REAL ESTATE

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INSIDE

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U.S. mortgage rates remain low as home buying season starts

ASSOCIATED PRESS

WASHINGTON — Long-term U.S. mortgage rates stayed near 2016 lows last week, potentially good news for the housing market as the spring home-buying season begins.

The average 30-year fixed-rate mortgage edged up to 3.59 percent from 3.58 percent last week. The 15-year fixed-rate mortgage slipped to 2.85 percent, lowest since May 2013, and down from 2.86 percent last week.

The rate on five-year adjustable rate mortgages slipped to 2.81 percent from 2.84 percent last week.

Mortgage rates are lower than they were in mid-December when the Federal Reserve raised short-term rates for the first time since 2006. The Fed hike was expected to be the first of several and would push mortgage and other rates higher. Instead, weakness in the global economy has helped keep rates low.

A year ago, the average 30-year mortgage rate stood at 3.65 percent and the 15-year was at 2.92 percent.

The spring house-shopping season has gotten off to a solid start. The National Association of Realtors said Wednesday that sales of existing homes rose 5.1 percent last month to a seasonally adjusted annual rate of 5.33 million. The low rates have made it easier for buyers to afford homes.

To calculate average mortgage rates, Freddie Mac surveys lenders across the country at the beginning of each week. The average doesn't include extra fees, known as points, which most borrowers must pay to get the lowest rates. One point equals 1 percent of the loan amount.

The average fee for a 30-year mortgage was 0.6 point, up from 0.5 last week. The fee for a 15-year loan was unchanged at 0.5 point. The fee on five-year mortgages rose to 0.5 point from 0.4 point.

SOUND OFF

What are some tax implications buyers, sellers should consider?

A: As we finished our returns, many of us are reminded of just how favorable tax laws are in support of the American Dream of homeownership.

Consulting your tax professional is the best way to ensure that you will receive all of the benefits the laws allow.

If you bought a house in 2015, you are able to deduct the loan origination fees for your purchase (points paid, appraisal cost, etc.) from your tax obligation.

Prepaid mortgage interest is also allowed as a deduction on your federal tax return, as are real estate property taxes paid on both your primary residence and on a vacation home.

The federal tax code allows homeowners to deduct mortgage interest paid from their taxes due. This is especially helpful in the earlier years of homeownership when interest is the largest component of the monthly mortgage bill.

When you sell your home, you may keep $250,000 of profit if you are single or $500,000 if you are married, without paying any capital gains tax as long as you have lived in your home for at least two years.

There are so many reasons why owning a home is an excellent financial and lifestyle investment. Tax benefits are just a few.

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A: Now that home prices are at unprecedented levels, many of my sellers are concerned about capital gains taxes and determining how much money they will have to spend on their next home.

Some even reconsider moving because they are worried about having to pay these taxes. At first, I remind them that this is a good problem to have and proof that real estate is a good investment, and I also remind them that there is a $250,000 exemption for an individual and $500,000 for a couple for a principal residence (assuming they have met the ownership and use test).

More importantly, there is a new exemption waiting for them once they purchase their new home. So assuming that their appreciation (net of deductible closing and selling costs) has met or exceeded their exemption on their current home, if market values continue to rise they will owe even more capital gains tax than had they bought a new home with a reset exemption. There are closing and selling costs to consider when moving, not to mention possible changes in property taxes, so it is always best to consult with your tax specialist.

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A: It's not the tax implications that currently exist that are worrisome; it's what may be coming up around the bend. In my practice, if needed, I connect all my clients with the best experts in tax planning and, from a tax planning point of view, now is a great time to sell.

We know exactly what we're dealing with, but no one knows what will happen after the election.

At the federal level, when Congress reconvenes under the new president, they'll be looking for ways to alleviate debt.

My fear is a lot of things that affect homeowners in our area could change, including capital gains, mortgage interest deductions and 1031 exchanges, just to name a few.

So while we don't know what the future will bring, we do know what's happening now — advantageously low interest rates, a healthy local economy, shortage of inventory and plenty of tax benefits for sellers. I can't imagine a better environment for sellers than the current moment.

If you're debating between now or next year, why trade certainty for uncertainty?

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