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Homeowner's Monthly

Practical Ideas That Add Value To Your Life ®

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Alex Bardonello of Infinity Funding says that dedcuting mortgage interest is a common practice and relatively easy to do. He warns, however, that homeowners should be aware of a few details and limitations when taking those deductions. Home equity lines, high income earners, and itemization requirements must be handled properly.

Quote Of The Month

"We are not retreating - we are advancing in another direction." - General Douglas MacArthur

Deducting Mortgage Interest The Right Way Saves You Money

If you have a residential mortgage loan on your home, how much of the interest can you claim as a deduction on your federal income- tax return?

Q: I do not understand the mortgage interest that can be used to itemize on my tax return. There seems to be a number of $100,000 that keeps being referred to as a maximum. Does that mean you can count up to $100,000 in mortgage interest payments, or you can only count interest on $100,000 worth of mortgage?

A: To see if you're eligible to claim a federal income tax break on the interest you pay on a home mortgage loan, you look at the principal amount of the loan, not at your monthly payments or at the amount of interest or principal you pay.

That's the summary. Here are some details:

If you claim the "standard" deduction on your federal income tax return in other words, if you claim a fixed deduction amount (based on your filing status, such as single or married filing jointly) you can't claim a tax break for for the interest you paid on your mortgage.

But if you "itemize" - in other words, if you list your deductions on a separate sheet (known as Schedule A) accompanying your return you generally may deduct an unlimited amount of interest.

There are some limits and other points you need to keep in mind. For example:

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Homeowner's Monthly

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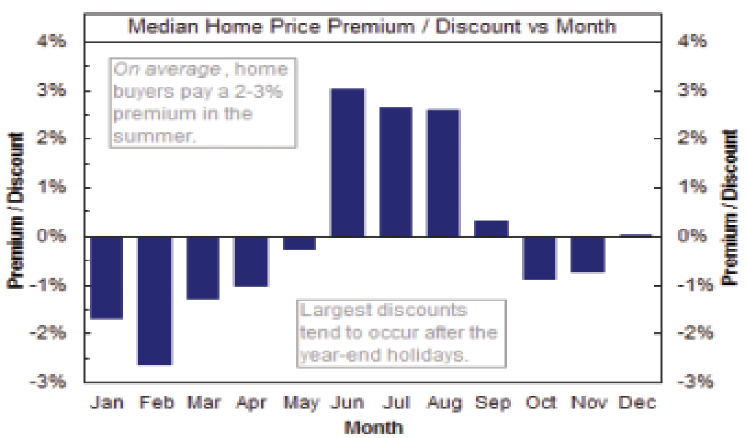
Best Time To Buy Or Sell Your Home

When is the best time of the year to buy or sell a home? Today's Chart of the Day answers that question plus demonstrates that timing your home purchase or sale could save you a significant amount of money. To create today's chart, we compared each month's 1990-2002 average selling price to the entire 1990-2002 average to determine if home prices carried a premium or discount for any given month. As the chart shows, home buyers were willing to pay a premium during the summer when the weather was generally good and the kids were out of school.



The greatest discounts occurred in February when the weather was bad, the kids were in school, and the initial tax benefits were a long way off. Also of interest is the magnitude of the variance. For example, the average selling price in June was 5.7% higher than in February. At first glance, that might not seem so dramatic but the data suggests that a $200,000 home in February could turn into a $211,400 home four months later.

Notes:
- Calculations based on inflation-adjusted median selling prices for US single-family homes.

This Month In History...

1440: Birth of Ivan III The Great, Grand Duke of Moscow. He strengthens the monarchy, makes Moscow a great power and initiates the conquest of Ukraine.

1879: About 4,000 heavily armed Zulu warriors assault British troops in the Battle of Rorke's Drift (South Africa), where 139 soldiers repel the attacks for almost 12 hours.

1996: The Galileo probe plunges into Jupiter's atmosphere and finds it windier and drier than expected, with less helium and less lightning.

(Deducting Mortgage Interest continued p.1...)

"Only interest on debt that is secured by the taxpayer's principal residence and one other residence is deductible as qualified home mortgage interest," according to Concepts in Federal Taxation, coauthored by University of Rhode Island accounting professor Mark Higgins.

* You generally may deduct all your mortgage interest if the principal amount outstanding on all your mortgage loans doesn't exceed $1 million.

Say you borrowed $75,000 to buy your first home. That's what gets counted toward the $1 million limit, not the $4,500 or so in interest you might have paid this year on that loan.

* What about interest on home equity loans? In general, that's deductible, too, (assuming the loan is secured by your home). Here's the rule of thumb: you may claim the tax break for interest you pay on home equity debt of up to $100,000.

Remember that the limit applies to the principal amount on the loan, not to the interest you're paying.

There is another limit you must keep in mind, too. It generally says that, for interest to be dedu[illegible] total debt (including loans you used to buy, b[illegible] or improve the house, plus home equity loans) can't exceed the fair market value of the prop[illegible]

How does that work? Kevin McCormally, in Kiplinger's Cut Your Taxes, explains it this way: "I[illegible] the balance on your mortgage is $100,000 and y[illegible] home value is just $105,000, then interest wou[illegible] deductible on no more than $5,000 worth of home equity debt."

That being said, it's usually a great idea to consolidate any outstanding consumer debts into a low interest rate home loan to gain a tax deduction. Your mortgage professional (see page 4) can customize a new home loan to maximize your deductions and minimize your interest.

If you're a higher-income taxpayer, there's an overall limit on how much in home mortgage interest you may deduct (whether from a traditional mortgage, or home equity loan, or both). To see if this rule fits you, find your adjusted gross income (listed toward the bottom of the cover of your tax return). In general, if your adjusted gross income for 2003 is more than $139,500 you may be limited as to the amount of itemized deductions you may claim, including home mortgage.

Articulate Content is Mortgage Broker Friendly and gives reader a contextual *Call To Action. You are featured on page 4!*

Low Rates Are Here... For Awhile

If you haven't refinanced yet, it's still not too late. Rates are still near or at historical lows. New hybrid programs give borrowers even more options by taking a 3-year, 5-year, or 7-year fixed-rate loan with even lower rates than a 15 year fixed. Call your mortgage consultant (see pg. 4) for up to date rates, and lower your payment!

+ Safety First +

Low-cost carbon monoxide detectors can save lives, experts say, and states are beginning to require them. Most people are surprised to learn that carbon monoxide is the leading cause of accidental poisoning in the U.S. It takes some 2,000 lives a year and makes many times that number sick.

Though carbon-monoxide detectors are widely availab[illegible] fewer than a third of homes have them. [illegible]d change as more states pass laws requiring [illegible]omes.

[illegible]e taking action on their own. Chicago [illegible]s, for example, have ordinances requiring [illegible]islation has lifesaving effects. Cities that [illegible]onoxide detectors have much lower [illegible]om exposure to the gas than those that [illegible]dy published in the American Journal of [illegible] Medicine. In Chicago 0.4 percent of those [illegible]ed to the gas died. In Los Angeles, 15 percent [illegible]se exposed to carbon monoxide died.

There are many possible sources such as a furnace, kitchen stove, water heater, fireplace, generator, charcoal broiler, and anything that burns fossil fuels (gasoline, diesel fuel, wood and kerosene). Protect yourself and your household. Install a carbon-monoxide detector.

Jumping-Starting Your Car: The Right Way

Jump-starting a vehicle can be very dangerous both to the person doing it and to the vehicle. Before touching a dead battery, read the owner's manual for the car first because some directions are unusual. Jump-starting improperly can cause surges of electricity through the vehicle's entire electrical system.

When working with a battery, wear splash-proof goggles. If the battery explodes, eye protection can prevent injuries from flying fragments or chemicals.

Here's how to attach the cables:

1. Connect one positive cable (+ or red) to the positive terminal of the dead battery.

2. Clamp the remaining positive cable to the positive terminal of the good battery.

3. Clamp the negative cable (- or black) to the negative terminal of the good battery.

4. Make the last connection by clamping the black or negative cable on the engine block (not on the negative post of the dead battery) of the stalled vehicle.

Now you are ready. Start the car with the good battery and then the disabled car. When finished, remove cables in reverse order.

Professor Stoxx

PICK OF THE MONTH
BioCryst Pharm. (BCRX)
With traders fleeing pharmaceuticals, BioCryst is off nearly 30% in recent trades. With so many new drugs on the horizon, BioCryst's setback is temporary. What a great way to start of 2004! Pick some up at 6.50 and look to exit north of 10.00 within the next six months.