

To renovate or not to renovate? (continued)



Here are selected remodeling projects from the 2007 "Cost vs. Value Report" with national average estimated percentage of current costs recovered when home is sold.

Project	Cost	Amount Recouped
Deck addition (wood) – Build a 16-by-20 foot deck, including a built-in bench, planter, stairs and rail system	\$10,347	85.4%
Siding replacement – 1,250 square feet with new vinyl siding, including trim	\$9,910	83.2%
Minor kitchen remodel – Includes new laminated countertops and fronts for 30 linear feet of cabinetry, oven, cook top, sink and faucet and flooring	\$21,185	83%
Window replacement (wood) – Replace 10 3-by-5 foot double-hung windows with new insulated windows	\$11,384	81.2%
Bathroom remodel – Includes new tub and tiling, solid-surface counter and sink, recessed medicine cabinet, vinyl wallpaper	\$15,789	78.3%
Basement remodel – Includes a 5-by-8 foot bathroom and wet bar with undercounter fridge	\$59,435	75.1%
Two-story addition – A 24-by-16 foot wing including family room with prefabricated fireplace and a bedroom with full bath	\$139,297	73.9%
Master suite addition – A 24-by-16 foot bedroom with walk-in closet and bathroom with shower and raised whirlpool tub	\$98,863	69%
Sunroom addition – Build a 200 square-foot room with 10 large skylights, casement windows with movable shades and quarry tile floor	\$69,817	59.1%
Home office remodel – Convert a 12-by-12 foot room with custom cabinetry including 20 linear feet of laminated desktop, computer workstation, wall storage and rewiring for computer, telephone and other electronics	\$27,193	57%

Source: *Remodeling 2007* "Cost vs. Value Report." Cost data from HomeTech Information Systems; includes labor. Recouped values are based on a 2007 survey of 2,700 members of the National Association of Realtors. Data for 60 cities can be downloaded free from www.costvsvalue.com



the Alliant Advisor

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cover story

To renovate or not to renovate?

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Mortgage Loan Rates

As of October 9, 2008

Type	Interest Rate	APR*	Points
FIRST MORTGAGES			
1/1 ARM	4.875%	4.461%	0
3/1 ARM	4.875%	4.538%	0
5/1 ARM	5.375%	4.793%	0
5/1 ARM (Interest Only)	5.500%	6.181%	0
7/1 ARM	5.625%	5.039%	0
7/1 ARM (Interest Only)	5.750%	6.184%	0
10/1 ARM	6.000%	5.478%	0
15-YR. FIXED	5.375%	5.457%	0
30-YR. FIXED	6.000%	6.050%	0
30-YR. FIXED IO	6.125%	6.170%	0

SECOND/VACATION HOMES

1/1 ARM	5.125%	4.713%	0
3/1 ARM	5.125%	4.790%	0
5/1 ARM	5.625%	5.048%	0
7/1 ARM	5.875%	5.295%	0
10/1 ARM	6.250%	5.736%	0
15-YR. FIXED	5.750%	5.833%	0
30-YR. FIXED	6.375%	6.426%	0

Rates, terms and conditions subject to change. Loan approval, APR and downpayment required based on creditworthiness, collateral, payment method and ability to repay. APR=Annual Percentage Rate. First Mortgages available in all 50 states. Rate is higher on fixed rate mortgages of \$417,001 and above and on ARMs and Interest-only fixed rate mortgages of \$500,001 and above. Refer to the Alliant web site for additional details and requirements. ARM=Adjustable Rate Mortgage. *The Annual Percentage Rate (APR) assumes a 20% downpayment on a loan amount of \$250,000 with a 30-year term. The results above assume an origination fee of \$950 plus \$180 in additional prepaid finance charges plus 15 days of prepaid interest.

Example Repayment Terms (per interest rate):

15-Yr. Fixed	5.375%	monthly pmt per \$1000	-\$8.10
30-Yr. Fixed	6.00%	monthly pmt per \$1000	-\$6.00
30-Yr. Fixed IO	6.125%	monthly pmt per \$1000	-\$5.10

Renovations often pay for themselves when it's time for you to sell. Sometimes, they'll earn you significantly more than you spend. Sometimes, not. To help homeowners get a reality check on what kind of renovations they should write their checks for, *Remodeling* magazine, in conjunction with the National Association of Realtors, conducts its annual "Cost vs. Value Report." Now in its 20th year, the most recent survey, from 2007, polled realtors in 65 markets who were given construction specs and costs on 29 upscale and midrange projects, and then asked to estimate the percentage of payback at resale. Here are survey highlights:

- The best returns come from putting on a new deck, replacing the siding and sprucing up the kitchen
- The lowest returns come from creating a home office, adding a sunroom or putting in a backup power generator
- Of projects that saw national cost recovery rates of more than 80% in 2007, only one – a minor kitchen remodel, with 83% of cost recovered –

was strictly an interior job. In fact, since minor kitchen remodels were added to the survey in 2004, they've consistently ranked among the highest-value projects

- There can be wide regional swings. For instance, a midrange bathroom remodel recovers 85% of its cost in the South but only 63% in the Midwest. Meanwhile, in the Pacific region, realtors estimated a cost recovery of more than 100% for six projects: a wood deck addition, a minor kitchen remodel, fiber-cement siding replacement, wood window replacement, and an upscale wood and vinyl window replacement

(See back page for a list of current costs for remodeling projects and expected payback)



office closings

Veterans Day – Tuesday, Nov 11

Thanksgiving Day – Thursday, Nov 27

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How to hire a contractor

Hiring the right contractor can make – or break – a home renovation project. Here are tips to find a suitable one.

- 1. Get clear about the job itself.** Develop your project specifications and wish list for the job. (For instance, if you're remodeling a kitchen and your job involves new cabinets, think about what style of cabinets you prefer.) Establish a budget. Experts say to initially contract for no more than 80% of that dollar amount and keep the other 20% aside for order changes and cost overruns.
- 2. Get a personal referral.** If possible, choose professionals you already know and whose work you like. Nobody comes to mind? Then, ask people you know for referrals. Just note: while people who hire professionals recommended by a friend or neighbor are generally more satisfied than those who hire a stranger, they face as many delays and extra costs, according to *Consumer Reports*. Other referral sources: your local building inspector, the National Association of Remodeling Industry or the lumberyard.
- 3. Get three bids.** Although most contractors use their own cost breakdown lists, you can provide an additional sheet to make comparing bids easier. Include on this sheet:
 - Expenses (include items, such as building permits)
 - Fixtures and materials
 - Labor (including subcontractor labor)
 - Timetable (for your job and whether contractor has other projects pending that will affect the completion of your job)
 - Total cost of job
- 4. Do a background check.** Ask the contractor to show proof of proper licensing and insurance, including general liability and workers comp. Check the Better Business Bureau for filed complaints concerning the contractor. Ask contractors to provide the names and contact information for their last three jobs. Then, call these customers to gauge their satisfaction.
- 5. Do a gut check.** Take enough time to talk with each contractor to see which one you feel most comfortable with and can trust working in your home. Don't rely on personality alone. (For instance, for your first meeting, did the contractor show up on time, prepared to talk about the job? Will the contractor bring enthusiasm and pride about his workmanship to the job?)
- 6. Sign on the dotted line.** Review the contract carefully to ensure it specifies what the job entails, associated costs and payment schedule. Consider stipulating a penalty if the job is not finished on time. A reasonable downpayment: 30% of total project cost to be paid on delivery of materials. Make final payments only when work is completed to your satisfaction.

Sources: ReliableRemodeler.com, MSN Real Estate, ConsumerReports.org and thisoldhouse.com

How to pay for renovations



Several years ago when sales of previously owned homes were booming, so were renovations. New buyers renovated to make their place look and feel more like their own place. And even people who lived in the same house for years were inspired to expand or upgrade – perhaps, to boost their home's value should they ever put it on the market.

Those days of rising home values are over – for now. Yet, renovations still make sense for many homeowners, especially if repairs are needed or you want to make your home a more gratifying place for you. So, what are the best ways to pay for renovations these days?

The key is to “pay as little interest as possible, get a tax-deduction for what you pay and don't end up compromising your financial health,” says MSN Money writer Liz Pulliam Weston.

Cash. Liquid assets are typically the best way to fund a project, but only if you have a bundle to spare. By paying cash, you won't be assessed interest, fees or other charges. However, you may be depleting your reserves and forgoing the interest you may earn if you invested those funds elsewhere. And consider: **the interest you pay on home improvement loans is typically tax deductible.**

Home equity loan. Generally, the best option for a one-time remodeling project, you use the equity in your home to get a lump sum of money with a fixed interest

rate and term. Typically, upfront fees are minimal, rates are 1 to 2 percentage points above regular mortgages and you'll have a set number of years in which to pay back the loan.

Home equity line of credit (HELOC). HELOCs, sometimes called the “Swiss army knife” of loans, offer you the flexibility of a checkbook and the tax deductions associated with a mortgage. You borrow money as you need it, to use for home repairs or whatever you decide, and then make interest and principal payments on your accumulated balance. As you payback borrowed funds, they become available for use again. HELOCs are the best financing option if you plan to do several projects over the years.

Cash-out refinancing. Useful for huge projects on homes where you have a lot of equity. By replacing your current mortgage with a larger one, you use the extra cash to pay for your renovations. Makes sense if the refinance rate is much lower than your current mortgage, if the project will boost your home's value and if you plan to stay in the house long enough to recoup the costs.

Credit card. OK for projects with small price tags – if you can pay off the balance right away. Otherwise expect to be zapped with high rates and you can't deduct the interest.

Despite today's credit crunch, loan rates are still at historical lows. To compare among loans, be sure you're clear on each one's closing costs, payments and future interest costs.

Sources: consumerreports.org, MSN Money, realtytimes.com and about.com



Interested in renovating your home?

Consider an Alliant Home Equity Loan or Home Equity Line of Credit, which feature below-market rates and member-friendly terms.

Check www.alliantcreditunion.org for details or call us at 800-328-1935 (24/7) and talk with a loan officer to explore your options.

Do you know someone in the market for a new home? Pass along this great **\$100 OFFER!**



Help yourself or someone you know save big money with an Alliant mortgage

If you or someone you know is in the market for a new home or looking to refinance a current residence, consider Alliant's great fixed, adjustable and interest-only mortgages.

With our online application, it's fast and easy to apply for a mortgage. Once your Alliant mortgage is approved and closed, we'll reward the borrower with a \$100 savings deposit.¹

Here's how it works...

1. Check out our below-market rates at www.alliantcreditunion.org. (If the person you are referring is not an Alliant member, he/she can easily join online, too.)
2. Apply online or call our Mortgage Hotline at 800-365-7003 (Mon-Th, 7:30am-7pm CT and Fri, 7:30am-5pm CT).
3. Mail in the certificate below. Then, we'll reward you with a \$100 deposit¹ to your Alliant savings account.

¹This offer can only be used by Alliant members. You must close your mortgage loan by December 31, 2008, to be eligible to receive the \$100 reward which will be deposited directly into your Alliant savings account. No substitutions will be made for the \$100 reward. Recipients are responsible for any tax liability. Only one \$100 reward per qualifying mortgage will be awarded. Original Certificate must be returned to Alliant Credit Union ATTN: Marketing Dept., P.O. Box 66945, Chicago, IL 60666-0945, in order to receive the \$100 reward.



\$100 Mortgage Program Reward Certificate

Member Information

Individual applying for a mortgage, please complete this section and mail to Alliant.

Member Account Number _____

First name _____ Middle Initial _____ Last Name _____

Street Address (include unit #) _____

City _____ State _____ Zip Code _____

Phone Number _____ E-mail _____

Not in the market for a mortgage?
Pass along Certificate to another member.

Once your Alliant mortgage loan is approved and closed, a \$100 reward¹ will be deposited into your Alliant savings account.

Offer expires December 31, 2008

COMPLETE AND RETURN THIS CERTIFICATE TO:

Alliant Credit Union
Attn: Marketing Department
P.O. Box 66945
Chicago, IL 60666-0945

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