



Professional Realty News



Consumer-Oriented Information & Advice to Save Time and Money

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

From My Home To Yours

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2010 – HAPPY NEW YEAR !!

I hope this newsletter finds you healthy and successful and that you've enjoyed much happiness celebrating the holidays in your new or renovated homes.

I would like to take this opportunity to thank you for making this a successful year for me. Once again, 100% of my real estate and/or mortgage business was derived from either previous customers or referred by previous customers!

The success, however, came with great frustration and far more effort. The mortgage rules stemming from new national and state regulation, legislation, lenders, mortgage insurance companies, or Fannie Mae/Freddie Mac have been constantly changing.

The changes have, in sum, meant tighter lending standards, longer processing time-frames, more disclosure, and higher costs. Regarding the lending standards, I'm reminded of the adage, "what goes around, comes around." The lending guidelines, after becoming far too lenient from 1999 to 2006, have swung full cycle, reminding me of the tougher standards when I began my mortgage origination career in 1989.

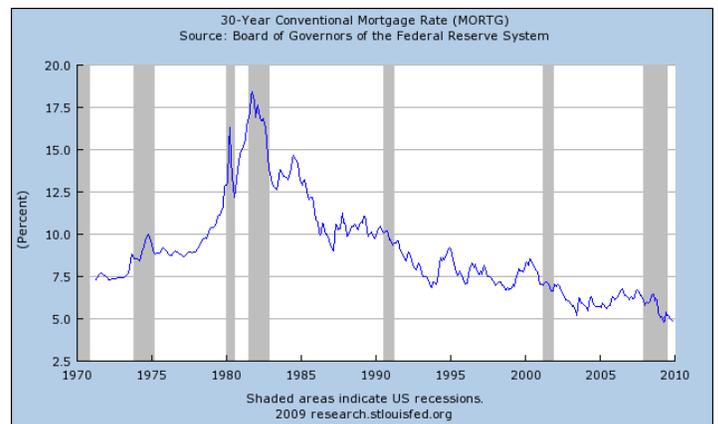
The new lending laws and regulations have proven frustrating and burdensome. Just to keep my license, I've had to register with a newly created National Mortgage Licensing System (NMLS), undergo a criminal background check, a credit report check, fingerprinting, take 20 hours of "pre-testing" education, establish and pay for a \$50,000 surety bond, and the list goes on I still have to take and pass a national and state mortgage exam. Just to maintain my current lender and credit relationships, I have had to sign new, lengthy contracts and undergo further scrutiny.

As I've joked with many of you, I'm too stupid and stubborn to give up the ship. While there will be fewer mortgage brokers in the future, the value of the survivors will be greater.

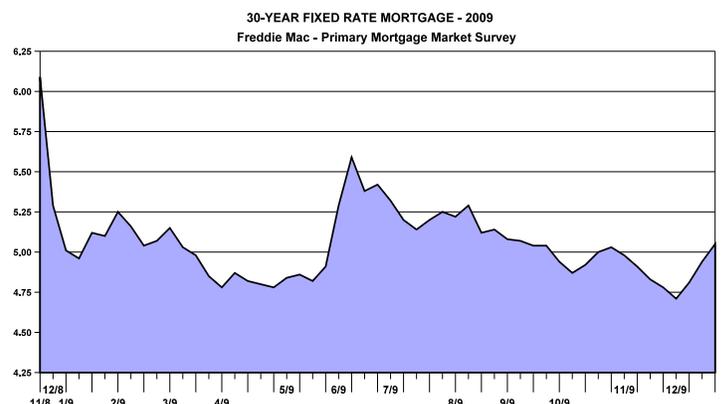
Thank You & Best Regards, Laurence

THE YEAR OF THE REFINANCE

Who would have thought back in 2003, when rates were at a 50-year low, rates would actually go LOWER!



As mentioned in last year's newsletter, the Federal Reserve slashed interest rates to basically zero in early December, 2008. Mortgage rates fell immediately and I recommended to you that it might be the right opportunity to refinance. Well, the phone started ringing off the hook in early January and many of you refinanced during that dip in the December-January period. Rates dipped again in the March to mid-May time-frame, then again in November. Wow- what a ride!



NEW PENNSYLVANIA HOME IMPROVEMENT CONTRACTOR LAW

The Home Improvement Consumer Protection Act (HICPA) became effective July 1, 2009. The Act provides for the registration of home improvement contractors with the Bureau of Consumer Protection in the Office of the Attorney General, provides extensive requirements for written contracts, and authorizes criminal penalties for home improvement fraud.

Contractors must register their business and individually provide their social security number, driver's license number, home address, telephone number and related information as well as for those having more than a 5% equity interest in the business. The assigned registration number must be disclosed on contracts, advertisements, estimates, and proposals.

To verify a contractor is registered, either call (888) 520-6680 or refer to www.attorneygeneral.gov.

Regarding the contract, if the home improvement cost exceeds \$500, the contents are governed by HICPA, which includes basic terms such as price, start and completion dates, contractor information & registration number, be legible, include a right of rescission, and be signed by the home owner.

- Thanks to Sue T. & Betsy D. for bringing this to my attention.



NATIONAL ASSOCIATION OF REALTORS® 2009 PROFILE OF HOME BUYERS & SELLERS

Characteristics of Home Buyers

- 47% of recent home buyers were first-time buyers. (in '06, it was 36%)
- The typical first-time home buyer was 30 years old, while the typical repeat buyer was 48 years old.
- The 2008 median household income of buyers was \$73,100. The median income was \$61,600 among first-time buyers and \$88,100 among repeat buyers.
- 21% percent of recent home buyers were single females, and 10% were single males.
- For one-third of recent home buyers, the primary reason for the recent home purchase was a desire to own a home.

Characteristics of Homes Purchased

- New home purchases were at the lowest level in eight years—down to 18% of all recent home purchases.

- The typical home purchased was 1,800 square feet in size and was built in 1991.
- 78% of home buyers purchased a detached single family home.
- The median price of home purchased was \$210,000 in the Northeast, \$158,000 in the Midwest, \$175,000 in the South, and \$240,000 in the West.
- When considering the purchase of a home, commuting costs were considered very or somewhat important by 78 percent of buyers.

The Home Search Process

- For more than one-third of home buyers, the first step in the home-buying process was looking online for properties.
- Nine in ten home buyers used the Internet to search for homes.
- Real estate agents were viewed as a very useful information source by 81% of buyers who used an agent while searching for a home.
- The typical home buyer searched for 12 weeks and viewed 12 homes.

Home Buying and Real Estate Professionals

- 77% of buyers purchased their home through a real estate agent or broker.
- 10% of buyers purchased a home in foreclosure, up from 3% in 2008.
- 44% of buyers found their agent through a referral from a friend or family member

SHORT SALES

Are you under water? Do you want to sell, but owe more than you will receive, less closing costs? If so, you should chat with me regarding your options.

Thanks to some new laws providing extra incentives to mortgage servicers, you have more flexibility getting out from the mess. Also, if there is an agreement with your servicer, the issue will appear on your credit report as “pre-foreclosure in redemption,” rather than “debt discharged due to foreclosure,” and thus have a less damaging impact on your credit score.

Remember, my mortgage career actually began in the field of mortgage servicing, feel free to call me if you have any questions about this topic, any escrow problems, or any other servicing problem.

HOME BUYER TAX CREDIT EXTENSION & EXPANSION

As many of you have already heard, the first-time home buyer tax credit was extended. To qualify for the credit, qualified purchases must be under contract by April 30, 2010 and close by June 30, 2010.

But, did you know that the credit was expanded to include current homeowners, not just first-time buyers?

A first-time homebuyer is defined as not owning a principal residence for 3 years prior to the purchase date. A current homeowner is defined as using the home being sold as a principal residence 5 of the previous 8 years.

The income limit is \$125,000 for single taxpayers and \$225,000 for married filing jointly (\$20,000 phase-out). The buyer attaches documentation of purchase to the tax return and claims the credit: \$8,000 for first-timers & \$6,500 for current homeowners!

Are you feeling that economic stimulus yet? If you or anyone you know may be purchasing before June, I have a more detailed flyer posted at www.prc-pa.net, and as always, I would appreciate the referral.

Spring, 2009 Humor – Today’s word is LIQUIDITY.
Definition: When you look at your retirement funds and wet your pants.

- Thanks to Dad Ostrom for this gem.

MORE ECONOMIC STIMULUS – Energy Efficient Home Improvements –

You can receive up to a \$1,500 tax credit for energy efficient improvements “placed in service” from 1/1/09 through 12/31/10, or longer for major projects.

Improvements must be on the taxpayer’s principal residence, though there are some exceptions for large projects like geothermal heat pumps. Evidence of your qualifying expenditure consists of the work receipt and the “Manufacturer Certification Statement,” which is defined as “a signed statement from the manufacturer certifying that the product or component qualifies for the tax credit.” This evidence documentation must be kept, but not submitted along with the tax return.



The good stuff ...

Up to 30% of the cost, up to \$1,500! (2009 & 2010)

- Windows & Doors (exterior windows & skylights, storm windows, exterior doors, storm doors)
- Roofing (metal & asphalt)
- Insulation, HVAC (central a/c & air source heat pumps, natural gas, oil or propane furnace or boiler, advanced main air circulating fan)
- Water heaters (gas, oil, propane, or electric heat pump water heater)
- Biomass stoves (my personal favorite)

Up to 30% of the cost, with **no upper limit!** (2016)

- Geo-Thermal Heat Pump (congrats to Scott G.)
- Solar Energy Systems
- Small Wind Energy Systems
- Fuel Cells

For each component, please consult the “Tax Credit Specification” located at www.energystar.gov for the exact definition of energy efficiency and IRS Form #5695. Also, manufacturers and service providers should be gladly informing you that the component or system qualifies for this credit and would be forthcoming in providing this qualifying, “Manufacturer Certification Statement.”

WANT EVEN MORE ECONOMIC STIMULUS?

The Appliance Clunker Rebate program began 10/15/09, requiring states to prepare program terms to receive their portion of \$300 million. One place to check is www.appliancerebate.com.

And, how about that expired “cash-for-clunker” car program? There may be more stimulus heading your way ... stay tuned.

Historic Roots: The Front Porch

- An African invention used by slaves, making houses more welcoming, cooler, appear larger, can screen-in to protect from bugs, and provides outdoor living in summer to protect from rain.

TAX APPEAL - DO IT!

I receive many ideas and good tips from you during our conversations. One of the tips I kept hearing this year is the success you are having appealing your property taxes.

As promised to many of you, I'll share the tip to all of you: appeal your property taxes! I haven't heard of one person getting rejected.

Let's face it, property values have come down. Why should you be paying on an outdated tax assessment?

Contact your county tax agency and ask them about the forms and procedures in order to properly appeal. If you need local sales "comparables" to support your argument, feel free to call me.

You might want to consult a real estate attorney, but I think you can handle it yourself and you, the taxpayer, are valuable in your own presentation. The reviewers are typically court-paid real estate agents and attorneys, so your well-documented case will probably win to some extent.



GENERAL GOOD ADVICE

- Thinking about buying or selling a condo?

Think again. There have been many financing changes associated with condos during the past year. The underwriting changes are associated with not necessarily you, nor your particular property, but with the association itself. What is the owner-occupancy ratio? What are the budgetary reserves? What is your insurance coverage? Is the association managed by the unit-owners or the developer? Are there any pending legal proceedings against the community? Etc.

Feel free to call me to discuss.

- Hard time making your mortgage payment?

The "Making Home Affordable Program" (HAMP) might be the right option for you. Much federal government money from us, the taxpayer, has provided for many more "carrots & sticks" for mortgage servicers to work with you and to prevent you from possibly going into default and foreclosure. The most desirable outcome is to "modify" your mortgage - a change in the terms. If this is the proposal from your servicer, feel free to call me for advice. Also reference:

www.makinghomeaffordable.gov or (888)995-4673

HOME VALUE CODE OF CONDUCT (HVCC) A.K.A., LAURENCE'S RANT

For those of you who applied for your mortgage before May 1, 2009, be glad you did; otherwise, for those of you who applied afterwards, we had to deal with this new law.

Of all of the law and regulatory changes which have come down the pike in the past couple of years, the HVCC is the one which has proven particularly frustrating, costly, and has most inconvenienced you, the consumer.

Here's the ground-level implication: I am now outlawed from having any participation in the appraisal process. I cannot select the appraiser, nor speak with the appraiser, nor have any contact whatsoever with the appraiser.

As with much legislation, there are good intentions (a separation of potential bias), but the unintended consequences have been disastrous.

It was always illegal for me, the mortgage broker, to put pressure on the appraiser for an intended result. My value was to provide a conduit of communication between you, the consumer, and the appraiser. Think about it – there may be many improvements, clarifications, and critical analyses brought to bear on this one person's professional "opinion of value."

The mortgage broker had (past-tense) the experience to directly confront and challenge this opinion. The mortgage broker had the option of selecting the appraiser who was familiar and specialized in a particular area, who was cordial and flexible with customers (if they weren't, they wouldn't be my appraiser), and who charged a reasonably low fee -- yes, competition is good!

The mortgage broker did the shopping for you, and now, this benefit has been removed.

Now, the lender, not the broker, orders the appraisal from a newly created, for-profit entity called the "Appraisal Management Company" (AMC). The AMC tends to be regional or national in scope and their employees are clerks, not appraisers.

This AMC then selects the particular appraiser from their "approved" appraiser list, designated in a particular local. This is where it gets especially interesting: Which individual appraiser gets on their list? Which individual appraiser gets the order?

Well, the answer boils down to hard-nosed negotiation and profit for the AMC ("I, the big, national AMC might be willing to put you, the little

local appraiser among many, on our ‘approved’ list, how little will you charge us?”). Bottom line: you, the consumer, are now charged \$375 - \$425 for an appraisal; before this new law, you were charged \$275 - \$325 (nationally, the National Association of Mortgage Brokers {NAMB} estimates a \$150 differential). In part, because of this, you are now receiving an appraisal from a less experienced and/or out-of-area appraiser.

The two groups out in front of this new law and overtly opposed to it from the beginning were the NAMB, the organization in which I proudly belong, and the Appraisal lobby. Now, the National Association of Realtors®, among many others, are also opposed.

According to the NAMB, the HVCC is costing consumers over \$2.8 BILLION in extra fees created by higher appraisal costs and long delays (extended lock-in fees). And, AMCs are driving honest appraisers and mortgage brokers from business, eliminating competition, thus increasing costs to consumers. The NAMB has said “AMCs are assigning appraisers from a different municipality, county, or even state to appraise the target house, therefore unfamiliar with the neighborhood and unable to produce an accurate appraisal.... Because AMCs pay appraisers such low fees, those assigned appraisers willing to do the work are often inexperienced and fail to adequately appraise the home.”

I just received a call from a customer and he told me he observed the appraiser, initially, measuring the wrong house ... and he asked the customer what he thought the house was worth ... and wanted to re-confirm the room count, when he already went through the house! There were other no-no’s as well. This is what I mean about a lack of accountability for the appraisers now – this person would NEVER have been an appraiser I would have selected upon your behalf. (Thanks Rob I.)

I had another customer’s appraiser use a foreclosed-upon house as a comparable, a.k.a. a “stressed sale.” I would never have known, but the customer knew of the house AND its use was a major basis for the value determination, even though there were other comparables from which to select. To cut a very long and frustrating story short, after a 2 ½ week “dispute” process, the appraiser never directly addressed the issue and stood by the appraisal. The lender uses the appraisal, period. So, the value came in well under a reasonable figure and the customer was rightfully upset. (Thanks Pat M.)

And, HVCC is causing significant delays in the real estate transaction. And, the appraisal is assigned to the particular lender, thus eliminating the “portability” of the appraisal (in the old days, I could re-direct the appraisal to another lender for whatever reason beneficial to you, because I, the mortgage broker, owned the appraisal).

Regarding purchase transactions, Lawrence Yun, the National Association of Realtors® Chief Economist, said after a month into the implementation of the new law, “In the past month, we have suddenly been bombarded with many stories of, at the last moment, transactions falling apart because of appraisals are coming in unrealistically low ... and as a result, it opens up a new round of negotiations between a buyer and a seller or in many cases the buyer just steps away.”

Yes, this law has been frustrating. If you feel the pain for these other people and can see the unintended consequences of this legislation, **I urge you to sign the petition to rescind this law** at www.hvccpetition.com. Also, the bill which passed the House of Representatives repealing the HVCC is now before the Senate. I urge you to contact your Senator. Thanks!

 **VISIT MY WEB SITE** 
- FOR NEWS YOU CAN USE -

In my PRC website, www.prc-pa.net, I list some very helpful and timely information.

Under “Market Outlook”

- Market Conditions, written by local real estate agents about their local markets in PA.
- Home Price Analysis for the Philadelphia region
- Credit Suisse Monthly Real Estate Agent Survey
- Median Sales Price Statistics & Trends
- Local MLS 3rd Qtr, 2009 “Economic & Market Watch Report” - data broken down by zip code
- Local MLS “Market Snapshot” report through 11/09

Under “Helpful Links”

- Township re-sale code requirements & tax info
- Community Reports (just type in zip code)
- Public & Private school rankings & info
- Home, well, termite, radon, and septic testing info
- 2009 Remodeling Cost vs. Benefit Report
- 2009 National Profile of Home Buyers & Sellers

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- New PA Home Improvement Contractor Law
- 2009 Profile of Home Buyers & Sellers
- Federal Tax Credit Extension & Expansion
- Home Value Code of Conduct Law - REPEAL!
- Home Showing Tip (Making Bedrooms Larger)



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HOME SHOWING TIP MAKING BEDROOMS APPEAR LARGER

Preparing to list your property on the market? Or, want a more spacious look to your bedroom? Try these tips.

Shelves – They take up very little space and provide a place for all of those knick-knacks which are cluttering up end tables and bureaus.

Bedding – Consider the purchase of a storage or platform bed. The storage capacity underneath the bed could remove the need for a dresser. Luggage & shoes not needed for daily use can be slid underneath, thereby removing viewable clutter.

Mirrors – Placed correctly, they create a doubled-look effect that makes the room appear larger.

Furniture – Small furniture arranged in the right way, often at angles meant to distract attention from the walls, can give a small bedroom the appearance of being larger.

Wallpaper – Horizontal patterns tend to make a room appear larger; if this isn't an option, then hang smaller pictures or artwork on the walls.

PRERECORDED SALES CALL BAN

The Federal Trade Commission's (FTC) rules banning prerecorded sales calls made without a consumer's written consent took effect on September 1, 2009.

The rule does not prevent companies from making prerecorded messages that are informational in nature, such as calls that reconfirm appointments or reservations.

All prerecorded calls must also contain an automated opt-out mechanism that is provided at the beginning of a prerecorded message.

INTERESTING FACTOID

Survey firm Campbell Communications discovered that 39% of mortgage preapprovals from Internet lenders fell through due to a lack of proper verification.

My never-ending mantra to customers is to get thoroughly prequalified BEFORE house hunting.