled at a time that is agreeable to the seller.

Marston notes that you should be able to accompany the inspector during the entire inspection, except in areas where they may not feel com-

fortable going or that could be hazardous.

"A qualified, licensed and bonded inspector who is worth their fee should never turn down an opportunity to deal directly with a buyer during an inspection," Nicholas says. "Most will take advantage of the time to orientate the buyer with unusual systems, point out correct repair procedures and give general maintenance advice to their client."

"I always recommend that my clients wear comfortable clothes to crawl and climb through a house," says Marston. "I've also had a number of clients videotape the entire inspection."

It's often best to preview the inspector's checklist before the inspection begins and agree upon all of the areas to be examined, as specified in the service contract. Ultimately, be sure the inspector fulfills what is promised in this contract.

© Content That Works

TAG SALE

CONTINUED FROM PAGE 1

don't know how many people are likely to come and what sorts of items will appeal, says Sonia Weiss, co-author with Cathy Pedigo of The Pocket Idiot's Guide to Garage and Yard Sales (Alpha, 2003).

If you find it tough to decide what items to keep or what to sell, use Gayle Gruenberg's litmus test. A professional organizer in Park Ridge, N.J., Gruenberg says: "Ask yourself: Do I use it? Do I love it? If not, get rid of it or move it from prime real estate, perhaps in your bedroom closet, to a less important spot," she says.

While it's tough to know what will sell, more predictable bets are inexpensive collectibles such as pottery, furniture for people furnishing a home, and tools and electronic items for men who tag along, Weiss says. Collectors' guides can help.

Pool resources. For those who don't have enough of their own goods or want to attract a larger crowd, invite friends or neighbors to join in. Spanitz decided to organize a sidewalk sale for urban dwellers. He organized his building's first event five years ago. It's now an annual event the Sunday of Memorial Day weekend, and residents of nearby buildings participate.

Set a date. Even before you set a date and time, be sure you've checked local rules. Some areas require a permit, says Spanitz. Check yard sales in your area for popular selling days. In Minnesota, it's Thursdays and

Fridays but not weekends; in Denver it's weekends, Weiss says. Most yard-sale goers are early birds so plan accordingly. While you don't need to offer food, water in summer and coffee in winter are appreciated, Weiss says.

Organize a display. How you arrange merchandise is important, Weiss. Clean items, discard damaged objects that can't be repaired and set everything out neatly on tables, shelves or garment racks rather than on blankets on the ground. Make it easy for shoppers to browse. Avoid crowding items, label everything with a price, and ask a friend or family member to help refold and rearrange merchandise periodically, Weiss says.

Also, be sure you've cleared the area so there's nothing anyone can trip over. Have an outside working outlet and cord so buyers can test electronics.

Keep money in mind. If you price items well - and that means low enough - the volume should compensate. Check price guides for help. Since most sellers prefer cash, be prepared to make change and collect funds.

Get out the word. The greatest yard sale in the world is worthless if nobody knows about it. Place ads in local newspapers, free circulars, the Web, flyers and on signs you post. State your address, date, time, rain date and directions. Scan ads for catchy phrasing.

Recycle unsold items. Since everything won't sell, gather up leftovers and donate them to a charity for a tax deduction. Need help locating nearby charities? The IRS maintains a database of

organizations eligible to receive tax-deductible charitable donations. It's searchable by city and state: <http://www.irs.gov/charities/contributors/index.html>

Set a date for next year. Those who are successful with yard sales or regularly give items to charities suggest having boxes or bags set aside for belongings to be added year-round. Paula Jhung, a San Diego-area designer and author of *Cleaning and the Meaning of Life* (HCI, 2005), has a spare room where she keeps good "karma" shopping bags to be filled.

Bequeath what you can't bear to sell. If certain items you no longer use have such sentimental value you can't bring yourself to sell them, consider giving them to friends or family members who will appreciate them. If you think your items might be valuable, hire an appraiser to evaluate what you have and sell those goods at an estate sale or auction.

Take a short cut. Garage sales take time and effort. If the prospect of holding one seems overwhelming, decided to donate your unwanted belongings to a charity from the get-go.

Finally, stop accumulating so much. Author/speaker Sunny Kobe Cook follows a "zero-growth" plan. "For everything I bring into our home, something has to leave," she says.

© Content That Works

Ask our broker

CONTINUED FROM PAGE 1

ers. Assuming that either choice is financially feasible, the question then becomes a matter of personal preference. There are differences between 15-year and 30-year loans. The shorter loan will have higher monthly payments but a far lower potential interest cost. The longer mortgage will have lower monthly costs but a larger potential interest expense.

Suppose you borrow \$200,000 at 6 percent. Over 15 years the monthly payment will be \$1,688 for principal and interest. The potential interest cost over the term of the loan is \$103,788. With a 30-year mortgage, the monthly payment will be \$1,199 for principal and interest and the potential interest expense will be \$231,676.

Some important points: First, in addition to principal and interest you also need to consider costs for taxes, insurance, utilities, repairs and the like. Second, most loans do not last a full term because properties are sold and mortgages are refinanced sooner. Third, if you do end a loan early, you will owe much less with the 15-year mortgage because the loan has been paid down more quickly. Fourth, because it represents less risk, the interest rate for the 15-year loan is likely to be roughly .5 percent lower than the 30-year product - thus the monthly cost will be lower and the interest savings will be greater than our example shows.

Lastly, some borrowers prefer a 15-year loan but are not comfortable with the monthly payments. Instead they get 30-year financing with the right to prepay in whole or in part and without penalty. Then, as income increases over time, they make prepayments to reduce overall interest costs. If income doesn't increase, they simply have a 30-year fixed-rate loan with low monthly costs and a somewhat higher interest rate.

Q: How much value does central air conditioning add to a home?

A: There are really two considerations here. First, the answer depends on where you live. Air conditioning is a virtual requirement in Arizona and Florida but not a year-round necessity in Maine or the Canadian provinces. Second, you need to consider how the home is now ventilated. If you have a central heating system with ductwork in place, then adding central air conditioning is relatively easy and inexpensive. However, if the home does not have vents in place, then central air conditioning can be costly to install. For prices and suggestions, talk to heating and air conditioning contractors in your community and ask for references from past homeowners with similar requirements.

© Content That Works

Do you have a question or a quandary about buying, selling or renting? Peter G. Miller, author of The Common-Sense Mortgage, specializes in providing real solutions to real estate dilemmas. E-mail your questions to peter@contentthatworks.com.