



CNN Money

Make money in 2010: Your home

Following three years of declining home prices, the end of the nationwide housing slump may be in sight. Home sales consistently have been rising, the surplus of houses is shrinking, and most economists believe home values nationwide will hit bottom in the second half of 2010—but not before declining an additional five to 10 percent. That's good news for homeowners hoping to sell or rebuild lost equity.

MAKING SENSE OF THE STORY FOR CONSUMERS

- Mortgage rates currently are below 5 percent, and should remain low for the next few months, partially due to the Federal Reserve's ongoing purchase of mortgage-backed securities. However, if the economy quickly turns around and inflation fears resurface, rates could rise to as high as 6.5 percent, slowing demand and pushing down home values.
- According to one analyst, the market will remain tilted in favor of buyers over the next year, but that power gradually will be reduced as conditions in the housing market continue to improve.
- Buyers hoping to purchase or invest in a lower-priced, entry-level home should expect some competition from investors and other buyers. To remain competitive, buyers are advised to put down as much cash as possible, as many investors are offering to make all-cash deals. Another factor to keep in mind is that offers below listing price often are outbid by others.
- Some home sellers are postponing listing their homes until the market recovers. However, timing the market is difficult, so homeowners thinking of selling should carefully weigh their options. Congress recently expanded the federal tax credit to include some existing homeowners, but they must close before June 30, 2010 to qualify. Although existing homeowners are not required to sell their current home to qualify for the credit, those who plan to rent out their current residences should be aware that many lenders require borrowers to show they are financially capable of paying two mortgages, or show rental income for at least six months. Discretionary sellers should discuss their options with a REALTOR[®] before making a decision.

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