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# Professional Realty News



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## From My Home To Yours

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### HAPPY NEW YEAR!

I hope this newsletter finds you healthy, happy, and successful and that you're enjoying this relaxing, serene, and relatively mild winter.

2018 was a good year for me despite business slowing. My family and I are all healthy and we celebrated my Mother's big birthday (won't say number). I puttered around my property, tending to the gardens, which pleases and relaxes me from the tension of the real estate and mortgage worlds.

Having more time on my hands in 2018, I was able to turn my attention to some volunteerism, home improvement projects, and attending professional real estate classes to continue my education and stay up-to-date. Also, I indulged myself with something completely frivolous yet fun – an electric golf cart. I love it! I can now give visitors a driving tour of my gardens, property, and the lovely neighborhood. It's also practical to haul tools, plants, and mulch up and down my hilly property.

On a somber note, a long-term dear friend of mine passed away in 2018 after battling cancer. I guess I'm getting to that age now when tragedy becomes closer.

Re PMC & PRC: As some of you know, I started a somewhat regular Linked-In post to communicate timely, pertinent, and helpful blurbs to you (more on that later). 2018 continued my 28-year record that 100% of my customers were referrals AND 100% of the mortgage applications taken were approved. 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.

As always, feel free to call me with any questions – there is never a charge nor obligation. Take Care and Enjoy the rest of the Winter!

*Thank You & Best Regards, Laurence*

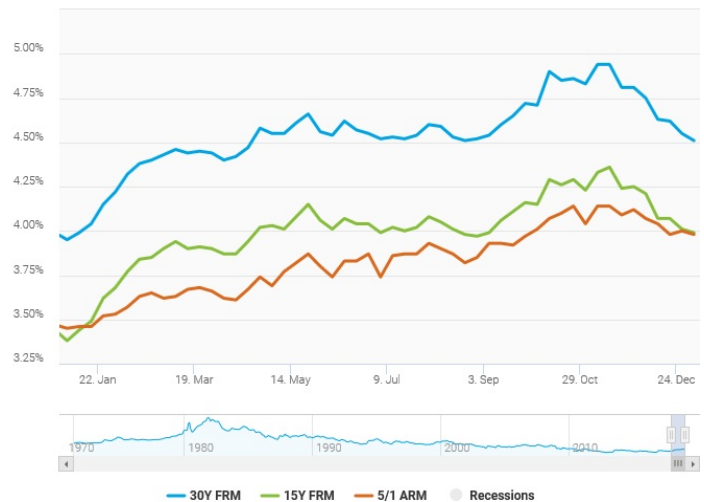
### 2018 MORTGAGE RATE RECAP

2018 was the year when we finally broke out of the historically low range we've held for the past several years (see chart).

Per Freddie Mac's Primary Mortgage Market Survey (U.S. weekly averages), we started the 2018 at 3.95% for the 30-year fixed and 3.38% for the 15-year fixed. Rates spurted immediately up to May 24<sup>th</sup> [4.53% (30-yr), 4.01% (15-yr)]. After a sideways movement until August 30th, rates shot up to their year highs on 11/15 [4.94% (30-yr), 4.86% (15-yr)].

Note the usual "spread" between the 30-year mortgage and 15-year fixed mortgage rate, which is reflective of the bond market in general. A telling message perhaps for the immediate subsequent dramatic stock market sell-off in early December.

Rates plummeted at that juncture and we finished the year at 4.55% (30-yr) and 4.01% (15-yr).

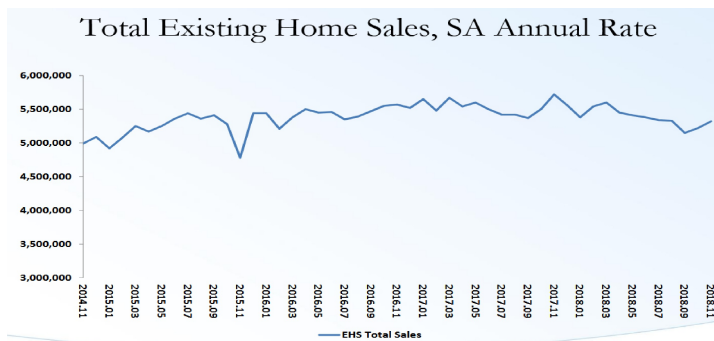
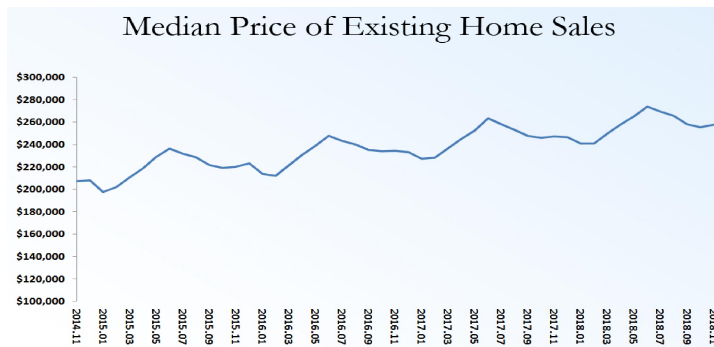


Why this movement? As I noted in last year's Newsletter, the Federal Reserve hiked interest rates and began a program of "Quantitative Tightening" in response to a growing economy and greatly improved labor market.

## 2018 HOUSING MARKET REVIEW

Once again, it was a “Seller’s Market” in 2018. Sale prices continued higher in a tight inventory environment but we hit an inflection point in the summer so that while the median prices continued higher, it was at a declining pace. The quantity of sales actually began to decline at this point as well.

Nationally (November, year-over-year, according to the Nat’l Assoc. of Realtors®), existing home sales decreased 7.0%, while the median sales price increased 4.2% (\$257.7k), and unsold inventory levels increased from a 3.5 month supply to 3.9.



It seems strange that prices would continue higher when sales volume declines. Why is that?

As I’ve said for years, “Sellers are quick to raise prices, but slow to lower.” This inflection point in the summer has begun a trend. As long as we have a tight housing inventory, and that is expected to continue because of lifestyle and demographic trends, we’ll have increasing prices.

But given the increasing level of the prices and the increasing level of mortgage rates, more would-be Buyers can no longer afford to buy (see chart on right). Buyer demand will diminish and as it does, Sellers will be forced, begrudgingly, to lower prices.

2019 Predictions: Continued tight inventory, home prices continue to increase albeit at a slower rate, with sales volume diminishing with mortgage rates rising.

To illustrate the trends more locally, here are 2018 versus 2017 residential sum totals, according to our local Multiple Listing Service (MLS):

Bucks County: Settled units decreased 3.9% to 7,894; the median sales price increased 4.4% to \$310,000. *Local example, Doylestown Borough: settled units decreased 12.1% to 99; the median sales price decreased by 1.6% to \$420,000.*

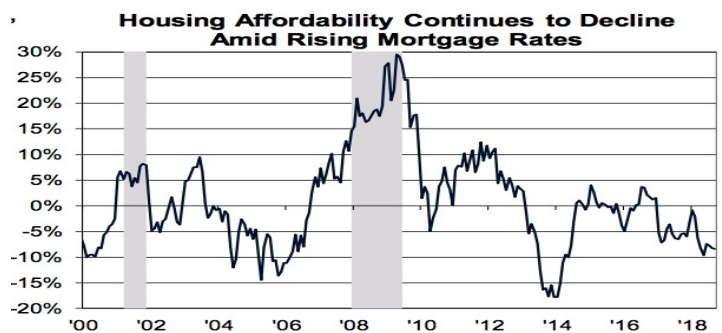
Chester County: Settled units decreased 1.5% to 7,311; the median sales price increased 2.3% to \$340,000. *Local example, Uwchlan Township: settled units decreased by 8.4%; the median sales price increased by 0.01% to \$402,000.*

Delaware County: Settled units decreased 1.3% to 6,975; the median sales price increased 1.3% to \$210,000. *Local example, Upper Providence Township: the settled units decreased 1.4% to 109; the median sales price decreased by 1.1% to \$430,000.*

Montgomery County: Settled units decreased 2.0% to 11,094; the median sales price increased 2.9% to \$288,000. *Local example, Whitpain Township: the settled units increased 3.2% to 257; the median sales price increased by 6.6% to \$415,000.*

Lancaster County: Settled units decreased 7.7% to 5,941; the median sales price increased 7.4% to \$204,000. *Local example, Lititz Borough: settled units decreased 24.1% to 85; the median sales price increased by 8.4% to \$200,000.*

Philadelphia County: Settled units decreased 1.3% to 16,735; the median sales price increased 6.3% to \$200,000. *Local example, 19130 zip code: settled units had 0 change at 550; the median sales price increased by 7.1% to \$375,000.*



## MORE ON AFFORDABILITY

The previous chart was based on research from the NAR. There has been other research which paints an even bleaker picture on the subject.

### Demand

According to Attom Data Solution's 2018, Q<sub>4</sub> Housing Affordability Index, the level was the lowest since 2008, Q<sub>3</sub>, in which they analyzed the percentage of income needed to buy a median-priced home relative to historic averages.

To put home prices and income into perspective, economists at Trulia reported that Americans' income, after adjusting for inflation, increased 27% between 1980 and 2016 while home prices jumped 62%. I wish I had more up-to-date figures on that, but we know that the trend in the past 2 years has even widened.

According to FannieMae's 12/2018 Home Purchase Sentiment Index, the net share of survey respondents who say it is a good time to buy fell 13% from 1-year ago to a survey low of 11%. And according to Fannie Mae's 2018, Q<sub>4</sub> Mortgage Lender Sentiment Index, demand growth projections hit a survey low and the profit margin outlook, negative for the past 9 consecutive quarters, also hit a survey low.

A study by economists at Realtor.com found that only 41% of the U.S. population resides in a county where a median-household income can afford a median-priced home. They found that the monthly cost to buy was \$1,647 versus \$1,267 to rent.

It's no surprise then that many would-be buyers are renting and choosing to do so. Despite the long-spoken mantra from the NAR that ownership is a better option than renting for wealth creation, a new study finds otherwise in this current environment.

Given that home prices have increased significantly without corresponding income gains, that mortgage rates have risen, and that there have been recent changes in the tax code (for instance the doubling of the standard deduction and caps for itemized deductions), a study by Florida Atlantic University and Florida International University faculty concluded that currently more wealth can be generated by renting.

Their national Beracha, Hardin & Johnson Buy vs. Rent (BH&J) Index compares the wealth gained from rising equity for homeowners against those who rent a similar home and reinvest all the money they would have spent on ownership. It's the first-time this Index moved into "rent territory" since 1999.

### Supply

According to Attom Data Solutions, homeownership tenure has nearly doubled what it was in the early 2000s. We've read many an article about this lifestyle trend of "aging in place."

Simultaneously, new supply hasn't stepped up to fill the void. Homebuilders are facing their typical obstacles, the "four Ls" – labor, land, laws, & lumber. These obstacles suggest that production of new entry-level, moderately-priced homes will continue to suffer

Conclusion: Don't expect these trends to change anytime soon, especially for 2019. At some juncture, house prices will be forced to come down, such that Demand and Supply will come into balance.



## COUNTY PROPERTY TAXES

You'll be receiving your county and municipal property tax bills soon. If you have an escrow account with your mortgage company, please ensure they receive a copy. The due date for the discount period, for most counties, is March 31st.

Chester, Bucks, Delaware, and Montgomery Counties announced no increases for 2019. Philadelphia County property tax rate also did not increase; however, your bill may be higher due to a higher reassessment which went into effect for 2019.

Delaware County is continuing its reassessment process. (See page 1 of last year's [Newsletter](#) for specifics.) The effective date is scheduled for 2021. For more information, call the Hotline at (610)891-5695 or consult the project website: <http://delcorealestate.co.delaware.pa.us/delcoreassessment/>

## FORECLOSURE IMPROVEMENT

According to Attom Data Solutions, U.S. foreclosure filings (624,753) continued to wane in 2018, for the eighth straight year, down 8% from 2017, down 78% from the peak in 2010, and hitting the lowest level since 2005.



## MORTGAGE PROCESS UPDATE

As I've mentioned directly to you or you've read in my previous Newsletters, mortgage lending standards ebb & flow cyclically, getting tougher and easier. For the past several years, the standards became easier and easier in reaction to the conservative over-reaction following the Great Recession. That easier trend moderated in 2018 and in some scenarios, toughened.

Conforming loan limits increased to \$484,350, a 6.9% increase versus the 2018 limit. Thus, a "Jumbo" loan is now defined as a mortgage amount over that limit, thus accruing higher rates and tougher qualification criteria.

There will be a new mortgage application form, slated for use beginning 7/1/2019. I've seen and reviewed the new form and all I can say is, "Wow!" It's the largest revamp of this key document in ..., I don't know, at least for the 30 years I've originated mortgages! If you were dismayed at the complexity of the 4-page, legal-sized application before, wait until you see this new 8-page, letter-sized questionnaire! Oh, and by the way, that's 8-pages per borrower. So, if there are 2 borrowers, that's a change from 4-pages to 16-pages.

HomeReady income limits increased to \$87,400 for most of our local geographic areas. This is a great program, better than FHA, for most 1<sup>st</sup>-time home-buyers (not owned in the past 3 years). See page 3 of last year's [Newsletter](#) for program details and benefits.

Appraisal Waiver Increase: In 2017, FannieMae and FreddieMac (the lender's lender) rolled-out their proprietary Automated Valuation Models (AVM) for use. In essence, if the algorithm agreed with the purchase price (purchase scenario) or estimated value (refinance scenario), then a full-blown, human-being appraisal is NOT required – a savings of \$400- \$475. In 2017, FannieMae estimated that only 5% of home mortgages qualified for the waiver. In 2018, the largest wholesale lender in the country reported that 10% of the loans it originated were granted the waiver. FreddieMac is estimating that eventually 15% will receive the waiver as the algorithms become even better, i.e. more accurately predictive. But, is the Waiver a good thing for you? See next article.

## APPRAISAL WAIVER - IS IT A GOOD THING? -

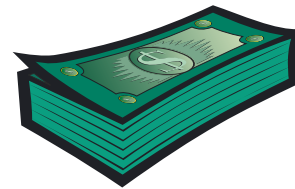
If you're doing a refinance transaction, and you're granted the waiver, then it's a no-brainer – it's worth it. If FannieMae's proprietary AVM, Collateral Underwriter<sup>®</sup> (CU) agrees with your estimated value, then wonderful, save the \$400-\$475 and no changes are required with your application nor desired loan amount.

If you're doing a purchase transaction, it becomes a question. Even if the lender doesn't require a full-blown appraisal, should you pay and order it anyway, for your own potential benefit? If you want it ordered, the lender's human-being underwriter is required to review it.

Hopefully, your real estate agent included an "Appraisal Contingency" and "Mortgage Contingency" along with the purchase offer. Both contingencies will protect you from the scenario if the appraisal comes in below the sales price.

If the appraisal comes in low, you have an out and at a minimum, the opportunity to re-negotiate the sales price with the Seller. If your negotiation results in a reduction of greater than \$500 from the sales price, then yes, it was worth dismissing the Waiver and ordering the appraisal anyway.

If your mortgage application results in an Appraisal Waiver, I highly recommend you consult with both your real estate agent and mortgage broker for their opinions. If it's me – that results in one phone conversation versus two! :)



## GRANTS FOR BUSINESS PROJECTS

Are you or is someone you know a farmer or small business? If so, are you considering a "pollution-prevention, energy-efficiency, or natural-resource-protection" project? If so, you might qualify for up to a 50% matching grant up to \$9,500 from PA. Hurry, the dead-line is April 19, 2019. Contact the [DEP Small Business Ombudsman's](#) Office for specifics.

### **Characteristics of Home Buyers**

- 33% were first-time buyers (50% in '10, 34% in '17)
- 87% purchased with a real estate agent, 6% directly from a builder, and 7% directly from an owner
- \$91,600 – median household income of all buyers
- 18% were veterans, 3% active-duty service members, 89% heterosexual, 4% gay or lesbian, 1% bisexual, and 7% not preferring to answer

### **Characteristics of Homes Purchased**

- 1,900 square feet, built in 1991, had 3-bedrooms and 2 baths (“typical home”)
- 14% new construction (28% in 2003)
- 82% purchased a detached single family home
- 15 miles – median distance between homes moved from and to

### **The Home Search Process**

- 44% – first step was looking online at properties
- 78% – real estate agents viewed as very useful information source, 88% found online web sites the most useful
- 10 weeks searched and viewed a median of 10 homes (12 weeks and 12 homes in 2009 through 2013)
- 38% – NOT very satisfied with their recent home buying process {Stunning to me!}

### **Financing the Home Purchase**

- 88% used financing
- 7% median down payment for 1<sup>st</sup>-time buyers
- 16% median down payment for repeat buyers
- Source of down payment: 58% savings, 39% proceeds from sale of previous residence
- Of those Buyers who responded that saving for a down payment was difficult, 50% said the cause was due to student loans, 37% cited credit cards, and 35% cited auto loans.

### **Characteristics of Home Sellers**

- Typical seller lived in home 9 years (6 yrs in 2007)
- 91% were assisted by a real estate agent
- Typical seller was 55 years old with a median income of \$98,800
- \$55,500 was the median amount cited re difference in amount purchased property versus sold
- 36% - NOT very satisfied with their recent selling process {Again, stunning to me!}

Effective for 2019, there have been some major changes in the standard PA Agreement of Sale for residential properties. The changes came about in response to market forces and feed-back from real estate agents regarding problem points. If you're advising someone based upon your past experience, be careful because there are now some major topics which have just changed. Of course refer to a real estate professional, but for your edification, here are just some of the changes:

- 1) For Buyers – listing agent must confirm the submission of a purchase offer to Seller.
- 2) For Buyers – attendees to home inspections and any entry into property must be approved by Seller.
- 3) For Buyers – now a deadline for ordering title insurance.
- 4) For Buyers – now ALL inspection reports must be submitted to Seller, regardless if report was satisfactory or not.

### **LINKEDIN POSTING**

2018 was the year I entered the “social media” world, establishing a PMC and PRC account. If there was some relevant news, especially timely news, that fell into the category of “consumer-oriented information & advice to save money and time: mortgage, real estate, personal credit & finance, home improvement,” I wrote up a brief blurb and posted it.

For instance, the next article about credit freezing, I shared that news with everyone within my network immediately so that they might benefit. I post a blurb about once per month.

If you would like to receive these posts, please send me your preferred email.

### **UPGRADED WEB SITES**

My PRC and PMC web sites have just recently been re-organized, re-edited, and expanded. And they are soon about to be upgraded and modernized so that they will work well with smart phones.

If you know of someone who will be buying and/or selling, please direct them to my sites for some good advice and very helpful information and resources.

## CREDIT CORNER

In August, as a result from a 2015 court settlement, the credit bureaus removed certain collection accounts from 8 million consumers' credit reports. These were non-loan type accounts such as medical collections (bill paid by insurance co.), traffic tickets, library fines, gym memberships, etc. The NY Federal Reserve reported that the effect was a credit score increase of 11 points, for those who had at least 1 collection account removed. Know any of the 8 million? If so, be sure to give them this good news; it was long overdue.

In September, a new consumer protection law went into effect now giving you an easier and cheaper way to "freeze" your credit. First of all, it's now free. You can block access to your credit files by calling or completing an on-line form from one or all of the credit bureaus – Equifax, TransUnion, Experian. I have all of their contact info. on my web site under the "Credit" tab. Easy. Also, it's now fast – will take effect within 1 business day from your request.

Additionally, you can now freeze accounts for children under 16 or anyone you may be acting for as a Guardian or a certain type of authorized care taker.

"Thawing" or "unfreezing" an account has now also been made free, easy, and faster. You contact the bureau(s), again by phone or on-line, provide the PIN number (was provided when account was frozen), and the account will be unfrozen within an hour.

Just recently, Equifax announced a third option, which is being offered free for life – "Lock & Alert." You can download their app for your smart phone or follow the procedures at <https://www.equifax.com/personal/>. This service is faster and easier, versus the freeze, to lock and unlock your credit report for the purposes of new credit.

Keep in mind, however, this service doesn't lock your credit profile from existing creditors, bill collectors, government agencies, credit monitoring and identity protection services, companies considering your application for employment, and marketers offering pre-screened credit and insurance offers.

To opt out of receiving pre-screened credit and insurance offers, follow the steps at <https://www.optoutprescreen.com/>.



## RENTAL ROUND-UP

I know many of you receiving my Newsletter own investment property. I expanded my PRC website in response and now have new categories, "buttons," in which you might find helpful resources. Here are some topics in 2018 which caught my attention and think are noteworthy for you.

Tenant Screening: It's been reported that the Dep't of Justice has been cracking down on landlords using screening procedures that may be having a discriminatory effect on potential tenants. Federal policy now prohibits blanket bans on tenants with criminal histories. This is not to say you cannot order a criminal background check, and you should, as part of a reputable tenant screening service report. But you should consider all circumstances regarding the nature, severity, and timing of the criminal conduct and distinguish between criminal acts that suggest a risk to resident safety or property.

Flipping: 2017 data compiled by ATTOM Data Solutions revealed some interesting results, after analyzing 200 metro areas with a population of 200,000 or more and which logged at least 100 house flips.

- Average flip turn-around: 182 days
- Average gross flipping return between 2015-2017: 50% (vs. 31% between 2004-2006)
- Total dollar volume of financed purchases \$16.1 billion, up 27% from 2016 and a 10-year high
- Philadelphia had a high ROI (return on investment) of 115.7%

Institutional Investors: Wall Street players such as Blackstone Group LP, Colony Capital Inc., Pretium Partners LLC, Invitation Homes Inc., American Homes 4 Rent, Tricon, Cerberus Capital Management, among others spent more in 2017 since 2013 in acquisitions – primarily single-family houses. And they're having no problem raising the capital to fund their expansion, demonstrating that investors see staying power in an asset class once viewed as a short-term trade on distressed homes.



## COST VS. VALUE SURVEYS

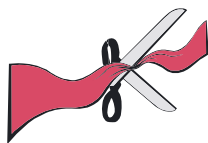


-According to “2018 Remodeling Impact: Outdoor Features,” a joint report from the NAR and NALP (Nat’l Assoc. of Landscape Professionals), here are the top 3 exterior projects which yielded the highest return in terms of re-sale:

	Cost	Recouped
Standard Lawn Care Service	\$ 375	267%
[Project based on 2,835 sq. ft. of lawn mowing, and regular fertilizer & weed control applications.]		
Landscape Maintenance	\$3,000	100%
[Project based on 2,835 sq. ft. of lawn mowing, pruning of shrubs, mulch application, and planting of 60 perennials or annuals.]		
New Wood Deck	\$10,000	80%
[Project based on 14' deep x 18' wide cedar wood, attached to house w/ledger, railings, all sealed.]		

From Remodeling’s 2018 Cost vs. Value Report, here are the top 5 projects which provided the best bang for the buck for the Philadelphia Region, “Mid-Range Projects:”

	Cost	Recouped
Manufactured Stone Veneer:	\$ 8,420	98.6%
Roofing Replacement:	\$23,964	82.3%
Entry Door (steel):	\$ 1,582	75.0%
Kitchen Remodel:	\$23,940	73.5%
Deck Addition (wood):	\$12,539	73.4%



**VISIT MY IMPROVED WEB SITES**  
**- FOR MORE NEWS YOU CAN USE -**

**Under “[Market Outlook](#)”** (all updated monthly)

- NAR’s Realtor® Confidence Index
- NAR’s Housing Affordability Index
- Fannie Mae’s Home Purchase Sentiment Index
- Home Price Analysis for Philadelphia region
- County Buyer activity and market history

## FAIR HOUSING

It’s been 50 years since the passage of the Fair Housing Act and much was written in 2018, analyzing our nation’s progress. The laws passed in 1968 were designed to remove the conditions and policies that prevented certain classes of people from living where they wanted and replace them with policies designed to ensure all Americans have equal access to housing.

How have we progressed? In 1970, the Census Bureau reported that the national home ownership rate among white households was 68%, 43.7% for hispanics, and 41.6% for blacks. According to a Census Bureau 2018, Q<sub>2</sub> report, the white household ownership rate was 72.9%, for hispanics 46.6%, and for blacks, still the same at 41.6%.

Why? There is much debate, but one root cause of the problem is due to the lack of inter-generational wealth caused by decades of unfair housing practices before the Fair Housing Act took effect. Interestingly, the ownership rate for black households hit a high of nearly 50% in 2004, but the credit crisis and economic recession hit them disproportionately hard, causing many to lose their homes to foreclosure, driving their rate back down.

The good news is that American household ownership has become more diverse. According to the 2017 State of the Nation’s Housing report (produced annually by the Joint Center of Housing Studies at Harvard University), the share of homeowners born outside the U.S. jumped from 7% in 1990 to 12% in 2016. Furthermore, first-time home buyers are more diverse. According to NAR’s 2017 Profile of Home Buyers and Sellers, 24% identified with a group other than white and 14% were born outside the U.S.



**Under “[Helpful Links](#)”**

- Township re-sale code requirements & tax info
- Public & Private school rankings & info
- 2018 Remodeling Impact Reports
- 2018 NAR® Profile of Home Buyers & Sellers
- Home Inspection information.