



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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2011 – 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, my 20th year, a successful year. 94% of my real estate and/or mortgage business was derived from either previous customers or referred by previous customers! Coincidentally, I just celebrated the 1,000th loan application I've taken in my career.

In appreciation of you and this milestone, I'll be hosting an open house party at my neighborhood lake in June – details forthcoming in my Spring newsletter.

The mortgage business continued to be frustrating this year, as lending guidelines continued to stiffen and the mortgage process became more burdensome. The level and amount of verification & re-verification has, in my opinion, become absurd and the new appraisal law I railed about last year is staying put – bad news for you!

On a positive note, I applied for, and was approved by, the National Association of Mortgage Broker's "Lending Seal of Approval" designation. I'm also pleased to report that 2010 marked the first year I used a scanner for processing – I love it! ... and the savings!

The real estate sales business was the fun part. I enjoy getting out of the office and working with you more comprehensively and personally in the process of buying or selling. My new business structure and philosophy of working with clients on BOTH aspects of a transaction has proven to be beneficial in so many respects: For one, the simplification of communication and work involving so many details of the complete real estate transaction. It truly has been a "win-win."

On a personal note, I enjoyed a week-long vacation at the Outer Banks with some college friends this summer. It was the first vacation I've taken in years!

Thank You & Best Regards, Laurence

INCOME TAX LAW UPDATES - REAL ESTATE RELATED

There was much uncertainty regarding key income tax issues as they pertain to real estate leading up to the "compromise" tax law just enacted in December.

Here are some provisions you might want to note.

Energy-Efficient Home Improvements – the tax credit has been extended through 2011. However, the standards for a qualified property and a qualified improvement are tougher. See IRS Form 5695.

Mortgage Insurance Premiums – the deduction has been extended through 2011 for those individuals with less than \$100,000 in income, with a phase-out up to \$110,000.

Capital Gains – The tax rate will remain 15% for assets sold or disposed of during 2011 and 2012. Depreciation recapture tax rates remain 25% and dividends will still be taxed at 15%. No new limitations are created for Section 1031 like-kind exchange. Small investors with incomes in either the 10% or 15% brackets will have a capital gain and dividend tax rate of 0%. (See "Calling All Real Estate Investors" article on page 5).

Rental Property Expense Payments – Beginning with tax year 2011, landlords need to issue Form 1099-Misc to any service provider paid at least \$600 in the calendar year. These expenses include payments to providers such as plumbers, painters, and accountants. Rental property owners will need to start keeping adequate records of payments starting January 1, 2011. You will need to obtain their name, address, and taxpayer identification number and send the completed Form 1099 to both the service provider and the IRS.

2010 – YEAR IN REVIEW

In reviewing last year’s summary, I’m left chuckling because I noted that mortgage interest rates hit a 50-year low, but rates were heading up and it appeared that the party was over. Well, I guess that prognostication proved wrong! Rates fell further, hitting a 60-year low in November.

The chart doesn’t reveal the minuscule up & downs, that many of you and I worried about throughout the year, trying to market time the best moment, within the moment, to lock the rate and proceed with the refinance. Refinance mortgage volume fluctuated throughout the year, based upon these minuscule rate movements.

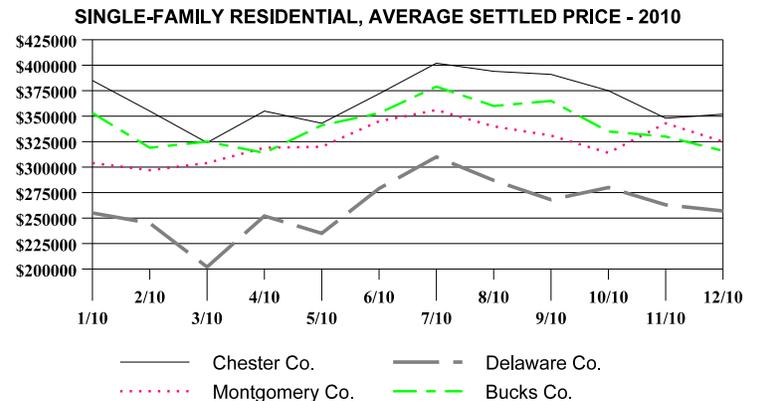
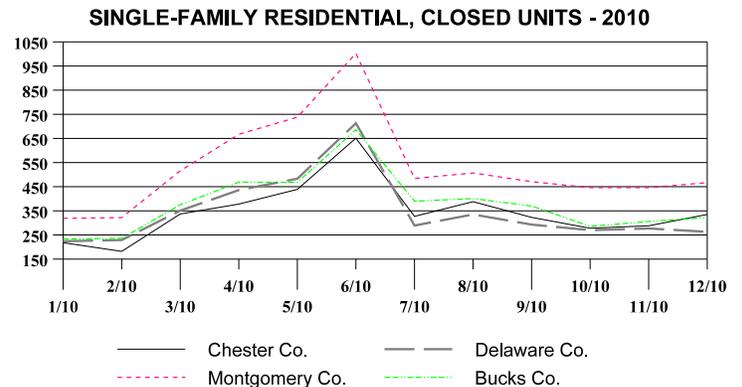
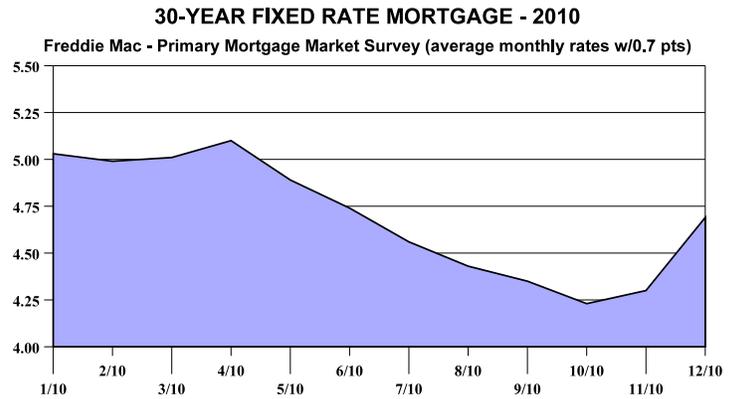
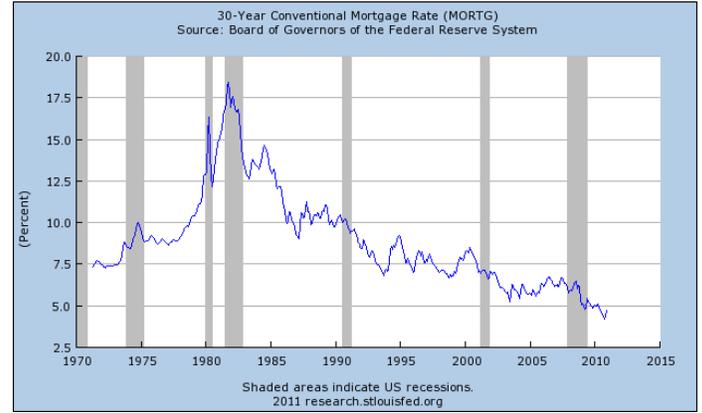
The larger rate trend was prompted by several issues: “Quantative Easing” by the Federal Reserve, the housing market reaction post two tax credit packages for home purchases, unemployment which remains stubbornly high, European Union financial woes, and foreclosure activity, both current and projected.

Regarding real estate, purchase volume surged in the Spring as buyers rushed in to take advantage of the \$6,500 - \$8,000 tax credit. (See article in Winter, 2010 Newsletter @ www.prc-pa.net for program details.)

While the 2010 totals are unknown at this time, in 2009, 1.8 million taxpayers claimed \$12.5 billion in credits according to the Treasury Inspector General for Tax Administration. Obviously, this “stimulus” was huge.

After the tax credit deadline of June 30th, purchase activity dropped noticeably and the trend worsened in the traditionally slow summer. Reasons: the lack of general interest, the lack of qualified buyers as lending guidelines continued to be more restrictive, the extra supply of short sale and foreclosed properties, the ongoing problems associated with appraisals, and the lack of capital. (Nationwide, collective household equity plummeted from \$13.5 Trillion to \$5.6 Trillion, Q1, 2006 to Q1, 2009 - Federal Reserve.)

In 2010, 2.9 million properties received a foreclosure filing according to RealtyTrac, a 2% increase from 2009 and a 23% increase from 2008. This figure would have been worse still if not for the lender’s “robo-signing” scandal and holiday moratoriums. Property sales prompted by foreclosures, short sales, and other distressed reasons accounted for 34% of all sales in October, 2010 - astounding! Expect the number of distressed properties to grow as the lender’s “shadow inventory” comes to market in 2011.



“I expect to pass through this world but once. Any good therefore that I can do, or any kindness or abilities that I can show to any fellow creature, let me do it now. Let me not defer it or neglect it, for I shall not pass this way again.” - William Penn

COLD-WEATHER PROTECTION FOR TREES & SHRUBS

- **Remove build-up:** If snow or ice is collecting on shrubs, remove it immediately with a broom. Always sweep upward to remove the elements. Downward sweeps can break and damage limbs.
- **Wrap:** Covering plants with windbreakers made of canvas, burlap or similar materials can reduce winter wind damage. However, black plastic should never be used, because heat builds up and magnifies temperature fluctuations. Be sure to remove wrappings in Spring or as soon as the weather starts to warm up.
- **Water:** Water supplies can be a critical factor for plants during the cold weather. Water in late winter such as late February and March. For next fall and before the first freeze, give your plants a good soak that will supply water to the entire root system throughout the cold months.
- **Mulch:** Add a 2-3" layer of wood chips, sawdust, or other mulching materials ... ideally in early winter. This will keep the soil warmer longer, reduce water loss, and protect roots that can be heaved to the surface as the ground alternately freezes and thaws.
- **Fertilize & Prune:** It is best to do this in late fall after the plants are dormant. Avoid late summer and early fall fertilizing and pruning as this can stimulate new growth that will be killed by the cold.
- **Maintain:** Throughout the year you should practice good gardening techniques, because plants that are nutrient-deficient or diseased are more susceptible to winter damage.

REQUIRE A TOWNSHIP PERMIT?

You had better check with your local municipality if you plan any of the following improvements: additions such as a porch, sun room or garage, remodeling or finishing a basement, adding a retaining wall over 4 feet in height, adding or replacing a deck, any remodeling requiring new plumbing or electrical work. Consult your local municipality for a comprehensive list.

NATIONAL ASSOC OF REALTORS® – 2010 PROFILE OF HOME BUYERS & SELLERS

Characteristics of Home Buyers

- 50% were first-time buyers (in '06, it was 36%, in '09, 47%).
- The typical first-time home buyer was 30 years old, while the typical repeat buyer was 49 years old.
- \$72,200 - Median household income of buyers. (\$59,900 among first-time buyers and \$87,000 among repeat buyers)
- 23% were single females, 12% were single males.
- The primary reason for the purchase was a desire to own a home.
- 71% of all home buyers and 93% of first-time home buyers used the home buyer tax credit during their home purchase.

Characteristics of Homes Purchased

- New home purchases were at the lowest level in nine years—down to 15% of all recent home purchases.
- The typical home purchased was 1,780 sq. feet, built in 1990, and had 3 bedrooms and 2 baths.
- 77% of home buyers purchased a detached single family home.
- When considering the purchase of a home, commuting costs were considered very or somewhat important by 76% of buyers.

The Home Search Process

- 33% of home buyers, the first step in the home-buying process was looking online for properties.
- 90% of 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

- 83% of buyers purchased their home through a real estate agent or broker.
- 4% of buyers purchased a home in foreclosure, 6% from a short sale.
- 48% of buyers found their agent through a referral from a friend or family member.

[The full report can be found @ www.prc-pa.net
- click on the “Helpful Links” button.]

TAX APPEAL - DO IT, AGAIN!



I wrote an article last year encouraging you to appeal your property taxes. Based upon conversations with many of you in 2010, I am all the more confident that many of you are over-assessed and would successfully win an appeal. So, with that, I appeal to you to appeal.

Step 1: Determine if your assessment is fair

Here are the two key formulas you need to know.

$$\text{Assessed Value} = \frac{\text{Market Value}}{\text{Tax Rate}}$$

$$\text{Property Tax} = \frac{\text{Assessed Value}}{\text{Millage Rate}}$$

Feel free to call me for these values and rates, or call your county property tax department. Given the premise that the market value of your property declined, your assessed value should have declined as well.

The National Taxpayers Union estimates 60% of all properties are over-assessed.

Step 2: Make your case

There are 2 scenarios:

- (1) Your assessment is too high relative to comparable homes in your neighborhood and immediate area. You will need recently sold comparable data to make this determination - feel free to call me for this information.
- (2) The tax assessor's information and description of your home may be incorrect. Double-check that the key facts, such as square footage, room count, and post-construction improvements are accurate. You can cross reference the county's information against the appraisal I sent you ... or once again, you can simply call me.

Step 3: Appeal your assessment

You will need to contact the county taxing authority for the proper forms and to schedule your appeal hearing. While some people contract with real estate attorneys for this task, the feed-back I'm hearing from customers is that you can save the money and do it yourself. You simply organize a well- documented, thoughtful presentation. The reviewers are typically court-paid real estate agents and attorneys who, at least in this forum, don't bite.

For more information and free research materials, check out – www.overtaxedproperty.com

ANOTHER REMINDER – THE NEW CONTRACTOR LAW



Effective July 31, 2009, a new contractor law was enacted in Pennsylvania. All home improvement contractors who perform more than \$5,000 in home improvements per year must register with the Bureau of Consumer Protection. You can verify a contractor's registration via the Office of Attorney General's website or by calling (888)520-6680.

Additionally, all home improvement contracts must contain specific information and show the contractor's PA, HIC registration number.

HARDWOOD FLOOR MAINTENANCE

Dirt is abrasive, so by placing doormats outside each entrance and area rugs just inside the door, you can minimize the amount of dirt ground into the floor.

Be careful of the shoes you routinely wear - metal and pointed heels can leave scratches and dents.

Outfit furniture bottoms with felt pads or plastic glides. Though, don't forget to clean the glides & pads to remove any embedded dirt.

Use a vacuum (no rotating bristles), soft broom, or a dust mop to clean. Never use a household dust treatment on your floors, because it can dull the finish and cause it to become slippery. If necessary, use a damp mop and a cleaner proven safe for your floor's finish. Never use a saturated mop and dry the floor to prevent water marks.

For floors with traditional finishes such as varnish, shellac or penetrating oil, wax is a safe way for you to inexpensively bring your floor back to life. The trick is to use a colored paste wax that will fill scratches and darken them to match the rest of the floor. Colored paste waxes are available in a variety of shades, so be careful to select the one closest to the existing color of your floor.

Newer finishes, such as waterborne polyurethane or moisture-cured urethane, should never be waxed. Polyurethane finishes can last for years with proper cleaning. However, once the finish starts to fade or chip, it is best to hire a professional to refinish.

**National Apartment Association
2010 Survey**

- 76% of respondents would prefer to rent a home than buy one, up 5% from 2009.
- 60% of renters plan to continue in 2011, with only 12% planning to buy.
- 64% cite no responsibility for major repairs or maintenance as the primary reason they prefer to rent.

CALLING ALL REAL ESTATE INVESTORS

I've received many phone calls from several of you during the past year wanting to discuss the possibility of purchasing an investment property. Thus, I felt it was appropriate to do an article relating to this topic.

The bottom-line: yes, given the right property, with the right financials, with the right amount of equity, YES, I do think it is the best time in at least 20 years to purchase an investment property (low interest rates, low sales prices, good rental environment).

Also, there seems to be a growing sentiment about asset diversification – hard real estate is another asset class versus stocks and bonds, which have proven to be capable of extreme volatility.

Now, I don't necessarily mean the "buy, fix, sell, and make a quick buck" approach that we heard about in 2005. I don't think that might happen now. But, for the "buy it, fix it up, and RENT it" approach, I think the returns are attractive. In fact, I'm personally involved in a transaction myself right now.

There are 3 potential benefits to investors: reduction of taxable income, equity gain, and positive cash flow. Some investors prioritize these benefits, since ALL may not be obtainable. If financing is involved, structuring the loan correctly is important to achieve these benefits.

Regarding the tax benefit, I suggest you look at IRS Form Schedule E. You'll note that there are many expenses which can be deducted and the asset can be depreciated. Taken together, if this resulted in a loss, the loss would be subtracted from your taxable income.

Regarding the potential equity gain ... well, it becomes an educated guess. But, if you believe that real estate prices are attractive now, and if you believe that in the long-run values will improve, then you'll enjoy this benefit as well.

Regarding the positive cash flow, let me illustrate with the example of my personal, current transaction.

Price + improvements = \$50,000 (acquisition cost). Assume these funds were liquidated for acquisition, i.e. a cash purchase, what would this cost? The cost would be the foregone gain. So, let's assume ~ 4.0%.

Opportunity cost of \$50,000	= \$167/mo.
Property Taxes	= 100
Insurance (landlord policy)	= 35
Vacancy/Repair Factor *	= 175
Total Monthly Carrying Cost	= \$ 477

* Fannie Mae uses 25% of gross rent (conservative)

Rent	= \$ 700/mo.
Positive cash flow	= \$ 233/mo.

Not too shabby ... and, this is just one of the benefits!

Feel free to give me a call and we can discuss the finances and set-up some parameters in the MLS to start showing you some prospects.



★ **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 4th Qtr, 2010 "Economic & Market Watch Report" - data delineated by zip code
- Local MLS "Market Snapshot" report through 12/10

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
- 2010 Remodeling Cost vs. Benefit Report
- 2010 National Profile of Home Buyers & Sellers

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- Hardwood Floor Protection Tips

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