



From the desk of
William C. Ring, President

Real Estate Newsletter

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HAPPY NEW YEAR



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Tax Break for Mortgage Debt Forgiveness...

President Bush signed into law on December 20th a new measure giving tax breaks to homeowners who have mortgage debt forgiven. Under preexisting law, the debt forgiven by a lender, such as for short sales and refinances, was generally taxable to the borrower as debt discharge income. With the passage of the Mortgage Forgiveness Debt Relief Act of 2007, a taxpayer does not have to pay federal income tax on debt forgiven for a loan secured by a qualified principal residence.

This tax break applies to debts discharged from January 1, 2007 to December 31, 2009. Qualified principal residence indebtedness is debt incurred in acquiring, constructing, or substantially improving the residence (up to \$2 million for refinances).

For purposes of calculating capital gains, any debts discharged excluded from income under the new law must be subtracted from the basis of the taxpayer's principal residence (but not below zero). However, taxpayers may generally exclude from capital gains income up to \$250,000 (or \$500,000 for married couples filing jointly) for properties owned and used as their principal residence for at least two of the last five years.

The New Math of Credit Scores...

The company that cooks up credit scores for millions of Americans is changing its recipe – and that could affect how easily you get credit in the future. Fair Isaac Corp., maker of the popular FICO credit score used by most lenders, says its new scoring model will do a better job predicting the likelihood of a borrower defaulting on a loan. For one thing, the new model, dubbed FICO '08, will be more forgiving of occasional slips by consumers, but will take a harder line on repeat offenders. Fair Isaac predicts its new system will help lenders reduce default rates on their consumer credit as much as 15%. Here is a sample of what you can expect: authorized users of another person's credit card may see their scores decline and consumers with serious delinquencies may see their scores improve if they have other accounts in good standing. Go figure!!



Please contact me anytime regarding your real estate needs or questions; commercial or residential. And, remember that the highest compliment I, or anyone, can receive is the referral of my name to your family, friends, and business associates. Thank you for your trust.

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