INSIDE THIS ISSUE

THANKING YOU FOR YOUR SUPPORT & TRUST FOR 27 YEARS !

Professional Realty News

Consumer-Oriented Information & Advice
to Save Money and Time

• Mortgage • Real Estate • Personal Credit & Finance • Home Improvement

From My Home To Yours

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HAPPY NEW YEAR!

I hope this newsletter finds you healthy, happy, successful, prospering and staying warm during this wicked cold snap.

2017 was good year for me. My family and I are all healthy, traveling, gardening, learning, and experiencing different cultures via food, film, and friends. And while my gardens, trees, and shrubs never looked so good, 2017 was the year for stone wall building.

I've been slowly but surely building stone walls, in old fashioned "dry-packed" form (no mortar) to essentially terrace my property. It's been an 18-year endeavor! I clumsily have come to learn that no matter how well I tightly build a 3 dimensional jig-saw puzzle, and I've re-built the walls many, many times, I am no match for Mother Nature and the animals which step on the walls. Hence, I have contracted with a mason to "gauge," "cap," and "point" my existing walls. I can't convey the level of my joy NOT to have to waste time re-building every year. This work also cements my landscaping vision for the property moving forward, as it defines my walking pathways.

Re PMC & PRC: I helped many new customers, especially 1st-time home buyers which is particularly rewarding. They very much benefitted from a new program called "HomeReady," which I'll describe later. As always, I hope that if you were satisfied with my service and price, you will present me with the best compliment I could receive: a referral to assist a friend, co-worker, or family member.

Feel free to call me with any questions during the servicing of your loan or if you personally have any selling or buying needs; there is never a charge nor obligation. Take Care and Enjoy the rest of the Winter!

Thank You & Best Regards, Laurence

PROPERTY TAX REASSESSMENT – COMING TO A COUNTY NEAR YOU --

Hear about Delaware County? As a result of a court order, "Delco" will be implementing a tax reassessment for every property. The county has contracted with Tyler Technologies Inc. (street imaging and appraisal service co) to begin Phase 1, starting December, 2017 to take detailed, high-resolution street level images. You might see white vans driving around your neighborhood with their company identification clearly labeled.
{For privacy reasons, images will not be taken of homeowners and/or children.}

Phase 2 will include data gathering, verification of data, and resolution of address discrepancies.

Phase 3 will be the establishment of assessed values and the opportunity to appeal (many of you will want to do so).

For Delco residents, this process is expected to conclude in 2020, results implemented with the 2021 tax year.

For non-Delco residents, I foresee this same type of process coming your way, as this is the result of a court order and there is logic to the issue of "fainess."

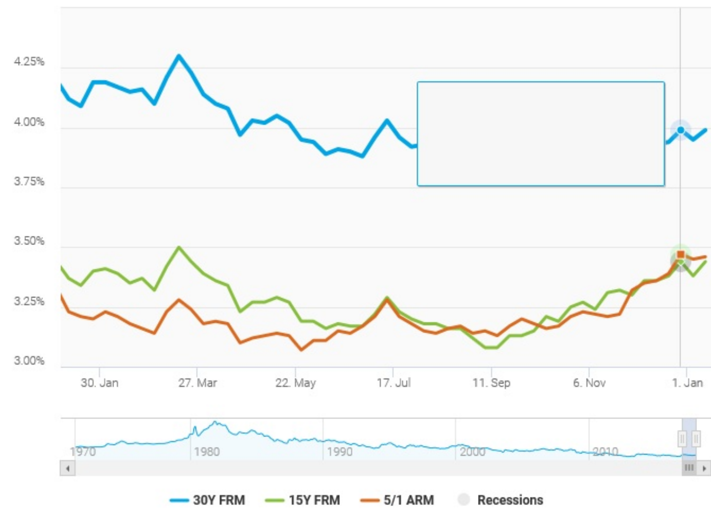
For any reassessment process, here will be the result: Some of you with older homes, which have been upgraded and/or expanded over the years, will probably have your property taxes increased; some of you with newer homes, whereby not much has been altered except interior cosmetics, will probably have your taxes lowered; and some of you in-between will not encounter much change.

For those of you who feel your property taxes have been unfairly considered, please call me. I have access to quite a bit of data and I can provide my input. If you still think your new assessment is unfair, I can guide you through the appeal process – I've successfully accomplished this for other customers.

MORTGAGE RATE RECAP

2017 was the year of low volatility, hovering within narrow spreads – extraordinarily dull (see chart).

Per Freddie Mac's Primary Mortgage Market Survey (U.S. weekly averages), we started the year at 4.32% for the 30-year fixed and 3.55% for the 15-year fixed. They then blipped down to 4.09% (30-yr); 3.34% (15-yr) on 1/19; then bounced back up to 4.30%; 3.50% on 3/16; then slow slide with even smaller blips to 3.78%; 3.08% on 9/14; then finally a slow increase up to year-end at 3.94%; 3.38%.



Bottom Line Re-Cap: Mortgage rates stayed within a 0.5% range all year and are still fantastic, historically speaking. But why did rates stay low, when many thought they would spike with great economic indicator results (low inflation, low unemployment, great housing sales – re-sale & new construction, stock market gains, consumer optimism, etc.)?

Supply & Demand, as always. There is a lack of supply for government and corporate-issued bonds, especially compared to zero-ish paying European debt. And, there is a huge demand for assets in all flavors – note housing, stock market, bitcoin, etc.). Supply & Demand can change quickly however, especially when there is such large government intervention globally.

Looking Forward: The consensus predicts 3 Fed rate hikes, an accelerating domestic & global economy, and an increase in inflation. Also, the Fed has announced that it will begin a "Quantative Tightening," retiring reinvestments of $4-20B./mo. in mortgage-backed securities. FannieMae predicts that the topic of "tightening" alone will increase mortgage rates by 0.25% - 0.50%.

Look for higher sale prices & mortgage rates in 2018.

HOUSING MARKET RECAP

Once again, it was a "Seller's Market" in 2017. Nationally (November, year-over-year), existing home sales increased 3.8% to 5.81 million units, the highest since December, 2006. The median price increased 5.8% to $248,000, the 69th straight month of year-over-year gains. For the same time-frame, total housing inventory decreased 9.7% , the 30th consecutive month.

Existing home sales:

S&P CoreLogic Case-Shiller Price Index:

To illustrate the point more locally, in November, year-over-year comparisons, according to our local Multiple Listing Service (MLS):

Bucks County: Settled units increased 2.56%; the median sales price increased 5.08% to $310,000.

Local example 18901 (Doylestown), the median sales price increased by 21.2% to $475,000.

Chester County: Settled units increased 3.46%; the median sales price increased 7.08% to $348,000.

Local example 19382 (West Chester), the median sales price decreased by 1.3% to $380,000.

Delaware County: Settled units increased 5.08%; the median sales price increased 1.94% to $210,000.

Local example 19063 (Media), the median sales price increased by 4.3% to $411,000.

Montgomery County: Settled units increased 3.05%; the median sales price increased 3.18% to $292,000.

Local example 19422 (Blue Bell), the median sales price decreased by 17.8% to $370,000.

{All of these statistics are updated monthly in my PRC website, under "Market Outlook."}

STUDENT LOAN DEBT & HOUSING

According to the Nat'l Assoc. of Realtors® (NAR), 76% of adults with student loan debt report it has delayed their home buying. It's not a surprise when, on average, the American household carries a staggering $46,597 in student loans, according to Nerd Wallot's 2017 American Household Credit Card Study. Delayed household formation has also been attributed to student loan debt.

Student loan debt creates two large hurdles for would-be home buyers. 1) It's difficult to save for a down payment and 2) it's difficult to qualify for the mortgage payment (debt ratio too high). What many people don't realize is that, even if the student loans are in a deferred status, the lender computes a theoretical payment for the purposes of qualification.

The good news for housing is that lending standards have been considerably relaxed (see next article), and I foresee this trend continuing.

You know my mantra: Get Prequalified <u>First</u>.

LIBERAL LENDING

It sounds like an oxymoron right? Doesn't the word "conservative" usually get linked with lending? Well, not any more.

There are 3% down mortgages (not 5% minimums) and debt ratios can stretch up to 50% (not 40%). The conforming loan limit has been raised to $453,100 (up from $424,100). Appraisal waivers are granted on certain transactions. And, can you believe that the no income verification loan from days-gone-by is back? It's now called an "Equity-based" mortgage.

General underwriting criteria keeps loosening at the margins and according to Fannie Mae's 2017, Q3 Lender Sentiment Survey, credit requirements are the loosest since they began the survey in 2014.

Here's just 1 example, re Derogatory Credit Events:
– Bankruptcy, Chapter 7 or 11 – min. waiting period now 2 years from discharge, not 4.
– Foreclosure – min waiting period now 3 years, not 7

Why the 120 degree change since 2008 - 2014 and the lessons we supposedly learned?

1) Automation and increased accuracy of data verification re property & customer's financials
2) Less repurchase risk from investors and government regulatory compliance; and
3) Increased lending competition

FANNIE MAE'S HOMEREADY® MORTGAGE PROGRAM

Know anyone who hasn't owned in the past 3 years, earns less than $83,200, and will be putting less than 20% down?

If so, besides referring them to me, please tell them about this fantastic program. I made reference to this program in last year's Newsletter when it was just rolled out and I used it with several customers in '17. It worked out well, and the customers were able to get a lower payment and qualify when they might not have been able to do so otherwise.

Here are the benefit highlights:

- Allows just 3% down!
- Down payment, closing costs, and pre-paids do NOT have to be Borrower's <u>own</u> funds – could be other, like a "<u>gift</u>," grant, or even cash-on-hand. Meaning, the Borrower can qualify using 0 of their own money – extraordinary.
- Interest rate is the same or <u>better</u> than a normal conventional loan.
- Mortgage insurance cost is <u>lower</u> than a normal conventional loan and cancellable (unlike FHA).
- Expands debt-ratio tolerances.
- Non-Traditional credit history is allowed.
- "Borrower" doesn't need to be exclusively the occupant – meaning ..., best for discussion.
- Borrower may be required to take a home ownership education course (on-line option available for $75 fee).

Besides this Fannie Mae <u>*HomeReady*</u>® program, there are other designed programs to assist various groups, based upon various purposes, such as purchasing in a specified geographic area, or such as having income below certain percentages relative to Area Median Income.

<u>Housing Demographics</u>

- Single women represent 17% of homebuyers, are an average of 34 yrs. old, and the average price they pay is $173,000.

- Single men represent 7% of homebuyers, are an average of 31 yrs. old, and the average price they pay is $191,000.

BIG DATA, DATA BREACHES
- Tips for your protection

I'm sure you've heard about the Equifax credit bureau news which was reported in September. Here, roughly 143 million Americans potentially had their social security numbers, birth dates, and credit files exposed.

You might not have heard of the breach in a little known company called Alteryx, who announced in December that data they've accumulated on 123 million American households was compromised. The data included 248 fields of information for each household ranging from addresses, income, ethnicity, personal interests, contact information, mortgage ownership and financial histories. According to security firm Upguard, even though no names were attached to the profiles, the data would make it easy to identify someone.

And did you hear about the unsecured cloud repository established by Deep Root Analytics in June? Here, information such as names, dates of birth, home addresses, phone numbers, voter registration, social media posts, and data described as "modeled" voter ethnicities and religions, on 198 million Americans were exposed.

It's scary! While we await legislation and increased security safeguards, here's some tips which might help.

First, be careful about phone and imposter scams as reported by the Federal Trade Commission. Equifax and the other companies breached are NOT calling you. Don't provide personal information, don't trust caller ID, and if you receive a robocall, hang up (don't press any keys on your phone, even when the message says that you'll be connected to a live operator). If you believe that you received a fake call, report it to the FTC at www.consumer.ftc.gov.

Place a fraud alert on your account with one of the three credit bureaus (the one must notify the other two). With the alert, businesses must try to verify your identity before extending new credit. The alert is free, but lasts only 90-days. You will need to remind yourself to renew, otherwise it will automatically expire. If you are the victim of identity theft, you are entitled to an extended fraud alert which lasts seven years. To place the fraud alert, call a bureau or place it online.

Or, place a credit freeze on your account. Just as the phrase implies, no one – including you – can access your credit report to open new accounts. Also, potential creditors will not be able to access your reporting files, thus not offer to extend new credit.

To place a freeze, you must go through the process with each bureau via their web site portals. Contact information for the credit bureaus is located here: http://www.pmc-pa.com/credit4.html.

Each credit bureau will send you an individual PIN number. Keep this safe as you will need it in order to unfreeze your credit.

You can lift the freeze temporarily or permanently. Once you go through each bureau's process to unfreeze, they have 3 days in which to comply. For identity theft victims, any freezing & un-freezing is free; otherwise the cost may be $5-$10, per process, per bureau.

A freeze will not affect your credit scores and you still can access your own free annual credit report.

Speaking of which, have you ordered your own credit report from each of the bureaus in the past year? It's free and given these big data breaches, I advise you order it – www.annualcreditreport.com .

Here are some signs of fraud or identity theft to look for: incorrect personal information, accounts you didn't open, credit inquiries from companies you never contacted, and wrong amounts showing on your accounts.

To learn more about identity theft and other ways to protect yourself, visit www.IdentityTheft.gov

COUNTY PROPERTY TAXES

You'll be receiving your county and municipal property tax bills soon. Chester, Delaware, and Montgomery Counties announced no increases for 2018. The Bucks County tax increased by 5.4%.

FEWEST FORECLOSURES IN 11 YEARS

According to ATTOM Data Solutions, U.S. foreclosure filings are down 35% (year-over-year in the 3rd quarter) and the lowest since 2006, Q2.

NATIONAL ASSOCIATION OF REALTORS®
2017 HOME BUYERS & SELLERS PROFILE

Characteristics of Home Buyers

• 34% were first-time buyers (50% in '10, 35% in '16)
• 87% purchased with a real estate agent, 7% directly from a builder, and 6% directly from an owner
• $88,800 - median household income of all buyers
• 13% of home buyers purchased a multi-generational home to take care of aging parents, for cost savings, and because of children over 18 moving back home.

Characteristics of Homes Purchased

• 1,870 sq. ft median size, 1991 year built median age
• 15% new construction (28% in 2003)
• 83% purchased a detached single family home
• 15 miles – median distance between homes moved from and to

The Home Search Process

• 42% – first step in the home shopping process was looking online at properties
• 79% – real estate agents viewed as very useful information source, but 88% found online websites the most useful
• 10 weeks searched and viewed a median of 10 homes (12 weeks and 12 homes in 2009 through 2013)

Financing the Home Purchase

• 88% used financing
• 5% median down payment for 1st-time buyers
• 14% median down payment for repeat buyers
• Source of down payment: 59% savings, 38% proceeds from sale of previous residence

Characteristics of Home Sellers

• Typical seller lived in home 10 years (6 yrs in 2007)
• 89% were assisted by a real estate agent
• Typical seller was 55 years old with a median income of $103,300.
• Final sales price was 99% of final list price

THINKING ABOUT BUYING THIS YEAR?
– TIPS FOR MORTGAGE SUCCESS –

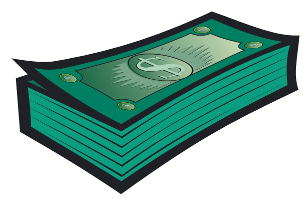
It's not uncommon in a preliminary conversation with a customer that they tell me something which prompts me to respond: "I wish you didn't do that. I wish we discussed that beforehand."

It's good to consult with a mortgage originator a good 2-4 months before beginning the process. In the meantime, here's some common issue tips:

Don't take out more credit. Don't apply for new credit, increase existing lines of credit, and generally don't give any entity a reason for pulling your credit report.

Not paying off all credit cards is OK. Some credit scoring models like the "carry" of a small balance.

Don't charge your cards to the limit. Negative scoring points apply when your balance is roughly 2/3rds or more of the limit; Positive scoring points apply when your balance is roughly 1/3rd or less of the limit.



Careful with debt consolidation. In an attempt to look better with the lender, some people are tempted to consolidate various debt beforehand. This may or may not be a good idea. And beware, some credit "counseling" consolidation companies charge startup fees, high interest rates, and teaser rates. And the lender simply won't entertain a scenario whereby the applicant is currently enrolled in a Consumer Credit Counseling plan.

Don't pay off collection accounts. Well, maybe you do; it depends. If the balance is low enough to the extent that the lender won't required it to be paid, then it might be advisable to do nothing. If the balance does need to be paid, it would probably be better AFTER the initial credit report is pulled.

Keep finances consistent. Don't move money around or have anything that's not "normal" from your deposits & withdrawals routine.

Don't change jobs. It may be fine, but if you can help it, postpone the change until after settlement.

RENTAL ROUNDUP

Is it still good to be a landlord? Yes, but after a decade of unprecedented and broad-based growth, the rental housing market is cooling and segmenting.

According to Harvard University's 2017 America's Rental Housing report, rent increases have slowed, there are fewer new renter households, and rental vacancy rates have increased.

Because of the surge in rents over the past decade, now 47% of renters spend more than 30% of their income on housing and 24% spend more than 50%.

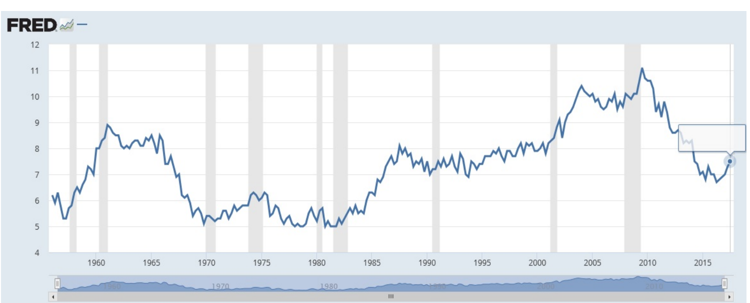
This affordability factor coupled with less demand, as foreclosures dwindle and the economy continues to improve, coupled with changing renter household demographics (now more likely to have higher income, be older, and have children) is prompting a market shift.

Corroborating this are data from the Census Bureau: the number of new homeowners in 2017 Q1 was 132% higher, year-over-year, than the number of new renter households – the first time since 2006

The market has responded to this shift in demand with an expanded supply of high-end apartments and single-family homes, but with little new affordable housing to low- and moderate-income renters.

Nonetheless, the report predicts that renters will account for about 1/3rd of household growth until 2025 – a significant quantity by historical standards.

U.S. vacancy rates to 2017, Q3 (7.5%)



BABY BOOMER TRENDS

We've all heard about the lack of inventory for sale. One reason is that baby boomers aren't moving.

According to Bloomberg, 53% of owner-occupied home are owned by people 55 and older. This figure was 43% a decade ago. Additionally, according to an American Financing survey, 2/3rds of homeowners aged 60-70 have no plans to move.

REMODELING? 2017 COST VS. VALUE SURVEY

According to NAR's Remodeling Impact Report for 2017, a survey of real estate agents noted that a complete kitchen renovation, a kitchen upgrade, and a bathroom renovation are the top three projects that best appeal to buyers, as well as the most likely to add value to a home for resale. Regarding a home's exterior features, new roofing, new vinyl windows, and a new garage door were listed as the top three.

While I won't dispute the appeal aspect, the 2017 Cost vs. Value Report confirms, yet reveals other projects which provided the best bang for the buck.

Philadelphia Region, Mid-Range Projects

	Cost	Recouped
Attic Insulation (fiberglass):	$ 1,424	101.0%
Manufactured StoneVaneer:	$ 7,943	80.8%
Minor Kitchen Remodel:	$22,990	74.8%
Entry Door (steel):	$ 1,520	74.6%
Entry Door (fiberglass):	$ 3,368	70.2%
Siding Replacement:	$16,577	65.3%
Garage Door Replacement:	$ 3,320	64.5%
Deck Addition (wood):	$12,174	64.5%
Roofing Replacement:	$23,494	62.3%

VISIT MY WEB SITE – www.prc-pa.net
- FOR MORE NEWS YOU CAN USE -

Under "Market Outlook"
- Fannie Mae's Home Purchase Sentiment Index
- Home Price Analysis for Philadelphia region
- Local MLS 4th Qtr, 2017 "Economic & Market Watch Report" - data delineated by zip code
- Local MLS "Market Snapshot" report (12/17)

Under "Helpful Links"
- Township re-sale code requirements & tax info
- Public & Private school rankings & info
- 2017 Remodeling Cost vs. Benefit Report
- 2017 NAR® Profile of Home Buyers & Sellers
- Landlord Guidance

THE TAX CUTS AND JOBS ACT
- IMPACT: HOMEOWNERSHIP & YOU -

Standard Deduction

$12,000 for single individuals; $24,000 for joint and amount is now indexed for inflation.

Personal Exemptions

Eliminated. Under prior law, $4,150 could be deducted in 2018 for the filer and his or her spouse, if any, and for each dependent.

{The net effect of the standard deduction change and the repeal of personal exemptions is that the net change is beneficially mitigated or eliminated.}

Mortgage Interest Deduction

Limits deductible mortgage debt to $750,000 for new loans taken out after 12/14/2017.

{For most of you reading this, I doubt this will impact you at all. With regards to the impact on the housing market in general, I think the effect, if any, will be considerably minimal.}

Exclusion of Gain of Sale of a Principal Residence

No changes.

Deduction for Home Equity Debt Interest

Eliminated.

Moving Expense Deduction

Eliminated, except for members of the military.

Deduction for State & Local Property and Sales Taxes

Limits amount to $10,000.

Ordinary Income Tax Rates, Single Filer

Previous Brackets	New Brackets
10% – $0-9,525	10% – $0-9,525
15% – $9,526-38,700	12% – $9,526-38,700
25% – $38,701-93,700	22% – $38,701-82,500
28% – $93,701-195,450	24% – $82,501-157,500
33% – $195,451-424,950	32% – $157,501-200,000
35% – $424,951-426,700	35% – $200,000-500,000
39.6% – $426,701 +	37% – $500,001 +

Ordinary Income Tax Rates, Married Filing Jointly

Previous Brackets	New Brackets
10% – $0-19,050	10% – $0-19,050
15% – $19,051-77,400	12% – $19,051-77,400
25% – $77,401-156,150	22% – $77,401-165,000
28% – $156,151-237,950	24% – $165,001-315,000
33% – $237,951-424,950	32% – $315,001-400,000
35% – $424,951-480,050	35% – $400,001-600,000
39.6% – $480,051 +	37% – $600,001 +

AREA EMPLOYMENT DEMOGRAPHICS

Here's some county-level employment statistics according to a study from Data USA based upon 2015 Census Data.

Bucks County

326,430 employees

Median Household Income - $80,575

Employment by Occupation (top 3): 13.1% Management, 12.5% Admin., 11.9% Sales

Employment by Industry (top 3): 15.4% Healthcare & Social Assist, 12.5% Retail Trade, 11.8% Manufacturing

Chester County

270,111 employees

Median Household Income - $90,503

Employment by Occupation (top 3): 17.2% Management, 10.5% Admin., 9.1% Sales

Employment by Industry (top 3): 13.1% Healthcare & Social Assist, 12.4% Professional, Scientific, & Tech Services, 11.3% Manufacturing

Delaware County

280,126 employees

Median Household Income - $67,584

Employment by Occupation (top 3): 14.0% Admin, 11.1% Management, 9.9% Sales

Employment by Industry (top 3): 18.5% Healthcare & Social Assistance, 12.0% Educational Services, 10.1% Retail Trade

Montgomery County

423, 298 employees

Median Household Income - $83,254

Employment by Occupation (top 3): 13.8% Management, 11.8% Admin., 11.3% Sales

Employment by Industry (top 3): 14.8% Healthcare & Social Assistance, 11.4% Professional, Scientific, & Tech Services, 11.0% Manufacturing