August 2011 Archive

Get a cool tax credit with that new air conditioner or furnace

WASHINGTON – Aug. 25, 2011 – There are few certainties in this world, but here's one: When it's hot enough to fry an egg and a serving of hash browns on the sidewalk, your air conditioner will shudder and die.

A new air conditioner could save your sanity and quite possibly your marriage, but a new heating and air conditioning system doesn't come cheap. The good news: You may be able to get some of that money back when you file your tax return. The bad news? You would have been eligible for a much larger tax credit if you had replaced your HVAC last year.

In December, Congress extended tax credits for energy-efficient home improvements through 2011, but it also pared them back. The maximum tax credit you can claim for most energy-efficient home improvements in 2011 is $500, down from a maximum credit of $1,500 in 2009 and 2010. The law also caps the amount you can claim for specific projects.

For example, the maximum tax credit you can claim for an energy-efficient heating and cooling system is $300, says Helen O'Planick, an enrolled agent in Manchester, Pa. The maximum credit you can claim to replace your leaky windows is $200.

Still, a modest tax credit is better than none at all. Homeowners who are considering energy-efficient improvements should take advantage of it while it lasts, because there's no guarantee the credit will be extended, O'Planick says.

If you've made your home more energy-efficient this year, or plan to do so in the near future, here's what you need to know:

The $500 credit is a lifetime maximum. If you've claimed $500 or more for energy-saving home improvements since 2006 – the first year the credits became available – you're out of luck.

The maximum applies to the taxpayer, not the property. For example, suppose you claimed $500 in energy-efficient improvements in 2007, then sold the house and bought a new one. You can't claim the credit for any work done on your new house, because you've already hit your lifetime maximum, O'Planick says.

The credit is limited to your primary residence. A new heat pump may reduce the cost of heating your ski chalet, but you can't claim a tax credit for it.

The contractor or manufacturer should be able to provide a statement certifying that the product or component qualifies for the tax credit. You don't have to submit this with your tax return, but should keep it with your tax records, along with your receipt for the purchase.

In general, windows, insulation and other energy-efficient home improvements qualify for the credit as long as they have an Energy Star designation. Energy Star products must meet energy-efficiency guidelines established by the Department of Energy and the Environmental Protection Agency.

Not all Energy Star products qualify for the tax credit. O'Planick says she often hears from taxpayers who believe they're eligible for a federal tax credit because they purchased a new Energy Star refrigerator or washer-dryer. These appliances may cut your energy bill, but they don't qualify for the energy-efficient tax credit, O'Planick says. Ovens, ceiling fans, room air conditioners and light fixtures don't qualify, either.

However, while such products are ineligible for the federal tax credit, they may qualify for a state rebate. Last year, three dozen states offered rebates to residents who purchased Energy Star appliances. Most of those programs have been closed, but a few states are still accepting applications. For more information, go to energysavers.gov.

Homeowners who plan more ambitious energy-efficiency improvements are eligible for a larger tax credit and have more time to claim it. You can claim a tax credit of up to 30 percent of the cost of geothermal heat pumps, solar-energy systems, wind-energy systems and fuel cells. There is no cap on this credit, and it's available through 2016.

There's still time to claim a credit for energy-efficient home improvements made in 2009 or 2010. If you failed to claim the credits for the year in which you made the improvements, you can amend your return, O'Planick says.

It's worth the effort: Improvements made in those years are eligible for a maximum lifetime credit of $1,500.

You can find more information about the tax credit and eligible home improvements at www.energystar.gov.

To suggest columns, e-mail: sblock@usatoday.com. Follow on Twitter: www.twitter.com/sandyblock.

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Housing affordability hovers near record level

August 22, 2011 – Aug. 22, 2011 – Nationwide housing affordability during the second quarter of 2011 hovered for the 10th consecutive quarter near its highest level in the more than 20 years, according to National Association of Home Builders/Wells Fargo Housing Opportunity Index (HOI).

According to the HOI, families earning the national median income of $64,200 could afford 72.6 percent of all new and existing homes sold in the second quarter. The affordability measure dipped slightly from the record high of 74.6 percent set in the first quarter, but it remained above the 70 percent threshold initially achieved in the first quarter of 2009.

"At a time when homeownership is within reach of more households than it has been for more than two decades, and interest rates are at historically low levels, the sluggish economy and the extremely tight credit conditions confronting homebuyers and builders remain significant obstacles to many potential home sales," says Bob Nielsen, chairman of the National Association of Home Builders (NAHB). "That said, however, some housing markets across the country have stabilized and are beginning to show signs of a budding recovery."

Youngstown-Warren-Boardman, Ohio-Pa., was the most affordable major housing market in the country during the second quarter of the year. In Youngstown, 93.7 percent of all homes sold were affordable to households earning the area's median family income of $54,900.

Also ranking near the top of the most affordable major metro housing markets were Syracuse, N.Y.; Indianapolis-Carmel, Ind.; Dayton, Ohio; and Lakeland-Winter Haven, Fla.

Among smaller housing markets, the most affordable was Kokomo, Ind., where 95.8 percent of homes sold during the second quarter of 2011 were affordable to families earning a median income of $59,100. Other smaller housing markets ranking near the top of the index included Wheeling, W.Va.-Ohio; Lansing-East Lansing, Mich.; Bay City, Mich.; and Sandusky, Ohio.

New York-White Plains-Wayne, N.Y.-N.J., led the nation as the least affordable major housing market during the second quarter of 2011. In New York, 25.2 percent of all homes sold during the quarter were affordable to those earning the area's median income of $67,400. It marks the 13th consecutive quarter that the New York metropolitan division has held this position.

Other major metro areas near the bottom of the affordability index included San Francisco-San Mateo-Redwood City, Calif.; Santa Ana-Anaheim-Irvine, Calif.; Los Angeles-Long Beach-Glendale, Calif.; and Honolulu, respectively.

Ocean City, N.J., where 40.9 percent of the homes were affordable to families earning the median income of $70,100, was the least affordable of the smaller metro housing markets in the country during the second quarter. Other small metro areas ranking near the bottom included Laredo, Texas; Santa Cruz-Watsonville, Calif.; San Luis Obispo-Paso Robles, Calif.; and Santa Barbara-Santa Maria-Goleta, Calif.

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Buyers to sellers: Just how low will you go?

NEW YORK – Aug. 22, 2011 – Low-ball offers from homebuyers seems to be the norm these days. But as economic and stock market woes continue, some buyers are using it as an opportunity to submit even lower offers.

"Buyers are going to use every point of leverage they can to get a lower price," Glenn Kelman, chief executive of Redfin Corp., told The Wall Street Journal.

For example, homebuyer Ryan Goodman says he reduced bids on two homes he submitted in Barrington, Ill., because of the stock markets plunge. He and his wife had originally offered $680,000 for a home listed at $800,000, and this week submitted a new offer of $650,000.

"Unless we get a steal, we're not going to buy any house," Goodman says.

Analysts say that the Federal Reserve's vow to keep short-term interest rates near zero until 2013 has reduced the urgency of buyers. It gives buyers "comfort that they are not missing out on low interest rates if they wait," says John Burns, a home-building consultant in Irvine, Calif. "That has tilted even more power toward homebuyers."

Source: "New Round of Upheaval Reduces Home Buyers' Urgency to Do a Deal," The Wall Street Journal (Aug. 19, 2011)

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Citizens policy pushes some homeowners to add new roofs

TAMPA, Fla. – Aug. 22, 2011 – Homeowners across Florida who are up for an insurance policy renewal with the state's insurer of last resort are receiving letters about their roofs.

Anyone with a home 25 years old or older must get an inspection and prove to Citizens Property Insurance Corp. that their roof is expected to last at least three more years.

Robert Brown says he thought he had a few more years to save money to put new roofs on his rental homes. But Citizens told him the roofs must be replaced now, or it won't renew his policies.

"They're forcing people to put on a new roof, even if you have a few years of life left on the roof," Brown said. "This could force a lot of people into foreclosure, if they can't afford the roof and then lose their

insurance."

Replacing a roof on a typical home can cost thousands of dollars.

The relatively new requirement for the roof inspection comes on the heels of another controversial Citizens policy. The company recently said it's raising its rates for sinkhole coverage by 400 to 2,000 percent in some Bay area locations.

When it comes to the roof policy, some customers can't afford a new roof now and say they're letting their insurance lapse, local insurance agents said.

"This couldn't come at a worse time," said Laura Hart, of Florian Insurance Inc. in Hudson. "This is the worst economy most of these people have seen in their lives."

Hart said some customers are angry that their insurance company is taking away their chance to save longer for a new roof.

If an inspector says the roof is damaged, has visible signs of leaking, or if the inspector thinks the roof might not last three years, Citizens wants it repaired or replaced.

Christine Ashburn, spokeswoman for Citizens, said the company wants to make sure it's not covering homes that are vulnerable to hurricanes because of a weak roof.

Ashburn said the three-year lifespan rule is reasonable, and too many homeowners wait too long to replace their roofs.

"Insurance is not a maintenance program, and it's important for Citizens to make sure we're not covering homes with roofs in disrepair," Ashburn said. "If we have a deficit after a hurricane, everyone in Florida could be assessed to make up for it."

Ashburn said the company instituted the new roof requirements for some policyholders a year ago, but more homeowners are learning about now, as their policies come up for renewal.

"Tampa may have clusters of older homes, and that may be why more homeowners are complaining about the roof policy now," Ashburn said.

Citizens is Florida's insurer of last resort, meaning many of its policyholders couldn't get coverage through private insurers. So customers can't shop around.

Kirsten Tams-Schleitwiler, of AAA Insurance Agency, in Sun City Center, said she has also had customers say they'll just go without insurance.

That's dangerous for anyone, she said, and not really an option for those with a mortgage. Without insurance, a bank will assign insurance to the property, which is typically triple the cost of a regular policy, she said.

Nathan Dutcher, of Point Residential in Tampa, inspects roofs and said his business is up, mostly because of worried Citizens customers. Most shingle roofs are advertised to last 25 years, but few do, he said, because of the Florida heat.

"Homeowners are frustrated," Dutcher said. "People don't have too much money for that now, they don't really think about, "Hey, I'm going to need a new roof this year or next year.'"

Some homeowners, though, know they'll need a new roof soon but aren't ready to replace it yet.

That's what happened to Ted Williams in Tampa. He planned to buy a new roof next spring, after he received his tax return.

"My wife got a letter that explained that in order to renew our insurance, the roof had to be replaced," Williams said. "With citizens being the lone insurance choice, it's not fair, but what can I say?"

Williams said his roof was about three years old when he moved in 14 years ago. He knew the roof wasn't in good shape but was still surprised he couldn't wait until spring to replace it.

The roof cost him $6,000.

"We have four kids and are trying to buy school clothes and things," Williams said. "But you can't go without insurance on your home, not when a hurricane could come."

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Down real estate market looking pretty good

MCLEAN, Va. – Aug. 17, 2011 – Despite the recent ups and downs in the capital markets, Freddie Mac's U.S. Economic and Housing Market Outlook for August finds room for optimism. First, an extended period of both low short- and long-term interest rates should help as the market continues to struggle.

Outlook highlights

• The employment number was up 117,000, the best showing since April, and the unemployment rate edged down a tenth to 9.1 percent.

• Over the first half of 2011, growth was figured to be about 0.8 percent at an annual rate – positive but too weak to generate enough jobs to keep pace with labor force growth.

• Compared with the first quarter of 2008, borrowers are paying about $130 billion less in mortgage interest today, at an annual rate.

• The likelihood of an extended period of both relatively low short- and long-term interest rates is helpful news for the housing market's recovery.

• Interest rates on 15-year fixed-rate loans – a popular choice for refinancing borrowers – reached about 3.5 percent in early August, assuring the refinance boom continues.

• The Freddie Mac House Price Index for the U.S. shows that prices are down 25 percent, on average, as of June 2011 compared with their peak obtained five years ago.

The complete August 2011 U.S. Economic and Housing Market Outlook is available on Freddie Mac's website.

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Experts: Foreclosures create conditions for mold

HARTFORD, Conn. – Aug. 16, 2011 – Boarded up foreclosures – particularly during the hot summer months – can create ripe conditions for mold to surface. And some experts even estimate that half the

foreclosed homes in the country likely have mold or mildew problems.

With its costly cleanup, mold can often be a deal breaker in a real estate deal.

Banks often shut off electricity and heat during the warm weather months when it forecloses on a home. But by doing so, "you've created a greenhouse" and all that is needed for mold to flourish is a little moisture from a pipe, rainwater or humid air seeping between the cracks, says David Goldstein, vice president of Mystic Air Quality, a company that tests buildings for mold.

"When buildings get closed up tight, those buildings rot," Goldstein says.

Mold spores can survive for 20 years and lie dormant until the right conditions are met.

"This is really a buyer-beware situation," Richard E. Maloney, director of trade practices with the Connecticut Department of Consumer Protection, says. "So if you're going to buy a foreclosed home, you'd better know what you're doing."

Source: "More Foreclosures=More Closed Up Houses = Lots More Mold: What Banks and Realtors Don't Want to Talk About," Hartford Advocate (Aug. 12, 2011)

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Florida Real Estate Data from Realtor.com

July 2011 real estate search results are in and Tampa-St. Petersburg-Clearwater, FL was the #5 most searched market in the country in July 2011, based on data released today by Realtor.com, the #1 homes for sale real estate web site.

Median list prices for homes in Tampa-St. Petersburg-Clearwater, FL hit $139,900 in July 2011, a -10.26% decrease from one year ago this month, and 0.65% increase from June 2011. The national median list price in July 2011 was $189,900, a 0.00% increase compared to July 2010.

Active for sale inventory of homes in Tampa-St. Petersburg-Clearwater, FL in June 2011 leveled out at 23,118, a -24.71% decrease compared to July 2010. National inventory counts for July 2011 were 2,311,279, a -17.60% 0 as compared to a year ago.

The median age of inventory in Tampa-St. Petersburg-Clearwater, FL in July was 74 days, a 72.09% increase compared to June 2011. Nationally, the median age of inventory was 97 days, 4.30% increase compared to June.

For details on all 146 MSAs monitored by Realtor.com in July 2011, click here:
http://www.realtor.com/data-portal/Real-Estate-Statistics.aspx

Each month, Realtor.com surveys up to 250 Metro Service Areas (MSA) throughout the nation and monitors real estate trends including consumer search behavior, median list prices on for sale homes, active inventory counts and median age of inventory. The information is released to local markets to help consumers and real estate professionals as they work together to successfully navigate their local market.

According to Realtor.com, the top 10 most searched real estate markets, identified as MSAs, in the United States in July 2011 include:

Chicago, IL 1st
Las Vegas, NV 2nd

Detroit, MI 3rd
Los Angeles-Long Beach, CA 4th
Tampa-St. Petersburg-Clearwater, FL 5th
In addition, the top most searched real estate markets in Florida in July 2011, and the national searched rank included:

Tampa-St. Petersburg-Clearwater, FL #5
Orlando, FL #12
West Palm Beach-Boca Raton, FL #14
Fort Lauderdale, FL #16
Miami, FL #19
Fort Myers-Cape Coral, FL #42
Sarasota-Bradenton, FL #43

Good things can come in small packages with shorter mortgages

NEW YORK – Aug. 16, 2011 – Normally, when you see smoke wafting from a neighbor's backyard, you assume he's burning some leaves, or has poured too much lighter fluid on his barbecue. But there could be another reason for the conflagration: Your neighbor is torching his mortgage.

Spurred by low interest rates and a desire to pay off their debts, homeowners are shortening the terms of their loans. In the first quarter, 34 percent of refinancers switched to a 20- or 15-year loan, the highest level in seven years, according to mortgage giant Freddie Mac. At LendingTree, an online mortgage broker, requests for 15-year mortgages are up 30 percent from a year ago, says Mona Marimow, vice president of marketing.

Quicken Loans recently launched Yourgage, a customized product that allows borrowers to select the term of their mortgage. The most popular term for Quicken borrowers? Eight years. The second most popular is 13 years.

"Mortgage-burning parties are back," says Bob Walters, chief economist for Quicken Loans.

In one sense, this trend bucks conventional wisdom. The average rate for a 30-year, fixed-rate mortgage was 4.32 percent last week, close to a record low, according to Freddie Mac. That's cheap money, especially when you factor in the tax deduction for mortgage interest. Some financial planners might argue that you're better off keeping your payments as low as possible – which usually means sticking with a 30-year mortgage – and investing the balance.

The counter argument is that these days, the alternatives to paying down your mortgage aren't very appealing, says Keith Gumbinger, vice president of HSH Associates, a mortgage research firm. You need a strong stomach and a long-term horizon to invest in the stock market. Interest rates from certificates of deposit, savings accounts and Treasury securities are microscopic and will likely stay that way for months.

By contrast, reducing the term of your mortgage could save you "tens or even hundreds of thousands of dollars in interest costs," Gumbinger says. Because rates on 15-year mortgages are so low, some borrowers may be able to refinance to a shorter term without increasing monthly payments, he says. The average rate for a 15-year mortgage was 3.5 percent last week, according to Freddie Mac. If you've got a 30-year mortgage with a rate of 6 percent or more, refinancing to a 15-year mortgage could lower your monthly payment.

Sadly, there are thousands of homeowners who would dearly love to refinance but can't. In general, borrowers need a credit score of 720 or higher and at least 20 percent in home equity to qualify for the lowest rates, says Erin Lantz, director of Zillow Mortgage Marketplace, a mortgage comparison site.

Market researcher CoreLogic estimates that 46 percent of homeowners with a mortgage have equity of 20 percent or less in their homes.

There are a couple of ways to get around this. One is to make extra payments on your existing mortgage. Even a small increase could save thousands of dollars in interest. Another option is to pay down principal when you refinance. More than a quarter of borrowers who refinanced in the second quarter paid cash as part of the deal, according to Freddie Mac.

Before you decide to shorten the term of your mortgage, consider:

• Other debts. If you're carrying a credit card balance, pay that off before you start accelerating your mortgage term. The interest rate on your credit card is undoubtedly higher than the interest on your mortgage, and unlike mortgage interest, it's not deductible.

• Your retirement savings. Retiring with a paid-off mortgage is a worthy goal, but you'll need money to eat, too. Contribute at least enough to your 401(k) plan to earn the company match before you increase mortgage payments.

• Future income. Even at today's low rates, most borrowers will end up with higher payments on a 15-year mortgage than they'll pay on a 30-year loan. If you're concerned that your income could decline before you pay off your mortgage, a 30-year may be the safer choice, Lantz says. You can shorten the term by making extra payments, but you'll have the flexibility to pay only the minimum required if money is tight. The downside, of course, is that you'll pay a higher interest rate on the 30-year loan, she says.

• Costs. The upfront costs of refinancing typically range from 3 percent to 6 percent of your principal. In most cases, you can pay these costs out of pocket, add them to the loan amount or accept a higher interest rate. Your best option depends on several factors, such as how long you plan to stay in your home. You can find a calculator that shows how long it will take you to recoup the cost of refinancing at calculators.usatoday.com.

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Experts: Foreclosures create conditions for mold

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With its costly cleanup, mold can often be a deal breaker in a real estate deal.

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"This is really a buyer-beware situation," Richard E. Maloney, director of trade practices with the Connecticut Department of Consumer Protection, says. "So if you're going to buy a foreclosed home, you'd better know what you're doing."

Source: "More Foreclosures=More Closed Up Houses = Lots More Mold: What Banks and Realtors Don't

Want to Talk About," Hartford Advocate (Aug. 12, 2011)

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95% of buyers choose FRMs; 26% fear job loss

WASHINGTON – Aug. 16, 2011 – Fannie Mae and Freddie Mac independently released second-quarter reports that look at homebuyer attitudes. While Freddie Mac looked primarily at mortgage-buying behavior, Fannie Mae focused on buyers' attitudes – and the opinions that hold them back from buying a home.

Freddie Mac's Quarterly Product Transition Report

In the second quarter of 2011, fixed-rate loans accounted for about 95 percent of refinance loans, according to Freddie Mac. Refinancing borrowers clearly preferred fixed-rate loans, regardless of whether their original loan was an adjustable-rate mortgage (ARM) or a fixed-rate.

• An increasing share of refinancing borrowers chose a shorter-term loan. Of borrowers who paid off a 30-year fixed-rate loan, 37 percent chose a 15- or 20-year loan – the highest such share since the third quarter of 2003.

• Fifty-five percent of borrowers who had a hybrid ARM chose a fixed-rate loan during the second quarter; the remaining 45 percent refinanced into the same type of product. The share refinancing from hybrid ARM to hybrid ARM was the highest since the second quarter of 2004.

Fannie Mae's National Housing Survey (NHS)

Fannie Mae's latest quarterly survey finds growing consumer pessimism over possible job loss; 64 percent of Americans in the second quarter said the economy is on the wrong track. In July, that number rose to 70 percent.

Twenty-six percent of American workers report being concerned about losing their job in the next twelve months. While 44 percent report having a home mortgage (compared to 42 percent of all Americans), just 33 percent perceive their savings to be sufficient versus 49 percent of those workers not concerned about losing their job.

Employed Americans concerned about job loss are more likely than all employed Americans to say it is a bad time to buy a home and they are more likely to say they would rent their next home.

• More than fifty percent of renters report living in single-family homes.

• While only 23 percent of single-family renters say that renting makes more sense than buying a home, 53 percent would continue renting if they moved.

• Seventy-three percent of single-family renters say it would be difficult for them to get a home mortgage, with 33 percent citing their credit history as the biggest obstacle.

• Compared to multifamily renters, single-family renters are younger and more likely to have children.

• 31 percent of minority mortgage borrowers say they're underwater compared to 23 percent of non-minority borrowers.

• Thirty-five percent of minority borrowers say they're making a great deal of financial sacrifices to own compared to 20 percent of non-minority borrowers.

• 44 percent say their family income in 2010 did not exceed $50,000, compared to 23 percent of non-minority borrowers.

• Consistent with previous findings, most Americans think it would be difficult for them to get a home mortgage today (53 percent) and increases to 71 percent among renters.

• While 51 percent of Generation X Americans (age 35-44) say it would be difficult for them to get a home mortgage today, the number increases to 59 percent among Generation Y (age 18-34).

• 35 percent of Pre-Baby Boomers (age 65 and older) say they know someone in their area or neighborhood who has defaulted, versus 42 percent for Generation Y and 49 percent for Generation X Americans.

• 26 percent of mortgage borrowers say they are underwater, compared with 23 percent in Q1.

• Underwater borrowers remain more likely to be stressed about their debt than all mortgage borrowers – 42 percent of underwater borrowers say they are stressed about their debt, compared to 31 percent of all mortgage borrowers.

• As in previous quarters, two out of three respondents support mortgage modifications, believing such programs help protect the economy and local communities from increased foreclosures and falling home prices.

• In line with previous quarters, 57 percent of Generation Y Americans (age 18-34) expect their personal situation to improve over the next year, compared to only 42 percent among Generation X (age 35-44) and 35 percent among Baby Boomers (age 45-64).

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FBI: Mortgage fraud still prevalent, hard to catch

WASHINGTON – Aug. 15, 2011 – Mortgage fraud remains widespread in the depressed housing market, with perpetrators motivated by high profits and little risk of getting caught, the FBI said Friday.

The FBI's annual report on mortgage fraud said such schemes are particularly resilient and hard to discover, and their total cost is unknown. Real estate firm CoreLogic says more than $10 billion in loans were made with fraudulent application data in 2010, the report noted.

Fraud last year stayed at levels seen in 2009 as the housing market remained in distress, providing ample opportunity for schemes, the report said. It predicted that perpetrators would "continue to seek new methods to circumvent loopholes and gaps in the mortgage lending market."

"These methods will likely remain effective in the near term, as the housing market is anticipated to remain stagnant through 2011," the FBI said. The bureau's pending investigations into mortgage fraud increased 12 percent last year over 2009, officials said.

The most prevalent schemes involve falsifying financial information to qualify buyers who otherwise would be ineligible for a loan. Other crimes involve inflated appraisals, including schemes that use dishonest appraisals to sell homes at elevated prices. Some get-rich-quick schemes persuade investors to buy rental property or land believing the price will appreciate quickly.

The FBI says the crimes are committed by licensed and unlicensed brokers, loan officers, real estate

agents, appraisers and other industry insiders who use their expertise to exploit vulnerabilities in the system. Organized crime groups are also behind some of the fraud, the report said.

"Mortgage fraud enables perpetrators to earn high profits through illicit activity that poses a relative low risk for discovery," the report said.

The top states for mortgage fraud last year were California, Florida, New York, Illinois, Nevada, Arizona, Michigan, Texas, Georgia, Maryland and New Jersey, the FBI reported.

The agency says it is dedicating resources to combat the threat, including an initiative launched in June 2010 called Operation Stolen Dreams that targeted mortgage fraud throughout the country.

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Weak appraisals hamper home sales, experts say

NEW YORK – Aug. 15, 2011 – Weak appraisals are "driving down the real estate market" and "borders on buffoonery," says William Maxwell, an expert in finance and professor at Southern Methodist University's business school, who has seen his own Dallas property fluctuate in appraised value by $60,000 in just a year.

While the sluggish economy has pushed home values down the last few years, some real estate professionals and economists say that low-ball appraisals are pushing values down even more and undermining a housing recovery, The Wall Street Journal reports.

The National Association of Realtors® says that 16 percent of real estate pros surveyed in June reported a cancelation in a sale, mostly due to a large number of low appraisals.

Erin Wanner, a sales executive with Stirling Sotheby's International Realty in Orlando, Fla., says that one of her deals fell through when an appraisal came in 40 percent lower than expected for a 7,000-square-foot custom-built lakefront home; the home was under contract for $650,000, but the appraisal came in at $380,000.

Some real estate professionals are accusing lenders of pressuring appraisers to come in with lower estimates and for basing their valuations largely on nearby distressed sales that often sell at discounted prices. That has prompted at least four states – Illinois, Nevada, Missouri, and Maryland – to consider legislation that would prevent appraisers from using distressed sales when conducting their valuations.

But the Mortgage Bankers Association says more conservative appraisals are needed. The trade association says it's a way to protect the banks from future problems with investors who buy mortgages.

Source: "Judgment Call: Appraisals Weigh Down Housing Sales," The Wall Street Journal (Aug. 12, 2011)

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Big money gets into landlord game

NEW YORK – Aug. 12, 2011 – Hedge funds, private-equity firms, pension funds and university endowments are snapping up foreclosed homes as investments, often working with a local company that identifies the properties and finds renters.

The trend could shrink the foreclosure glut and help stabilize the housing market. Institutional investors, in turn, could pocket significant returns by selling the properties once the market recovers.

Source: “Big Money Gets Into Landlord Game,” The Wall Street Journal, Robbie Whelan (Aug. 4, 2011)

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ForSalebyOwner.com founder uses agent to sell home

NEW YORK – Aug. 10, 2011 – The founder of ForSalebyOwner.com, a popular for-sale by owner (FSBO) website, used a real estate broker to help sell his 2,000-square-foot, two-bedroom New York apartment after it lingered on the market for six months.

Colby Sambrotto, founder and former chief operating officer of ForSalebyOwner.com, tried to sell the property FSBO by listing it online and through classified ads – but after six months of sitting on the market, he sought the help of a real estate broker.

Broker Jesse Buckler told Sambrotto the condo was priced too low and wasn’t attracting the right buyer for the condo.

“At first he wouldn’t let me increase the price,” Buckler said. “I told him I know what I am doing – the market is picking up.”

The condo soon attracted multiple offers and ended up closing for $150,000 more than the original asking price.

Source: “DIY Guru Gets Broker Help,” The Wall Street Journal (Aug. 3, 2011)

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Report affirms how location affects value in South Florida real estate

MIAMI – Aug. 10, 2011 – In South Florida’s location-specific housing market, some neighborhoods are enjoying 20 percent appreciation since last year, while others continue to plunge, down as much as 30 percent, according to a new report from real estate research firm Zillow.

Neighborhoods in negative territory – mostly low-income and inner-city locales – outnumber the region’s affluent ZIP Codes, which are on the upswing, so overall numbers still show a downward trend. The median home in South Florida had a value of $140,900 during the second quarter of this year, down 5.4 percent from last year, the report found. More than 45 percent of homes are underwater on mortgages, and 44 percent of homes sold for a loss in June.

“If you have areas where you have a lot of concentrated foreclosures, it impacts the prices of houses surrounding,” said Svenja Gudell, senior economist at Zillow. “In Miami, it’s tough to say, ‘We’ve hit the bottom,’ or ‘We haven’t hit the bottom.’ It’s really tough to forecast.”

Looking at the various ZIP Codes in the region paints a picture of how fragmented South Florida’s real estate market is.

The gainers: Areas with large concentrations of new luxury and waterfront condos, solid bedroom communities in well-established suburbs and the city of Miami Beach.

The losers: Foreclosure-riddled areas in the southernmost stretches of Miami-Dade County, and inner-city neighborhoods like Brownsville, Opa-locka and Little River. Values have dropped nearly 30 percent, for example, in 33033, which covers parts of Homestead, and similar declines have taken place in Northwest Fort Lauderdale (33311).

ZIP Codes in downtown Miami and Brickell showed some of the strongest gains in the region, as cash investors have scooped up condos and new developments have emerged from foreclosure. Home values in 33130, which includes Brickell, were up 21.6 percent for the year to $166,400, while 33132 covering downtown Miami's bayfront neighborhood rose 17.3 percent $232,100.

Single-family home prices in suburbs like Coral Gables, Weston and Pembroke Pines, were up at least 5 percent, as international buyers boosted sales and helped shrink inventory.

In Pinecrest (33156), where real estate agent Hazel Goldman concentrates her sales efforts, median values are up 6.5 percent to $429,200 and inventories are the lowest they've been in two years.

"We're beginning to have two or three offers on each property," said Goldman, a member of Master Brokers Forum. "Foreclosures in Pinecrest have been few and far between."

But even as high-end areas like Bal Harbour and Key Biscayne swing toward price appreciation, the most-troubled sections of South Florida's real estate market continue to lose value at alarming rates.

In ZIP Code 33313, which includes parts of Lauderhill, the median home value is just $40,200, down 22 percent since last year.

Less than a mile from the gleaming Miami condo towers that are currently appreciating, ZIP Code 33136 has seen values slip 23.7 percent, as the Overtown neighborhood there struggles with high unemployment and blight.

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Does debt deal put mortgage interest deduction in play?

WASHINGTON – Aug. 3, 2011 – Just as Social Security and Medicare benefits were dangled above the shredder in the debt ceiling debate, another of Washington's sacred cows could end up on the chopping block soon.

The mortgage interest deduction, which allows 35 million homeowners to write off their mortgage interest payments, may be in for serious restructuring if ongoing efforts to pare the bulging federal debt are broadened.

As part of the just-concluded debt ceiling debate, a bipartisan group of senators known as the "Gang of Six" proposed lowering the limit on mortgages eligible for the deduction from $1 million to $500,000 and restricting the tax break only to primary residences.

But as it has through decades of federal budget cuts and crises, the popular provision emerged unscathed in the debt limit compromise that President Barack Obama signed into law Tuesday. That reprieve, however, may not last.

With lawmakers looking for $1.2 trillion to $1.5 trillion in additional budget cuts by the end of the year, the deduction – which will cost the federal treasury about $131 billion next year – makes for a juicy target.

First of all, the revenue the government forgoes because of the deduction is huge – more than twice the entire budget of the Department of Housing and Urban Development. And there are better, more cost-efficient ways for the tax code to encourage homeownership, economists argue. Plus, the benefits of the deduction go disproportionately to the upper middle class, whose bigger homes and mortgages bring

bigger tax write-offs.

In fact, the average value of the deduction increases with income, from $91 for those who make less than $40,000 a year to $5,459 for those who earn more than $250,000, according to a 2010 report by the Tax Policy Center, a joint project of the Urban Institute and the Brookings Institution, two center-left research centers.

For most homeowners who take the deduction, the tax savings it provides doesn't make the difference between owning and renting. It simply helps them afford more expensive homes.

Housing advocates have long argued that if homeownership is the provision's goal, a refundable tax credit for all taxpayers would be more effective.

"If we wanted to increase homeownership, we'd target the incentives towards the families who are on the margins of possibly not being able to afford to own a home. … It's pretty clear that's not what the mortgage interest deduction does in the way it's currently designed," said Seth Hanlon, the fiscal policy director at the liberal Center for American Progress.

The idea of curbing the mortgage tax break has been around for years. President George W. Bush's tax overhaul panel recommended limiting the deduction in 2005, but the issue quickly disappeared as lawmakers showed no stomach for it.

The Great Recession may have changed that, however. As federal revenues plummeted, calls to trim and revamp the deduction have came from the Bipartisan Policy Center's Debt Reduction Task Force and President Barack Obama's National Commission on Fiscal Responsibility and Reform.

"While nothing has happened in response to any of these ideas, it is definitely now on the table as it has never been before," said Eric Toder, a co-director of the Tax Policy Center.

So don't be surprised if the deduction is back on the carving table just in time for Thanksgiving, when a new 12-member bipartisan debt-reduction legislative committee created by the debt ceiling compromise must recommend even more budget cuts.

At an estimated cost of more than $484 billion from 2010 to 2014, the mortgage deduction is second only to the employer-paid health insurance exemption as the nation's most costly individual tax break, according to the congressional Joint Committee on Taxation.

Many want some of the tax savings from the mortgage deduction to address the housing needs of low-income renters and buyers.

A new study by the conservative Reason Foundation suggests eliminating the deduction altogether in order to fund a revenue-neutral 8 percent cut in federal taxes for everyone. Currently, only about 25 percent of taxpayers benefit from the mortgage interest deduction.

Only taxpayers who itemize can claim the deduction, so only about 30 percent of filers typically take it each year. Lower-income people are less likely to itemize.

"The deduction is used almost exclusively by people in the top income brackets with large mortgages. Renters, along with lower- and middle-class families, are getting a raw deal. Taxpayers and the economy would be best served by ditching the mortgage deduction and lowering overall tax rates," said Anthony Randazzo, the director of economic research at the Reason Foundation and a co-author of the report.

Lawrence Yun, the chief economist at the National Association of Realtors, said that now would be the

worst possible time to tinker with the deduction because it would further depress demand in the struggling housing sector. Any reductions would most hurt younger families, who typically have higher amounts of interest on their mortgage balance sheets, Yun said.

He said that eliminating the deduction would amount to a tax hike on the middle class and would lower property values by 15 percent. Others project that without the deduction, property values would fall anywhere from 2 to 12 percent.

Rather than eliminating the deduction altogether, Hanlon and the Center for American Progress have proposed gradually stepping down the value of the deduction over a 20-year period until it becomes a flat 15 percent tax credit that's available to all households. He said Britain did the same thing over 25 years with little effect on homeownership rates and home prices.

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Vacation homes: Why it might be time to buy

WASHINGTON – Aug. 2, 2011 – Home price declines remain the norm in many areas, but experts say certain luxury markets are picking up steam and attracting affluent vacation-home buyers.

The median second-home price fell 11 percent to $150,000 in 2010 from the prior year, according to the National Association of Realtors® (NAR). And the price dropped 25 percent since 2006, compared to a 22 percent decrease for the overall housing market.

Experts say sales activity depends on geography, with buyers more interested in prime vacation spots. However, financing remains a challenge since banks remain skittish about writing jumbo mortgages.

For many second-home buyers, though, the investment value is not a big concern. NAR says more than 80 percent of second-home buyers made their purchases to simply enjoy the home – not as an investment – with the number of all-cash deals up to 36 percent in 2010 from 29 percent in 2009, enabling buyers to forego a complex mortgage process.

Prices have stabilized or started to rise in Santa Monica, Calif.; Aspen, Colo.; the Hamptons, N.Y.; and Hilton Head, S.C. Meanwhile, Martha's Vineyard, Mass.; Vail, Colo.; and Miami and Palm Beach remain depressed but offer some bargains.

Source: Wall Street Journal (07/23/11) Silver-Greenberg, Jessica

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4 ways to keep your phone safe from hackers

NEW YORK – Aug. 1, 2011 – Your smartphone likely contains a lot of personal and business information on it. But if you're not careful, you can easily open up your smartphone to attacks from hackers. The Polytechnic Institute of New York University offered the following tips:

1. Lock your phone. Most people keep their phone unlocked for ease of use, but if it's ever misplaced or stolen, thieves have an open ticket to access everything on your phone. Use a password-protected screen lock to keep your phone secure. Also, "if your phone has a SIM card, set a PIN code for the card – if the phone is ever lost, nobody can use the card," the article notes.

2. Be cautious of apps that ask for too much extra information. Use common sense: If an app that you're downloading is for a calculator, for example, and it requests Internet and contacts permissions, avoid it. "Cyber-thieves often exploit smart phones by creating a good app with some extra

code and overreaching permissions," a RISMedia article notes.

3. Log out of all Web services once you're finished. By staying logged in on websites, you open up sensitive information to cyber-attacks from sites you visit, such as your banking or e-mail. While desktops tend to have a timeout period after you remain inactive for some time on a website, many devices granting mobile access do not.

4. Check reviews of apps. Be skeptical over any apps that don't have many reviews yet and new ones recently added, which may have privacy and security problems.

Source: "The 8 Best Ways to Protect Smartphones," RISMedia (July 29, 2011)

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