THE WALL STREET JOURNAL SUNDAY.

THE AGGREGATOR

Federal Mortgage Programs Could Help First-Time and Low-Income Buyers

Mortgage-finance companies Fannie Mae and Freddie Mac provided details of new low-down-payment mortgage programs that could reduce costs for first-time and lower-income home buyers.

The mortgage-finance companies and their regulator, the Federal Housing Finance Agency, announced in October that they would start backing mortgages with down payments of as little as 3%. Now they're detailing who's eligible: first-time home buyers, borrowers who haven't owned a home for at least a few years, and those with lower incomes.

The new loans could be most popular among high-credit-score borrowers who might otherwise have had to resort to pricey mortgages backed by the Federal Housing Administration.

Borrowers who get loans guaranteed under the new programs would have to meet criteria that offset the increased risk, such as high reserves or lower debt-to-income ratios, said officials at Fannie, Freddie and the FHFA.

"This will be particularly helpful to those who are strapped by wealth rather than credit challenges," said Jim Parrott, a senior fellow at the Urban Institute and a former housing-policy adviser in the Obama administration.

Both companies said the programs could be available to borrowers with credit scores of as low as 620, the Fannie and Freddie minimum for other loans.

Fannie and Freddie don't make loans. They buy them from lenders, wrap them into securities and provide guarantees to make investors whole if the loans default.

The new details reveal that the programs will be more limited than some might have hoped, but still could open the market to borrowers who couldn't afford to make a 5% down payment or to pay the hefty premiums charged by the FHA.

Fannie and Freddie's low down-payment programs will have slightly different requirements. Fannie's will be limited to borrowers who haven't owned a home in the past three years. Freddie's generally will be available to borrowers who don't make more than the median income in their area.

Fannie's program takes effect almost immediately. Freddie's won't be available until March.

—Joe Light
The Wall Street Journal

Sugar-Price Gap Widens

Sugar is getting dearer in the U.S. even as it gets cheaper in most other places. Prices in the global market traded near 5½-year lows in September, though they have rallied a bit since. In the U.S. futures market, the sweetener is 58% more expensive than on the global market.

U.S. sugar prices are typically a few cents higher than the world rate due to government policies that restrict imports and support growers. But the gap blew out this year after the government threatened to slap taxes on imported Mexican sugar at the behest of U.S. growers.

The U.S. is the world's fourth-largest sugar consumer and relies on imports—most of which come from Mexico—for about 25% of its supply.

Rising sugar prices could soon show up in other products. Prices for cocoa and dairy are also up sharply this year. Large chocolate makers, including Hershey and Mars, raised prices in July. Sugar is the No. 2 ingredient in most chocolate candy after cocoa, and a key ingredient in foods ranging from cereal to baked goods.

—Alexandra Wexler
The Wall Street Journal

Beware an Insurance Rush

With days to go before the deadline for consumers to choose next year's health-law insurance plans, insurers and the federal government are bracing for what could be a crush of last-minute enrollment decisions.

Of the approximately five million people who enrolled in 2014 health plans through the federal marketplace, only 720,000 had returned to the HealthCare.gov website to select a plan for 2015, according to the latest government tally through Dec. 5. Some 664,000 more people bought plans on the site for the first time. That leaves millions of enrollees who have yet to make a decision for next year.

Consumers have until 11:59 p.m. Pacific time Monday to select coverage that will start Jan. 1. If current enrollees don't act by the cutoff they will automatically be re-enrolled in their existing plans—which could cost them more.

Insurers won't get final details of which consumers are switching out policies and which are standing pat until the deadline passes. As a result, some are taking pre-emptive steps, such as sending early bills to existing enrollees—with the expectation that the insurer will cancel the bill if the consumer changes plans—and beefing up staffing to handle the last-minute crunch.

—Anna Wilde Mathews,
Louise Radnofsky
And Caitlin McCabe
WSJ.com

Unions Get a Break

The National Labor Relations Board has ruled that employers who give employees access to the company's email system must allow them to use it for union organizing and other communications about improving their wages and working conditions, but only during nonworking time. The ruling overturns a 2007 board decision that employees don't have a statutory right to use employer email system for such purposes.

The NLRB oversees private-sector union elections and resolves disputes in both union and nonunion workplaces in the private sector. Last week's decision—made along party lines (three Democrats and two Republicans) is likely to raise questions about what constitutes nonworking time.

—Melanie Trottman
The Wall Street Journal

A Delay for Minorities

Ethnic minorities are fast becoming a potent force in American society and politics, but they'll have to wait a bit longer to become a majority of the U.S. population. New projections released by the Census Bureau show America's non-Hispanic white population will cease being the majority in 2044—one year later than previous projections.

Non-Hispanic whites are currently around 63% of the population, but this figure will drop to 55.5% in 2030 and 49.3% in 2045, Census projections show. By 2060? Just 43.6%.

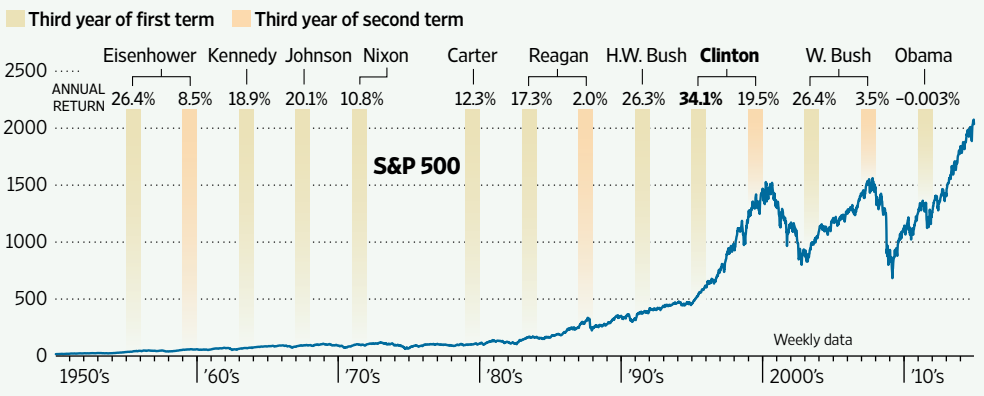
—Neil Shah
Real Time Economics blog
WSJ.com

Email: chris.gay@wsj.com

Getty Images

Hail to the Chief

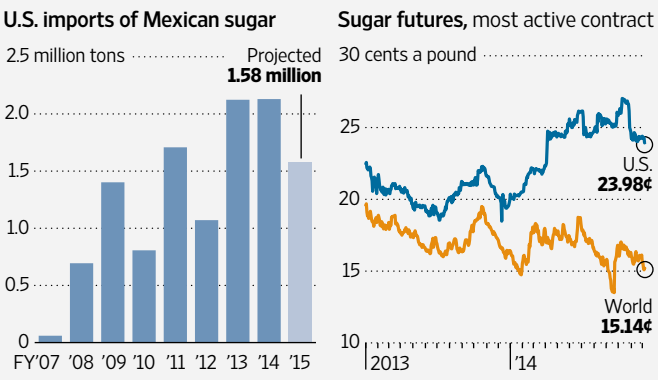
If presidential history is any guide, stock prices should do well next year. Stocks do better than average in the third year of a presidential term: For the years cited below, the S&P 500 Index gained an average of 16.2%, compared with an average of 8.9% for all years since 1954. The third year of President Bill Clinton's first term was the best for any president since Eisenhower.



Note: All returns exclude dividends
Source: FactSet
The Wall Street Journal

Not So Sweet

A trade dispute with Mexico has widened the gap between U.S. and world sugar futures this year.



Note: Fiscal year ends Sept. 30
Sources: U.S. Department of Agriculture (imports); CQG (futures)
The Wall Street Journal

BARRON'S INSIGHT

Tech Giant Google Shares Are on Sale

By Jack Hough

Google shares have dipped from over $600 in September to below $530 on signs of a slowdown in ad revenue.

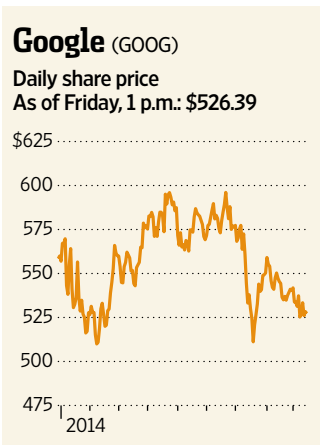
They could trade $100 higher over the next year as Google's ad business proves healthier than expected and other divisions, including YouTube for web videos and Play Store, Google's answer to Apple's App Store, emerge as powerful earners.

Google's (GOOG) chief strength is its dominant position in search, through which it gets paid for clicks on sponsored links. Last quarter, paid clicks grew 17%—down from 25% in the prior quarter—while cost per click fell 2%.

Behind the slowdown are unspecified changes Google says it made during the third quarter to reduce the number of low-quality clicks.

Rising use of mobile devices has brought more ad clicks but much lower sell-through rates, suggesting some small-screen users are clicking accidentally. That has caused a steep decline in click prices in recent years.

Google's clean-up seems designed to sell better-quality clicks at higher prices. Its cost per click is already falling more slowly; in the second quarter, it dropped 6%. Analysts expect it to flatten in the fourth quarter and perhaps rise next year.



Source: WSJ Market Data Group

A stabilization in click prices sets Google up for lots of growth. In the U.S., already saturated with smartphones and Web connections, ad spending has yet to catch up with consumer habits.

Among TV, radio, print, Internet, and mobile, users spend an estimated 45% of time on the latter two, yet these get just 26% of ad dollars.

That bodes well for Google.com and its other Websites, which last quarter brought in $11.25 billion, or 68% of Google's total revenue of $16.52 billion.

The online migration of viewers is also quickly unlocking value from YouTube, whose billion users make it bigger than Netflix. Investment bank Jefferies estimates YouTube will bring in $5.9 billion in revenue this year, rising to $8.9 billion by 2016. It calculates the business is worth from $40 to $63 per Google share.

Google's Play Store for apps, music and movies is estimated to be of similar size with even faster growth, piggybacking on the popularity of the Android operating system for smartphones, which Google gives away for free to phone makers.

Google has problems, including scrutiny in Europe over its dominance and in the U.S. over its low tax rate, but these are dwarfed by opportunities for swelling profits through this decade and beyond.

Shares trade at around 18 times projected profits for the next four quarters, versus 16 times for the broad market. Google's earnings are forecast to grow 16% to 18% yearly over the next five years. In other words, investors pay a slight premium for much faster growth potential. And Google, valued at $363 billion, sits on $59 billion in net cash.

Jack Hough is a senior editor for Barron's. For more stories, see **barrons.com**.

ENCORE

Look for Revival of Charitable IRA Rule

By Anne Tergesen

Congress ended the week poised to revive a popular tax provision that encourages charitable donations of individual-retirement-account assets.

The charitable IRA rollover provision, which expired at the end of 2013, allowed IRA owners and IRA beneficiaries 70½ or older to donate up to $100,000 in IRA assets to charity without reporting the withdrawal as taxable income. Experts expect Congress to revive the provision, as it has several times in recent years.

"There is a history of retroactive extensions," says Ed Slott, an IRA expert in Rockville Centre, N.Y. "My bet is that it will probably pass."

By reducing taxable income, the provision can help retirees avoid or reduce a host of taxes and penalties, including many of the tax increases that took effect in 2013. It can also count toward the annual required minimum distribution, or RMD, that people 70½ or older must take from a traditional IRA.

For many who plan to give to charity, "this gets you the biggest bang for your buck," says Mr. Slott.

Tanya Lamb

A Virtual Tax Cut

Consider a $10,000 IRA gift to one or more charities. If you don't itemize your deductions, you would normally receive no tax break for the gift. But under the charitable IRA provision, the $10,000 won't be included in your income even without itemizing. That saves someone in the 25% bracket $2,500 in taxes—effectively giving a "non-itemizer the equivalent of a tax deduction," says Conrad Teitell, an attorney at Cummings & Lockwood in Stamford, Conn.

Those who itemize are also likely to come out ahead with a charitable IRA gift. While they will forfeit the tax deduction they'd normally receive, the donation won't inflate their adjusted gross income, either. As a result, the provision can help taxpayers keep their adjusted gross incomes below the thresholds at which they could lose some or all of their deductions and other tax benefits, or become subject to higher Medicare premiums and taxes on Social Security benefits.

For example, individuals with more than $200,000 of adjusted gross income and couples with more than $250,000 are subject to a 3.8% tax on net investment income. Individuals with adjusted gross income above $254,200 and couples above $305,050 start losing personal exemptions and itemized deductions. As income rises, you can also lose deductions for medical expenses, casualty losses and miscellaneous itemized deductions.

The charitable IRA provision can also help taxpayers avoid or reduce taxes on Social Security benefits and avoid higher Medicare Parts B and D premiums, which kick in when adjusted gross income exceeds $85,000 for individuals and $170,000 for couples.

After enacting the charitable IRA rollover tax break for 2006 and 2007, Congress has extended it three times, each time for two years. Often, lawmakers acted after the measure had already expired, making it retroactive to Jan. 1.

Experts are betting the same pattern will hold this year, though Congress seemed poised to pass only a one-year extension, retroactive to Jan. 1 and expiring Dec. 31. But people age 70½ or older who wish to make a charitable gift from an IRA don't have to wait for Congress to act. As long as they donate the money to a "public" charity and instruct their IRA's custodian to transfer it directly from the IRA to the charity, they'll qualify for tax-free treatment if lawmakers enact the provision retroactively, Mr. Teitell says. (Public charities don't include donor-advised funds, supporting organizations and most private foundations.) You need a written acknowledgment from the charity and you may not accept anything of value in return, says Mr. Slott.

Act Soon

If Congress doesn't resurrect the tax break, IRA owners who itemize will still get a tax break, in the form of a deduction. IRA owners must take their RMDs by year's end, or face a 50% tax on the amount they should have withdrawn.

Many people wait until December to take these withdrawals. Fidelity Investments says nearly 60% of its IRA customers who are required to take RMDs have yet to withdraw the full amount for this year. At Vanguard Group, it's about 70%.

If you already took some or all of your RMD for 2014 and didn't instruct your IRA's custodian to transfer it directly from the IRA to a charity, that withdrawal will be included in your income—even if Congress retroactively enacts the charitable IRA provision.

Email: encore@wsj.com

ASK DOW JONES

A 'Standard' Tax Break for Seniors

By Tom Herman

Q: What will the standard deduction be for this year for a married couple, both over 65?

P.B., Port St. Lucie, Fla.

A: Assuming you and your spouse will be filing your federal income-tax return jointly, the standard deduction for you and your spouse will be $14,800 for the 2014 tax year, says Mark Luscombe, principal federal tax analyst for Wolters Kluwer, CCH. This refers to federal income-tax returns to be filed next year for 2014.

Here is how that is calculated: The basic standard deduction is $12,400 for married couples filing jointly for the 2014 tax year. (For singles, it's $6,200.) There are additional amounts for those who are 65 or older, or blind. The IRS website has more details.

Since you said you and your spouse each are over 65, you would add another $1,200 apiece, for a total of $14,800.

The standard deduction is "a dollar amount that reduces your taxable income," the IRS says in a publication. Most taxpayers have a choice of claiming the standard deduction or "itemizing" deductions on Schedule A. Nearly two out of three federal income-tax returns each year take the standard deduction.

Before you choose the standard deduction, check to see whether you would be better off itemizing.

Some people automatically choose the standard deduction since that's what they have been doing for years, or because it seems easier than itemizing.

* * *

If you rent out your home, is the income taxable?

In most cases, you have to include "all amounts you receive as rent" in your gross income, the IRS says in a publication. But if you rent out your personal residence for 14 days or less during the year, the rental income is tax-free.

With 2015 almost here, that's worth thinking about if you're looking for a way to earn some tax-free rental income for 2014.

Send your questions to us at **askdowjones.sunday03@wsj.com** and include your name, address and telephone number. Questions may be edited; we regret that we cannot answer every letter.