Tips On Bubble-Proofing Your Home

What can you do to bubble-proof your home and protect yourself, regardless of what happens in the frenzied housing market?A real estate bubble, simply put, is an unsustainable gain in home prices that can jeopardize resale value and equity. Alex Koutouzis, senior vice president for Opteum Financial Services, one of the nation's fastest-growing mortgage lenders, says, "The options really depend on your personal needs and situation, your risk tolerance and what you're looking to achieve. If you're refinancing, do you need to borrow 100 percent of the value of your home or can you leave some equity untapped in the event of a value declination in your community?"The smartest move is obvious: Always buy a house you can afford and don't overextend yourself. A good certified home buyers rule of thumb is that your housing costs (including principal, interest, property taxes and insurance) should not exceed 25 to 32 percent of your family's gross income. Here are some other smart tips to help you stay out of bubble trouble:• Avoid borrowing against your home equity. Unless you bought your home years ago for peanuts and are confident you'll reap a gain when you sell, think twice before you take out a home equity line of credit.• Manage your debt. If you are spending too much of your income on housing costs or if your adjustable-rate mortgage payments have increased as rates rise, avoid using credit cards to pay other expenses. Look for other expenses to cut.• Pay down your principal. Consider making extra principal payments to get your mortgage balance below 75 percent of your home's appraised value. • Consider switching to a fixed-rate mortgage.• Have realistic expectations. Don't assume your property will continue to appreciate at the same rapid pace it may have enjoyed in recent years. • Do your neighborhood homework. If you're looking to buy, avoid areas that have recently climbed well above the average rate for that location. • Keep a cool head. Buyers often get into bidding wars over artificially inflated homes in hot markets. Don't be one of them. Lastly, remember that a home is ultimately your family shelter, rather than just an investment asset. The longer you stay the more equity you build.Stay Out Of Bubble Trouble-There are ways to avoid being financially upside down in your own home.

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