Real Estate Matters â€“ financial questions and answers

by Ilyce_Glink

Q: My mother passed away in December, 2005. She willed her commercial property to me and my three siblings. Her will contains a directive to sell the property. I'm the executrix and have power to decide when the property is sold. Do you have any advice on how I should handle this situation?   A: Why did your mother want you to sell the property? Did she believe it would be too much of a burden? Did she want her children to have the proceeds to better their own lives? Perhaps she simply thought the four of you might fight over the property rather than work together to build its value.What do you and your siblings want to do with the property? If everyone agrees to sell it, then you should find a great agent who specializes in commercial properties in the area to help you manage the transaction.However, if you and your siblings agree to keep the property, you need to figure out how that will work out now, and in the future. Someone will need to manage the property, handle the finances and repair work. You need to consider what happens if someone wants to cash out. Will the other siblings purchase the property and re-divide it, and if so, how will you value the property at that time?If you know the answers to these questions, it may help guide you in terms of what you do now.I think you should hire a real estate attorney to help walk you through this process to avoid getting caught in an emotional and financial quagmire. If you decide to sell, a good real estate attorney may be able to help you find the right agent to list and sell the property.   As for the tax situation, talk to an accountant, tax attorney, or enrolled agent. Typically, you would have inherited the property at its market value the day your mother passed away. Since she died more than a year ago, you and your siblings may owe capital gains tax if the property has increased in value since then. For example, if the property was worth $1 million at the date of death and is now worth $2 million, you might have to pay taxes on that second million in profit - but you'd pay at the long-term capital gains rate (plus state sales tax).There are other considerations in determining how much you'll have to pay and you would be wise to seek out a tax advisor to help you sort out the tax consequences of the sale.To find a good real estate or tax attorney, contact your local bar association and ask for the name and number of the attorney who chairs the real estate or tax committee. To find an accountant, check out the American Institute of Certified Public Accountants (www.aicpa.org). For an enrolled agent, check out the National Association of Enrolled Agents (www.naea.org).Q: My husband and I are thinking about refinancing to combine our first and second mortgages into a single loan. We would hope to get a lower interest rate than we're now paying by combining the two mortgages into a new first mortgage. We're not going to cash out any of our equity.I heard rates were supposed to drop in the next month or two. We want a fixed rate and will wait if this is true. Have you heard this, too?A: When someone asks me where I think interest rates are going, I always respond that my crystal ball is cracked. It's hard to know where long-term interest rates will be because so many factors come into play. Also, interest rates change daily.In general, most mortgage and housing economists are forecasting that interest rates will stay about where they are right now -- about 6 to 6.5 percent for a 30-year fixed-rate loan. The Federal Reserve Bank doesn't look like it's doing much in the way of lowering interest rates, so I think short-term rates will stay steady, as well.The time to refinance is when the numbers make sense for you. In other words, will you save money by refinancing today? How long will it take you to pay off your closing costs?Sharpen up your pencil and do a back-of-the-envelope calculation, then contact three or four different lenders to see what they can do for you.Â© 2007 Real Estate Matters - Distributed by TMS