

HOUSING

The
Portland
Observer

Starting the New Year in a new home

Fannie Mae, the nation's largest source of home mortgage funds, has worked with lenders and housing partners nationwide to help millions of families start the New Year in a home of their own.

The following series of profiles describes the experiences of different home buyers and the local lenders and institutions who helped them achieve the dream of homeownership.

These profiles are the result of efforts made under Fannie Mae's Trillion Dollar Commitment to provide 10 million low-, moderate- and middle-income families and minority borrowers with greater access to affordable housing opportunities by the end of the decade.

Robbie Allen

When Robbie Allen's husband passed away in 1993, her pension and Social Security income were reduced dramatically. A homemaker and long-time resident of Monterey Park, Mrs. Allen was forced to rely on her daughter, Denise Griffin, for financial assistance.

Her daughter soon realized that she could not afford to support herself and subsidize her mother's income. She heard about reverse mortgages and arranged to meet with Kim Hughes, a gerontologist and loan

counselor at GMAC Mortgage. Ms. Hughes reviewed Mrs. Allen's financial situation and quickly determined that a Fannie Mae Home Keeper reverse mortgage would be the best solution.

This financial tool allowed Mrs. Allen to convert the equity in her home into cash to address her personal financial needs. Through the use of the Home Keeper reverse mortgage, Mrs. Allen paid off the \$42,000 balance of her mortgage loan, eliminating her \$324 monthly mortgage payment. Now, she receives \$677 per month and has a \$20,000 emergency fund.

"I consider myself fortunate that I found out about reverse mortgages," said Ms. Griffin. "I'm sure there are many people just like me trying to help their parents but who can't really manage it financially. Now Mom can stay in her house for as long as she likes, plus she has more income and a cushion for emergencies."

Mack Johnson

Mack Johnson, a quadriplegic confined to a wheelchair, is now a first-time home buyer in Reno. Johnson was referred to the Home of Your Own (HOYO) program and U.S. Home Loans by Accessible Space, Inc., a nonprofit organization

that works with disabled clients. HOYO is a coalition of nonprofits and lenders organized by Fannie Mae (NYSE: FNM), the nation's largest source of home mortgage funds, to help disabled individuals and families purchase homes.

Johnson augments his monthly Social Security income by selling original paintings, which are done by holding a paint brush in his mouth. To help Johnson buy his home, HOYO gave him nearly \$20,000 to pay an outstanding debt and cover part of his down payment and closing costs. Johnson contributed 1 percent of the down payment from his own funds.

Johnson began the home-buying process in March, but was unable to find a home that would meet his requirements. The home Johnson finally purchased required additional modifications for wheelchair access, such as a wheelchair ramp and an accessible bathroom. These construction costs were also paid for by HOYO.

Larry and Deborah Leverett

Larry and Deborah Leverett, who are both educators, are celebrating their first holiday season following the purchase and renovation of Deborah's childhood home in Clifton,

The house had been left vacant for about a year following the death of Deborah's father, who had lived there since 1948. By obtaining a Fannie Mae HomeStyle Standard Mortgage through City National Bank of New Jersey, Dr. and Mrs. Leverett were able to finance both the purchase of the house and the cost of much-needed home improvements using Fannie Mae's innovative mortgage loan.

HomeStyle Mortgages are 15- to 30-year, fixed rate loans that allow the financing of up to 90 percent of the as completed value of the home, with the cost of the improvement limited to a maximum of 50 percent of the loan. The mortgage loan also represented a milestone for City National — the only African-American owned and operated bank in the State of New Jersey — as it originated its first HomeStyle loan.

While the Leveretts' combined salary provided for a comfortable lifestyle and a nest egg, the couple did not want to purchase and renovate the house at the expense of their savings. Mrs. Leverett, an elementary schoolteacher, and her husband, superintendent of the Public Schools of Plainfield, NJ, turned to City National.



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Tax opens homeowners choices

What do you suppose caused Ronald and Gail Dueck of San Diego to move out of their home and swap places with the people who were renting another house the Duecks owned?

Answer: a new tax law.

Last year's mammoth tax bill allows homeowners to sell property they've held for years without suffering a big tax hit. That's because of new capital gains rules that give couples a tax exemption on the first \$500,000 in profit from the sale of their home.

The old rules had allowed sellers to defer taxes on proceeds of a home sale by acquiring another home of equal or greater value.

The Duecks' rental property had accumulated substantial equity as they "traded up" from various houses since 1976. If they sold the rental under the old law, they would have faced a \$120,000 tax bill on that accumulated equity if they hadn't rolled those proceeds over into a bigger home.

But once the Duecks have lived in their rental home for two years, they will be able to sell the property and qualify for the \$500,000 tax exclusion under the new law. The law also gives singles a \$250,000 exemption for home sales after May 6, 1997. This break can be used once every two years.

"It's been tremendous what's happening here. It's kind of money from heaven," said Gail Dueck, a nurse. "This new tax law is a sweet deal."

Changes in the capital gains rules also give elderly people new freedom to sell their homes without facing a tax bite.

"A lot of Americans have known for years their choice of where they live isn't free," said David L. Gorsich, a tax specialist in San Diego. "It also revolves around tax considerations."

The major change from old law is elimination of a one-time \$125,000 exemption for people age 55 and over. Significantly, the new law doesn't require people to buy more expensive houses in order to defer taxes from sale of their existing home.

In doing so, the new law permits people to sell their home and move to a less expensive area of the country or to a smaller residence, such as a condominium.

Gorsich said this has opened up a variety of opportunities. Some workers may consider moving from California, for example, to take a job in the Midwest because housing taxes won't be a factor any longer.

"I've seen people turn down stepping stones in their career because they would have to sell their home," Gorsich said. "I see this as removing tremendous restraints on society."

Older couples could benefit greatly, Gorsich said he knows of

older couples living in homes that have substantially increased in value over the years. They would like to move out to a smaller condominium where maintenance wouldn't be such a problem, but they refuse because of tax considerations.

Similar activity exists in the New

York City suburbs, said Elliott Slott, a certified public accountant in Huntington, N.Y. In some cases, people are selling their homes for less than market price, explaining that "I would have lost it in taxes anyway." Slott said. "Real estate brokers here are eating this up."

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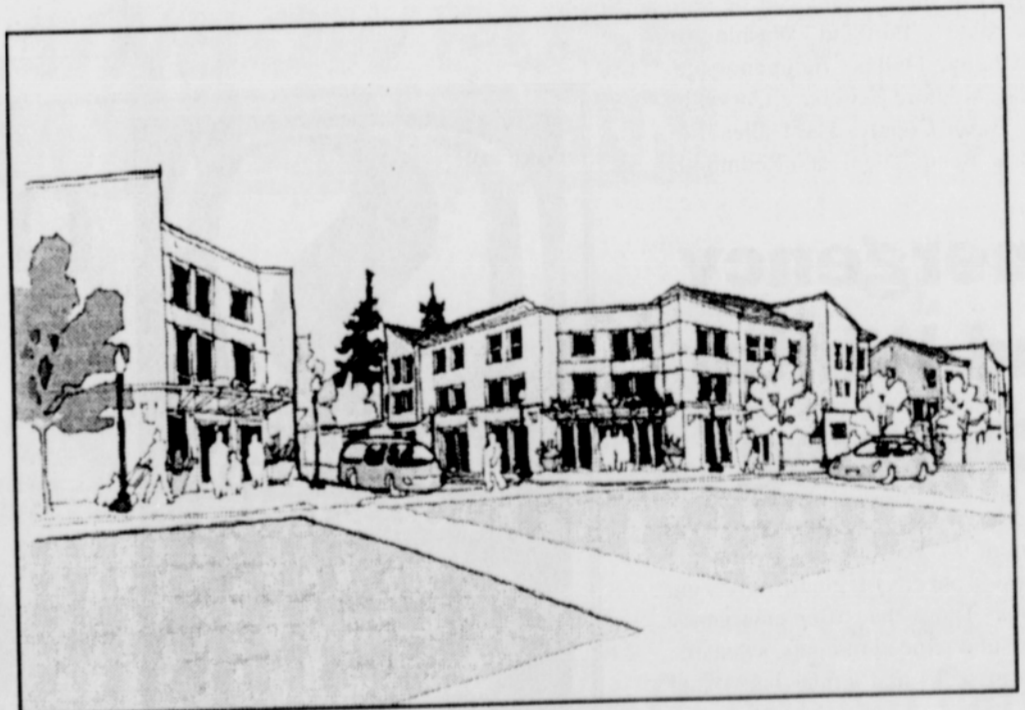
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