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## Legal Matters®

Real Estate  
spring 2013

### U.S. Government announces new rules for home mortgages

**A** federal government agency has issued new rules for home mortgages that will rewrite the way that banks decide who gets a home loan.

The rules are designed to prevent a replay of the housing crisis that resulted from a flood of easy-money loans a few years ago. However, the new rules could have the effect of tightening the availability of mortgages, at a time when banks are already being extremely strict about granting loans.

Under current law, if a homeowner defaults on a mortgage, the homeowner can potentially sue the lender for issuing a loan that the homeowner couldn't reasonably be expected to pay off.

The way the new rules work is that they give banks and other lenders a "safe harbor" – that is, they say that if a bank issues a loan that meets certain criteria (called a "qualified" mortgage), then it can't be sued if the borrower defaults.

This will create an enormous incentive for banks to issue only mortgages that are "qualified." While it's possible that some lenders will continue to issue other types of mortgages, this will be the exception rather than the rule, because lenders will be facing potential legal liability if they do so.



The new rules will take effect next January. If you're a borrower, this means that you'll have a much easier time getting a loan if you first make sure that you qualify for a "qualified" mortgage.

The most basic new rule is that a mortgage is "qualified" only if the borrower's total debt payments – including not just the mortgage, but

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## Legal Matters®

Real Estate  
summer 2012

### Buying? Selling? Refinancing? Know the tax rules!

**O**wning a home provides a lot of tax advantages. Sometimes, though, the rules can be tricky.

Here's a brief introduction to some of the many tax rules involved in buying, selling, or refinancing a home. But remember, the rules are complicated, and there are always exceptions. You'll want to consult an attorney or tax advisor to see how the general rules apply to your specific situation.

► **If I own a home, can I deduct my mortgage interest payments?**  
Yes, home mortgage interest is generally deductible on your federal income tax return on loan amounts up to \$1 million. To get the deduction, you'll need to itemize your deductions on Schedule A. For most people, this is the primary tax advantage of owning a home.

Your lender will typically send you a notice at the end of the year telling you how much of your payments were for interest as opposed to principal.

► **Can I deduct my property taxes?**  
Yes, in most cases you can deduct your local property taxes on your federal income tax return – again, if you itemize deductions.

Homeowners often pay some money each month as part of their mortgage payment that goes into an escrow account, which the lender then uses to pay property taxes. Note that the amount you pay into this account, which might be slightly different.

Some types of property taxes – such as special one-time assessments for sidewalks or sewer lines – might not be deductible. Also, condo fees and homeowners' association fees are not deductible.

► **When I buy a home, can I deduct my closing costs?**  
There are a number of different types of closing costs, some of which are deductible

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