

Larry Lindstam,
REALTOR®
907-242-1819



Paula Lindstam,
REALTOR®
paula@lindstam.com

Dynamic Properties
3111 C Street, Ste. 100
Anchorage, AK 99503



Phone: 907-242-1819
Fax: 907-345-0444
E-mail: larry@lindstam.com

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Short Sales: When the Sale Price Leaves You Short

If you're thinking of selling your home, and you expect that the total amount you owe on your mortgage will be greater than the selling price of your home, you may be facing a short sale. A short sale is one where the net proceeds from the sale won't cover your total mortgage obligation and closing costs, and you don't have other sources of money to cover the deficiency. A short sale is different from a foreclosure, which is when your lender takes title of your home through a lengthy legal process and then sells it.

The first and best choice in this situation is to see if the lender will modify your loan. Barring a loan modification, give me a call so we can talk. A short-sale requires a lot of preparatory paperwork between you and your mortgage holder. Potential buyers need to be prepared for a lengthy wait, even if your mortgage holder approves the idea of a short-sale. Your mortgage holder becomes the major party to any offer negotiations. Unfortunately most decisions are made by a committee, not an individual. The committee may meet only once per week or once per month. If additional information is needed you'll give it and then wait until the committee meets again. It's a very patient buyer who will wait through all of that during every phase of the transaction.

Don't expect a short sale to solve your financial problems. Even if

your lender does approve the short sale, it may not be the end of all your financial woes. Here are some things to keep in mind:

You may be asked by your lender to sign a promissory note agreeing to pay back the amount of your loan not paid off by the short sale. If your financial hardship is permanent and you can't pay back the balance, talk with your real estate attorney about your options.

Any amount of your mortgage that is forgiven by your lender is typically considered income, and you may have to pay taxes on that amount. Under a temporary measure passed in 2007, the [Mortgage Forgiveness Debt Relief Act and Debt Cancellation Act](#), homeowners can exclude debt forgiveness on their federal tax returns from income for loans discharged in calendar years 2007 through 2012. Be sure to consult your real estate attorney and your accountant to see whether you qualify.

Having a portion of your debt forgiven may have an adverse effect on your credit score. However, a short sale will impact your credit score less than foreclosure and bankruptcy.

**November/
December
2009**



Larry Lindstam, REALTOR®
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Volume 4, Issue 6

Sellers & Dwellers

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2640 Easthaven Circle #5A \$220,000

3 Bedrooms/2 Baths/ 2-Car Garage

1,330 sq. ft. Built 1997. Condo dues \$180 per month covers exterior and grounds maintenance, insurance, water and sewer, and snow removal.

Fully fenced and tiered back yard, great for gardening. Convenient location near universities and hospitals. Easy access to trail system. New laminate and carpet flooring recently installed.

For more info and pictures visit <http://www.alaskarealestate.com> and enter MLS # 09-14228.

Directions: From Northern Lights Blvd, turn north on Wesleyan. Turn left on East 26th Avenue to Easthaven. Property on right.

Congratulations to the following sellers and dwellers:

- Chris & Christina
- Nadya
- Joe
- Katrina & Daniel



IT'S OFFICIAL! President Obama has signed an extension for the First Time Homebuyer Tax Credit Into 2010! PLUS...A New Tax Credit for Certain EXISTING Home Owners!

**NAR Issue Brief
Homebuyer Tax Credit Changes**



National Association of REALTORS® Government Affairs Division
500 New Jersey Avenue, NW, Washington DC, 20001

Congress has extended and expanded the homebuyer tax credit. The modifications in the column labeled "December 1 - April 30, 2010" become effective when President Obama signs the bill. All changes made to the current credit become effective on that date, as well.

FEATURE	Jan 1 - November 30, 2009 Rules as enacted February 2009	December 1 - April 30, 2010 Rules as enacted November 2009
First-time Buyer - Amount of Credit	\$8000 (\$4000 married filing separate)	\$8000 (\$4000 married filing separate)
First-time Buyer - Definition for Eligibility	May not have had an interest in a principal residence for 3 years prior to purchase	Same
Current Homeowner - Amount of Credit	No Provision	\$6500 (\$3250 married filing separate)
Effective Date - Current Owner	No Provision	Date of Enactment
Current Homeowner - Definition for Eligibility	No Provision	Must have used the home sold or being sold as a principal residence consecutively for 5 of the previous 8 years
Termination of Credit	Purchases after November 30, 2009. (Becomes April 30, 2010 on Date of Enactment.)	Purchases after April 30, 2010
Binding Contract Rule	None	So long as a written binding contract to purchase is in effect on April 30, 2010, the purchaser will have until July 1, 2010 to close.
Income Limits (Note: Increased income limits are effective as of date of enactment of bill)	\$75,000 - single \$150,000 - married Additional \$20,000 phase out	\$125,000 - single \$225,000 - married Additional \$20,000 phase out
Limitation on Cost of Purchased Home	None	\$800,000
Purchase by a Dependent	No Provision	Ineligible
Anti-fraud Rule	None	Purchaser must attach documentation of purchase to tax return

**NAR Frequently Asked Questions
Homebuyer Tax Credit Changes**

National Association of REALTORS® Government Affairs Division
500 New Jersey Avenue, NW, Washington DC, 20001
Here are some of the most frequently asked questions on the changes to the Homebuyer Tax Credit

- Question:** Existing homeowner credit: Must the new house cost more than the old house?
Answer: No. Thus, for example, individuals who move from a high cost area to a lower cost area who meet all eligibility requirements will qualify for the \$6500 credit.
- Question:** I am an existing homeowner. On October 25, 2009, I signed a contract to purchase a new home. I have lived in my current home for more than 5 consecutive years and am within the new income limits. I will go to settlement on November 20. If President Obama has signed the bill by the time I go to settlement, will I qualify for the new \$6500 tax credit?
Answer: Yes. The existing homeowner credit goes into effect for purchases after the date of enactment (when the bill is signed). There is no reference to the date of contract for the new credit. The provision looks solely to the date of purchase, which is generally the date of settlement.
- Question:** I am a first-time homebuyer but was not within the prior income limits at the time I entered into my contract to purchase on October 30, 2009. I will be covered, however, by the new income limits. If the new rules have been signed into law by the time I go to settlement, will I be eligible for a credit?
Answer: Yes. The new income limitations go into effect as soon as the President has signed the bill. The income limit and other eligibility rules will look to your status as of the date of purchase, which is the settlement date. So if the new rules have been signed when you go to settlement, you should be eligible for the credit (or a portion of the credit if you're within the phase-out range).
- Question:** I am an eligible existing homeowner. I have a fair amount of equity in my home. I have found a home with a non-negotiable price of \$825,000. Will I be able to use any of the \$6500 tax credit?
Answer: No. The \$800,000 cap on the cost of the purchased home is firm at \$800,000. Any amount above \$800,000 makes the home ineligible for any portion of the credit. The \$800,000 is an absolute ceiling.
- Question:** I owned my home for 10 years, but sold it two years ago year and have been renting since. If I purchase a home, will I be eligible for the \$6500 tax credit if I meet all the other eligibility tests?
Answer: Yes. Because you lived in the home for more than 5 consecutive years of the previous 8, you will qualify for the \$6500 credit. For example, Say John and his wife bought a home in 2000 and lived there until 2008 when he got a divorce. Whether John has been renting or bought in the interim, he WOULD INDEED be eligible for the credit because he owned a home and occupied it as his principal residence for 5 consecutive years out of the last 8 years. The keyword here is "consecutive." As long as he lived in that house for 5 years straight what he did since 3 years doesn't impact eligibility.
- Question:** I am an eligible first-time homebuyer. I entered into a contract to purchase on November 1, 2009. Do I have to go to closing before December 1? How does the extension date affect me?
Answer: You do not have to close before December 1. Once the legislation has been signed, it will be as if the Nov 30 date had never existed. Therefore, so long as the contract settles before April 30 (or July 1, worst case), the purchaser will be eligible for the credit.

**3851 Lincoln Ellsworth Court #B
\$315,500**



Westside luxury townhouse condo in mint condition. Built in 2003 by Peterson Group and has had only one owner. Pristine home in a beautiful, well-kept subdivision.

- 3 bedrooms
- 2.5 baths
- 2-car garage

Directions: From Wisconsin, go west on W. 40th. Turn right on Bechcraft. Turn left on Roald Amundsen and right on Richard Evelyn Byrd. Turn right on Lincoln Ellsworth. Home is straight ahead, bear right into cul-de-sac for driveway.

For more information and pictures go online to www.alaskarealestate.com and enter MLS # 09-12125.

Alaska Multiple Listing Service is easy to use, offering a wide variety of search options. Visit www.alaskarealestate.com

RECIPE: Swedish Meatballs

- 1 egg, lightly beaten
- 1/2 cup milk
- 1 cup soft bread crumbs
- 1/2 cup finely chopped onion
- 1 tsp. salt
- 1/4 tsp. ground nutmeg
- 1/4 tsp. pepper
- 1 lb. ground beef
- 1/2 lb. ground pork
- 1/4 cup butter, cubed

- Dill Cream Sauce:
- 2 Tbsp. flour
 - 1 cup heavy whipping cream
 - 1 cup beef broth
 - 1 tsp. salt
 - 1/2 tsp. dill seed



In a large bowl, combine the first seven ingredients. Crumble beef and pork over mixture; mix well. Shape into 1-1/2" balls. In a large skillet, cook meatballs in butter in batches until no longer pink. Remove and keep warm.

In a bowl, combine the sauce ingredients until blended. Stir into skillet. Bring to a boil; cook and stir for 2 minutes or until thickened. Serve over meatballs. Yield: 6 servings

"The fellow that owns his own home is always just coming out of a hardware store."

— Kin Hubbard