

Smart Borrowing



Dean Graber
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With all the foreclosures and changes in the mortgage and housing market people are pointing fingers. Was it Wall Street, Main Street, the lenders, loan officers, banks, underwriters, etc? Basically everyone thought they could benefit. Buyers bought homes ordinarily out of reach, with the goal of refinancing into a better loan after the property appreciated, lenders and everyone associated with them profited from the additional business.

In my opinion – the best way to borrow is to take a close look at your finances, be truthful to yourself, and see what you have a history of being able to afford. Save for a reasonable down payment, say at least 5% plus closing costs (I’m suggesting you should have about 10% of the sales price in hand before even looking for a home), and work out a family budget, that is consistent with your lifestyle.

With all this said, the government is now attempting to clean up the mess we all participated in creating. Tax breaks for owning real estate are undergoing another shift, thanks to the Housing and Economic

Recovery Act recently signed into law by President Bush.

The main focus of the bill was on its provisions to stave off foreclosures and to bail out mortgage giants Fannie Mae and Freddie Mac but it also helps 1sttime homebuyers or someone who hasn’t owned property the past 3 years. For singles earning up to \$75,000 and couples earning up to \$150,000, you would get a tax “credit” of \$3750 - \$7500 for purchasing your home. There is also an increase in Nassau and Suffolk Counties on the Traditional loan limits of \$417,000 to \$625,000, helping many people obtain a better mortgage loan. Previously, the limits were increased, but the guidelines to rigid for most to get approved. NY State is also purchasing \$117,000,000 in foreclosed homes and turning them into affordable housing units.

What does this all mean to you? Just to be vigilant of your finances, and surround yourself with knowledgeable professionals when you seek advice. Do your homework, and think twice before diving into a situation that seems too good to be true.

Dean Graber
NWE - Consulting Corp.
1040 Hempstead Tpke.
Franklin Square, NY 11010
516-527-9549 - (Cell)
516-612-2471 - (office)