

January 2010 Archive

Administration shifts gears on mortgage modifications

WASHINGTON – Jan. 29, 2010 – Conceding that its initial mortgage relief program has been less than successful, the Treasury Department Thursday announced new rules to simplify and speed the decision-making process for struggling borrowers trying to modify the terms of their distressed mortgages.

The changes to last year's Home Affordable Modification Program announced by the Treasury take effect on June 1, and are designed to address the continuing problem with borrower documentation that's frustrated both homeowners and mortgage servicers, who act as bill collectors for investors that own pools of U.S. home loans.

The new HAMP requirements will force servicers to have in hand all the needed documents from borrowers before they extend a three-month trial modification. Currently, trial modifications can begin after authorization by phone, with related paperwork only needed sometime within the three-month trial period.

Servicers complain that borrowers often provide incomplete applications or lack sufficient proof of income, and that lack of upfront documentation provides false hopes that a solution is coming.

Borrowers counter that servicers routinely lose their paperwork and then use the lost paperwork as a reason to refuse to modify a mortgage and help them stay in their homes.

The confusion has led to a slow start for the administration's effort, which began picking up speed in December. Several million homeowners may qualify for loan modifications, but as of December, only 110,000 permanent modifications had taken place, a fraction of the 3 million to 4 million sought by 2012.

"We've learned a lot along the way," said Assistant Treasury Secretary Herb Allison, acknowledging that the program to help struggling borrowers stay out of foreclosure got off to a difficult start.

By getting the paperwork to servicers before the trial "mod" process begins, borrowers are likely to benefit, because once a HAMP trial begins, they're guaranteed a permanent modification as long as they make the three trial payments on time. Right now, many are turned down even after making three trial payments.

"It's clear they were having problems taking the initial mods and making them into permanent, sustainable mod, so something clearly needed to change," said Evan Fuguet, senior policy counsel for the Center for Responsible Lending, a consumer advocacy organization in Durham, N.C.

The administration plan seeks to lower payments for troubled borrowers to 31 percent of before-tax income for five years, after which the interest rate on the mortgage begins rising. More than 900,000 trial modifications were offered through December, and to date some 43.2 percent of the permanent modifications have involved extending loan terms, many of them stretching the life of a loan to 40 years.

On the web:

Treasury announcement: <http://www.ustreas.gov/press/releases/tg516.htm>

Latest program numbers: <http://www.ustreas.gov/press/releases/tg508.htm>

Government modification program: <http://makinghomeaffordable.gov/>

Supplemental Directive 10-01 is available at
https://www.hmpadmin.com/portal/docs/hamp_servicer/sd1001.pdf

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Banks pursuing payback from walkaways

NEW YORK – Jan. 29, 2010 – Increasingly aggressive mortgage lenders are seeking to collect deficiencies from former homeowners who walked away from their properties or sold them in short sales.

Many states, including Florida, give mortgage holders as long as five years to seek a deficiency judgment. If granted, the bank gets up to 20 years to collect and the option to renew for another 20 years if the debt isn't paid.

About one-third of U.S. states, including California and Arizona, prohibit collection efforts after foreclosure, but homeowners usually waive that protection in a refinance.

Most states allow collection on unpaid home-equity loans.

Banks are most likely to try to collect from people who walk away from a property on which they are still making payments.

"The bank is going to pull your credit report, and if you're current on your other bills, they are going to come after you and potentially ruin you," said Larry Tolchinsky, a Florida real estate attorney.

Source: Bloomberg, Kathleen M. Howley (01/28/2010)

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HUD and CPSC issue guide on identifying toxic drywall

WASHINGTON – Jan. 29, 2010 – The U.S. Department of Housing and Urban Development (HUD) and the U.S. Consumer Product Safety Commission (CPSC) issued guidance on how to identify the presence of metal corrosion, as well as other indicators of problem drywall in homes. The guidance takes into account visual signs of metal corrosion, evidence of drywall installation in the relevant time period, and the identification of other corroborating evidence or characteristics.

HUD and CPSC's two-step guidance requires a visual inspection that must show blackening of copper electrical wiring and/or air conditioning evaporator coils; and the installation of new drywall (for new construction or renovations) between 2001 and 2008.

Since metal corrosion can occur for other reasons, the guidance also describes corroborating evidence. For example, homes with new drywall installed between 2005 and 2008 must meet at least two additional criteria based on the chemical analysis of metal corrosion in the home; elemental markers in the drywall; markings on the drywall; or specific chemical emissions from the drywall. Homes with new drywall installed between 2001 and 2004 must meet at least four of those criteria. Collecting evidence of corroborating conditions may require professional assistance and analysis.

"Families have the right to know if their homes contain problem drywall so they can begin the process of doing needed repairs," says Jon Gant, Director of HUD's Office of Healthy Homes and Lead Hazard Control. "This guidance offers homeowners, contractors, and state and local authorities a course of action (so they know) if they're dealing with problem drywall or not."

The Federal Interagency Task Force on Problem Drywall developed the preliminary identification guidance. Additional analysis will continue to validate these methods and HUD says the identification guidance may be modified as necessary.

FHA-insured families experiencing problems associated with problem drywall may be eligible for assistance to help them rehabilitate their properties. HUD's Community Development Block Grant (CDBG) Program may also be a resource to help local communities.

Homeowners who believe they may have problem drywall should report to CPSC by calling (800) 638-2772 or logging on to www.cpsc.gov/cgi-bin/drywall.aspx. Hearing- or speech-challenged individuals may access the phone number through TTY by calling the toll-free Federal Relay Service at (800) 877-8339.

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UF: Fla. real estate stalled, future unclear

GAINESVILLE, Fla. – Jan. 28, 2010 – Uncertainty continues to influence Florida's real estate outlook in the latest University of Florida (UF) quarterly survey, with fears that stagnant financial markets, rising unemployment and another round of foreclosures could make things worse in 2010.

"Our respondents report that we will continue to see increasing vacancies and decreasing rents throughout most property types," says Timothy Becker, director of UF's Bergstrom Center for Real Estate Studies. "One person summed up the current situation by saying that 'unemployed people don't need office space, don't shop, don't pay rent and don't buy houses.'"

Adding to the angst is the unavailability of financing, Becker says. Respondents continue to worry about their ability to refinance existing mortgages coming due, even if they are able to meet the obligations right now, he said.

Many adjustable rate mortgages taken out five to seven years ago soon reset, which compounds the problem in the housing market as it increases monthly payments and throws some property owners into financial peril.

"I think we're going to see more foreclosures coming down the line because of that and because of the rising joblessness," Becker says. "The longer people are out of work, the less opportunity they have to make payments on their house."

Florida's unemployment rate climbed to 11.8 percent in December, its highest level since 1975, and there are concerns that it may rise even higher. "Until we start seeing significant job gains, it's going to be a rough road to hoe for residential and commercial properties," Becker says.

Mortgage refinancing also stands to increase the number of foreclosures in commercial real estate, the weakest sector of the market.

"Many commercial property owners can still pay their mortgage based on the rents they collect,

but with the terms of their mortgages ending, they will have to figure out how to get financing, and there is no financing out there," Becker says. "With values continuing to decline, the amount of money that banks would be willing to offer if they did finance is considerably less than what is owed on the mortgage."

On the positive side, the survey indicates that private investors both foreign and domestic, are starting to "kick the tires" in many markets. In addition, investor expectation for returns is starting to fall to more realistic levels, helping to close the spread between bidding and asking prices.

"These developments bode well for the transaction market when quality properties start coming to the marketplace," Becker says. "Unfortunately, there are few good quality deals to bid on."

One trend found in the survey is a growing marketplace of larger national companies that have taken over small regional and local firms. Because the bigger companies are in a better position to get financing to acquire property, they are more positive about the outlook for their own business than are neighborhood "mom and pop" firms" or companies concentrated solely in Florida.

Apartments are the only sector with funding readily available for ownership transfer, as a direct result of the willingness of Fannie Mae, Freddie Mac and Housing and Urban Development to provide financing for such properties, Becker says.

Apartments continue to be the strongest segment of the market, with expectations for dramatic occupancy increases as people continue to lose their homes. "Because foreclosures have had such an adverse effect on homeownership and people have to live somewhere, there is no shortage of folks in the market to rent," he says.

Until the backlog of housing foreclosures has been reduced, the outlook for prices for new single-family homes is pessimistic, Becker says. Respondents expect prices to rise at a rate slower than inflation or to remain at present levels in the near future.

"I think it's going to be a 'wait and see what happens' type of year, but problems with unemployment and financing will continue to weigh us down," he says.

The Sunshine State's unhealthy real estate picture places it in the company of such problem-prone states as Nevada and California, with their high foreclosure rates. "Florida is still competing with the top of the worst and it's likely to stay that way," Becker says.

The quarterly survey of Florida professional real estate analysts and investors is conducted on an ongoing basis. The recent survey of 319 participants covers 13 urban regions of the state and up to 15 property types.

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Economic survey: Slow recovery continues

NEW YORK – Jan. 26, 2010 – Businesses expect to boost hiring and capital spending in the first half of the year as the U.S. recovery from the recession slowly continues, according to a new survey.

Since the fall of 2009, demand has edged higher in the goods-producing, finance and real estate industries, while other sectors such as transportation are seeing less drastic declines in growth.

While costs have been increasing, prices also have moved higher, allowing businesses to post improved profits. Job losses, meanwhile, have been moderating with a slightly better outlook for hiring over the next six months.

The latest industry survey from the National Association for Business Economics, set for release Monday, shows that capital spending plans continue to brighten as credit markets loosen slightly. Thirty-five percent of those surveyed said credit conditions are hurting their business, down from 42 percent in the third quarter.

Many indicated "credit still remains tight but less so than in recent months," said William Strauss, a senior economist for the Federal Reserve Bank of Chicago. Respondents say they plan to spend money on computers and communications but hold back on building costs.

Of the 75 NABE members from private sector and industry trade associations interviewed for the survey, all said they are making business decisions with an eye toward positive economic growth in 2010. Sixty-one percent of survey respondents believe real GDP will expand by more than 2 percent in 2010 – up from 45 percent of respondents in October.

For the second quarter in a row, price increases have been more common than price cuts. Only 8 percent of respondents said their companies cut prices in the last quarter.

Meanwhile, job losses are slowing down. While the unemployment rate remains at 10 percent and many economists expect it to increase in the coming months, the percentage of companies cutting payrolls fell to 28 percent from 31 percent in NABE's October 2009 survey. Also, 29 percent of those surveyed expect their companies to hire over the next six months, up from 24 percent last fall.

The vast majority – 69 percent – said the government's fiscal stimulus package enacted in February 2009 has had no impact on employment to date.

Inventories are falling at about 59 percent of firms. However, the share of firms reducing inventories in anticipation of weaker sales or as a way to cut costs and conserve cash did rise from October to January. That suggests some businesses are still somewhat concerned about the near-term economic outlook.

The overall economy grew in the third quarter of last year, and many economists believe it grew even faster in the final three months of 2009. However, they worry it will start to slow again unless people step up spending.

The NABE survey interviewed 75 panelists between Dec. 18 and Jan. 7.

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\$8,000 Tax Credit Extended and Expanded

January 22, 2010 -- With tax season approaching, we decided to focus this edition of our quarterly newsletter on a few tax incentives we think you'll definitely want to discuss with your tax professional. Feel free to share this newsletter with your friends and loved ones as they prepare their 2009 returns.

Up first is the popular \$8,000 tax credit for first-time home buyers. Originally scheduled to expire on November 30th, 2009, this valuable tax credit of up to 10% of the purchase price or up to

\$8,000 was extended into 2010 (purchase agreements must be signed by April 30, 2010, and closings must be final by June 30, 2010). The new program was also expanded to include a tax credit of up to \$6,500 (or up to 10% of the purchase price) for qualified buyers of a second or "replacement" home under the same deadlines. To qualify, home purchasers must have owned and occupied a primary residence for five consecutive years during the last eight years. Most importantly, the new program significantly increases previous income requirements.

There are other important guidelines to meet in order to qualify, so be sure to discuss your situation with a tax professional. And don't forget, you can still buy a home before April 30th and qualify – even you've already filed your 2009 taxes – so don't hesitate to give us a call.

Property-Tax Deduction for Non-itemizers

You don't have to be a new homeowner in 2009 to deduct qualifying property taxes, but prior to 2008, you did have to itemize your taxes in order to receive the benefit – not anymore. Under the new rule, homeowners who don't itemize can boost their standard-deduction amount by up to \$500 if they're single and up to \$1,000 if they're married and file a joint return to account for property taxes paid during 2009. You'll need to include a Schedule L with your 2009 tax return, but it's definitely worth it if you qualify. Talk to your tax preparer and don't be one of the millions of taxpayers who will claim the standard deduction and miss out on the savings.

Refinancing Points – When you buy a house, you get to deduct (all at once) the points paid to get your mortgage. When you refinance a mortgage, though, you have to deduct the points over the life of the loan. That means you can deduct 1/30th of the points per year if it's a 30-year mortgage. It's not a lot of savings, but everything helps when you're legally trying to lower your tax bill.

Energy and Home Improvements Credits

Homeowners can make energy-conscious purchases that will provide tax benefits when filling out their tax returns for 2009. The new law provides tax credits for making your principal residence more energy efficient and for buying certain energy efficient items.

Residential Energy Property Credit – The new law increases the energy tax credit to 30% of the cost of all qualifying energy-efficient improvements to existing homes. It also raises the maximum credit limit to \$1,500 for improvements placed in service in 2009 and 2010. Qualified improvements include adding insulation, energy efficient exterior windows, energy-efficient heating, air conditioning systems, and more. A similar credit was available for 2007, but was not available in 2008. Ask your tax professional about the IRS' issued guidance, deadlines, and other important qualifying factors for this and the following tax credit.

Nonbusiness Energy Property Credit – You can receive a tax credit of 10% of the purchase price of qualified energy-efficient products installed in the taxpayer's main home in the United States. The tax credit for home improvement purchases is limited to \$500 and applies to the total credit you can claim for all years combined.

Other 2009 Tax Breaks

New Car Purchases – If you bought a qualifying new car or truck (\$49,500 or less) between February 16 and December 31st, you may be able to deduct the sales or excise tax. Your income must be less than \$125,000 for a single taxpayer or \$250,000 for a couple to get the full deduction. The benefit applies to more than one vehicle, as long as all of them qualify and delivery was taken by Dec. 31.

Unemployment Benefits – Unemployment benefits are usually fully taxable. If you received any unemployment benefits at any time during 2009, however, you are eligible to exclude the first

\$2,400 of these benefits when you file your tax return. For a married couple, the exclusion applies to each spouse separately.

Moving expenses – If you were unemployed in 2009 but you got a new job, moving expenses may be deductible, if you moved more than 50 miles away – and you don't have to itemize to get it. For 2009, you can deduct the cost of getting yourself and your household goods to that new area 50+ miles away, this includes 24 cents per mile for driving your own vehicle, plus parking fees and tolls.

From Mark Mathiason's Newsletter

Sorting through the homebuyer tax credit

WASHINGTON (AP) – Jan. 20, 2010 – If you bought a home in 2009, you could be eligible for a tax credit. Figuring out which one can be confusing.

There's one credit for first-time homebuyers and another that primarily benefits homebuyers who owned a home before. But don't mix it up with the first-time homebuyer credit in 2008, which actually was a long-term loan.

There are maximum income levels and maximum sales prices. And vacation homes or rental property don't qualify.

"If you want to spend two hours reading the instructions and translating them and finding out whether you qualify, yes, it's relatively simple," said Jeff Schnepper, an MSN Money tax expert and author of "How to Pay Zero Taxes."

Some questions and answers about the homebuyers tax credit:

Q. What's the purpose of the credit?

A. Congress passed the tax credits in an effort to boost the struggling housing industry and fight recession. Indications are that it's had an impact. The National Association of Realtors reported that November sales of existing homes were up 44 percent from a year earlier. Although new home sales dropped in November, figures from the Commerce Department show that they're up 8 percent from the low in January 2009.

Q. How many people are claiming the credit?

A. "In all, 4.4 million households are expected to claim the tax credit before it expires," Lawrence Yun, the Realtors' chief economist, said in December.

Q. How many versions are there?

A. There are actually three.

The first credit, for first-time homebuyers, was really a long-term, interest-free loan that has to be paid back over 15 years. The maximum credit was \$7,500 for a principal residence purchased between April 9, 2008, and June 30, 2009.

The second iteration made the first-time homebuyers credit a true credit – it doesn't have to be paid back – and raised the amount to a maximum \$8,000. It applied to homes purchased

between Jan. 1, 2009, and Nov. 30, 2009.

The third change extended the eligibility dates to homes purchased through April 30, 2010. It also added a credit for long-time homeowners who purchased a new residence between Nov. 7, 2009, and April 30, 2010, but at a reduced value – up to \$6,500.

Q. Do I automatically qualify if I purchased a house during those periods?

A. No. To qualify, the house has to be used as a primary residence. If purchased after Nov. 6, 2009, it cannot have cost more than \$800,000. If you're a long-time homeowner, you had to have lived in the same house consecutively for five out of the last eight years, though you need not have lived in or owned that house at the time you buy your new home.

For homes purchased after Nov. 6, 2009, the credit also begins phasing out for individuals with modified adjusted gross incomes above \$125,000, and for married couples filing jointly with incomes above \$225,000.

Q. How does the Internal Revenue Service define a principal residence?

A. "Your main home is the one you live in most of the time," the agency said. "It can be a house, houseboat, mobile home, cooperative apartment or condominium."

Q. What if I'm living overseas and I buy a home there?

A. The home doesn't qualify unless it's in the United States.

Q. How do I claim the credit?

A. There's a form, 5405, to fill out. You'll also have to submit a copy of your settlement statement, usually Form HUD-1, with the names and signatures of all parties, the property address, the sales price and date of purchase.

To avoid refund delays, the IRS recommends that long-time homeowners who purchase a new home also provide documents to show they meet the requirement for consecutive years lived in their old house. These can include mortgage interest statements, or property tax or homeowner's insurance records.

Q. Do I have to wait until I file my 2010 taxes to claim the credit for a home purchased before the deadline in 2010?

A. No. "You can choose to claim the credit on your 2009 return for a home you bought in 2010 that qualifies for the credit," the IRS said.

Q. I purchased my home in 2008 and filed for a credit on my tax returns. Do I still have to pay it back?

A. Yes. When Congress did away with the repayment requirement, it did not do so retroactively.

Q. What if I purchase the property for business?

A. You're not eligible. The house must be used as a primary residence to qualify.

Q. What if I want to keep my original house and use it as a rental property?

A. If you qualify for the credit as a long-time homeowner, nothing in the law requires you to sell the original house. However, you must make the new one your primary residence.

Q. What if I decide to sell the house I got the credit for or convert it to a rental property?

A. You will have to pay back the credit if you don't keep the purchased house as your permanent residence for three years.

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Street corners vs. cul de sacs

NEW YORK – Jan. 19, 2010 – While real estate agents generally focus on “location, location, location,” some believe “walkability,” or the ability of homeowners to access neighborhood attractions by foot, is also important.

It is believed that walkability reduces crime while also boosting property values and maintaining them during a slump, though the last assumption may be more difficult to prove. An August study by C.E.O.'s for Cities looked at 90,000 home sales in 15 markets and gauged how a city's Walk Score – which takes into consideration libraries, parks, coffee shops, and other destinations that are within walking distance of houses and assigns a score on a 100-point scale impacts home values.

Impresa economist Joe Cortright, who penned the study, concluded that premiums are attached to homes with above-average Walk Scores, rising as high as \$30,000 in Charlotte, N.C., Chicago, Sacramento, and San Francisco.

However, in Las Vegas and Bakersfield, Calif., walkable neighborhoods had lower home values. While Cortright says home values fell in the distant suburbs and held steady or climbed in “close in” neighborhoods after the housing market downturn, experts say no definitive study links walkable neighborhoods with higher values in a down market.

Source: New York Times (01/10/10) Darlin, Damon

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IRS completes paperwork for tax credit

WASHINGTON – Jan. 15, 2010 – The Internal Revenue Service (IRS) finished updating the online tax credit claim forms, and they now reflect the extended deadline.

Form 5405 must be used for both the first-time homebuyer extension and the move-up homebuyer expansion of the homebuyer tax credit.

The revised IRS instructions and revised IRS form can be found on the Florida Realtors Homebuyer Center [here](#).

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Selling your home? Realtors pick nine green improvements to close deal

WASHINGTON – Jan. 14, 2010 – A new poll of nearly 1,000 Realtors offers a glimpse at the top

"green" improvements recommended by real estate professionals to help move a sale property off the market.

The upgrades – which include planting native greenery, replacing air filters, staging the home with recycled or reusable props, weather-stripping doors and windows, installing programmable thermostats, installing low-flow showerheads, using turn-off power strips, replacing standard lighting with CFL or LED bulbs, and choosing low-VOC paint – are all fairly inexpensive investments.

And while three of those nine options get back at least twice as much in sale price gains as they cost, none have a bigger return on investment (ROI) than the top five traditional upgrades suggested by realty practitioners in a November survey. Cleaning and de-cluttering a home before it goes on the market, for instance, will cost the owner less than \$200 to complete but bumps up the property's sale price by almost \$1,700 – for a staggering ROI of 872 percent.

Other high-ROI traditional improvements recommended by the real estate community include home staging, lightening/brightening, landscaping and plumbing repairs.

Although they do not offer a great ROI, HomeGain says eco-improvements are becoming more popular; and with their energy savings and low cost of investment, they probably should be considered by all homeowners – not just those preparing their unit for sale.

Source: USA Today (01/14/10)

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Expanded tax credit offers big opportunity

WASHINGTON – Jan. 12, 2010 – With a new April 30 deadline in place for clients to take advantage of a federal homebuyer incentive, real estate practitioners now have slightly less than four months to get their qualified prospects under contract before the cut-off date.

In order to maximize this opportunity, it is recommended that real estate pros revamp their marketing materials to reflect changes in the rules – which now allow certain repeat buyers, as well as first-time buyers, to get a tax break.

In addition to promoting homebuying based on today's lower home prices and historically low interest rates, it is also important for the real estate professional to convey to clients that there is no requirement that they sell their current residence at once – or ever.

On top of polishing up their marketing approach, real estate professionals should free up their time so that they are available to spend more time guiding buyers and hosting property showings.

They also must be thoroughly knowledgeable about the supply of properties priced up to \$800,000, which is the maximum price for a home to qualify for the tax credit.

Finally, agents must keep all other parties involved in transactions – from lenders to inspectors – on top of things and at the ready, because most motivated house-hunters will want to move quickly once they've found their ideal property.

Source: RISMedia, Margaret Kelly (01/08/10)

You can take steps to protect yourself when choosing a tax preparer

NEW YORK – Jan. 12, 2010 – If you ask your barber for a trim and end up with a buzz cut, your hair will grow back in a few months. But if an inept tax preparer makes a hash out of your tax return, the repercussions could haunt you for years.

When you file a tax return with the IRS, you're legally responsible for the information on the return. Underpay your taxes, and you'll be responsible for the amount owed, plus interest and possibly penalties. The IRS won't let you off the hook because someone else prepared your return.

The IRS is, however, taking steps to protect consumers from incompetent or fraudulent preparers. Commissioner Doug Shulman announced last week that the IRS plans to require paid tax preparers to register with the government, pass a basic competency test and take continuing education courses.

That's a major change: While a few states regulate tax preparers (not Florida), in most parts of the country, anyone can hang up a sign and call himself or herself a tax preparer.

"There are a lot of people that think they can prepare tax returns and aren't competent to do it," says Tom Ochenschlager, vice president of taxation for the American Institute of Certified Public Accountants.

The rules will take several years to implement, so for the upcoming tax season, you're still on your own. But you can take steps to protect yourself. If you're planning to pay someone to prepare your taxes this year, here's what you should watch out for:

- Preparers who claim they can get you a larger refund than other preparers. A preparer can't estimate your refund without first reviewing your financial information.
- Preparers who base their fee on a percentage of your refund. These individuals have a greater incentive to create imaginary dependents, claim bogus deductions and take other steps to fraudulently inflate your refund.
- Preparers who disappear after April 15. The IRS may have questions about your return months, or even years, after it was filed. Find out how long a prospective preparer has been in business, and whether the practice remains open after April 15.
- Preparers who pressure you to take out a refund-anticipation loan. These loans are profitable for lenders and preparers, but they're a lousy deal for taxpayers. Interest rates for the loans range from 36 percent to more than 500 percent, according to a report by the Government Accountability Office. Consumer groups have long argued that the products attract shady tax preparers who use misleading sales tactics to market the loans. If your return is filed electronically, you can get your refund in about two weeks, making a loan unnecessary unless you're flat-out broke.
- Preparers who refuse to sign your return. This is a huge red flag, because it suggests the preparer doesn't want to be held accountable for the information in your return. Reputable preparers should sign your return and give you a copy.

Even after the new IRS regulations take effect, it may be a good idea to ask a potential preparer if she'll sign your return or hand it off to a supervisor. In a report to Congress last week, IRS taxpayer advocate Nina Olson raised concerns that the proposed rules would allow tax preparation firms to employ one "signing" partner who meets the new requirements, while assigning most of the work to "unsigned" preparers who aren't registered with the IRS.

Preparer credentials

When searching for a tax preparer, you should also ask about the individual's credentials. Only certified public accountants, enrolled agents and attorneys are authorized to represent taxpayers in all matters, including audits, collections and appeals. In addition, CPAs, enrolled agents and attorneys are already subject to education and licensing requirements and are bound by ethical standards. For this reason, the new rules will not extend to individuals who hold these designations.

You should also ask preparers whether they belong to professional organizations that provide continuing education and require members to adhere to a code of ethics. Between 85 percent and 90 percent of members of the National Association of Tax Professionals have accounting or tax-related undergraduate or graduate degrees, says NATP Chief Executive Officer Kathy Stanek.

The NATP offers a free brochure, "Finding the Right Tax Preparer," available at www.natptax.com.

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Real estate's key market segments

ORLANDO – Jan. 11, 2010 – Florida Realtor Magazine talked to members throughout the state and asked them to analyze the challenges and opportunities facing Florida's real estate market over the next 12 months. According to the responses, it helps to consider four distinct types of buyers:

1. Working-age singles, couples and families

This segment is most affected by conditions in the local economy, especially the creation of new jobs. Sean Snaith, director, University of Central Florida Institute for Economic Competiveness in Orlando, notes that the strongest sectors of Florida's economy are education, health services, and professional and business services. That means real estate professionals should keep track of hospitals, schools and service companies in their communities for expansions or other job-creating activities.

2. Retirees

This group includes people primarily from the Northeast and Midwest, along with a growing number of Floridians who are downsizing and retiring close to home. However, U.S. financial turmoil in 2008-09 choked the state's inflow of retirees.

"They saw their nest eggs diminish," says Snaith, "and that forced them to rethink their plans and delay retirement by a year or two. How long before that stream comes back remains to be seen."

Lewis Goodkin, president of Goodkin Consulting in Miami, adds that Florida remains a popular destination for retirees, and traditional migration patterns are likely to resume with a recovery in the national economy.

3. Investors

Investors are looking for good deals on residential and commercial rental properties that they can resell for a profit or rent for ongoing income. In many cases, these buyers are purchasing foreclosures or bank-owned properties.

"I get stopped every day by people who are looking for great buys," says John J. Adams, general manager of Adams, Cameron & Co. in Daytona Beach. "These are not the 'flippers,' but people who have money and are looking for the true bargains."

4. Second-home buyers

These buyers are domestic and international residents seeking vacation homes in the sun. "We're seeing a lot of short sales in this market," says Jim Batenchuk, broker of Charles Rutenberg Realty in Orlando. "But people from the around the world are still coming to Orlando-Kissimmee for vacations, and there are some tremendous bargains available."

John Tuccillo, president of Tuccillo and Associates (JTA) in Sarasota, notes that U.S. real estate is particularly well priced for European buyers who benefit from the euro, which is stronger than the U.S. dollar.

Of course, Florida is still benefiting from its natural appeal to buyers in all four categories. As Cathy McCarthy, executive vice president, Premier Properties of Southwest Florida Inc., Naples, says, "We sell lifestyles – the beach, golf and winter retreats. That demand is still going strong."

For more about how Florida's market is predicted to fare in 2010, read the article, Outlook 2010: Where's the Business, on page 20 of Florida Realtor's January/February issue.

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Homebuyer Opportunities Nearing End

January 8, 2010 -- For prospective homebuyers who are on the fence about making a home purchase, the next few months represent a countdown of sorts for two reasons.

First, huge tax incentives are about to expire. April 30, 2010 is the last day to enter into a home purchase contract and still potentially qualify for a federal income tax credit of up to \$8,000 for first-time homebuyers and up to \$6,500 for repeat homebuyers. The credit can be claimed only on contracts that close by June 30, 2010.

Secondly, another form of stimulus will soon disappear, as the Federal Reserve winds down a program that has been keeping home loan rates artificially low. The fact is that the lowest rates of 2009 were driven down to their attractive levels because of the Fed's Mortgage Backed Securities (MBS) purchase program. The Fed has already used over 80% of the allocated funds for MBS, meaning less than 20% remains to be used over four months.

As the Fed's program winds down and ends, we'll likely see two things happen. First, we will probably see higher levels of volatility—with rates sometimes shifting dramatically in the middle of the day. Second, since MBS will have less support from the Fed, rates are likely to rise over time.

From: Mark Mathiason Newsletter

Modified loan on home can hurt

DETROIT – Jan. 5, 2010 – The last thing many troubled homeowners want to hear is that they could be denied a car loan after they get a chance to modify their home loan.

But credit scores can get dinged after a home loan modification, making it more costly or tougher to get a loan or credit card.

Hundreds of thousands of homeowners find themselves in a financial squeeze, thanks to the recession and the meltdown in the housing market. Lenders have offered trial loan modifications to more than 700,000 eligible borrowers. As of late November, about 31,000 trial loans have been made permanent, which requires at least three on-time payments under the trial program and proof of income.

What these troubled homeowners don't realize is that these attempts to avoid foreclosure may result in their credit scores taking a hit.

A potentially damaged credit score is one of those hidden costs of home loan modification – and it varies significantly depending on your lender, as well as when you received your loan modification, your credit history and how your loan was altered.

"They need to tell people up front that this could happen," said James Sperr, 46, of Belleville, Mich.

Sperr and his wife, Carol, received a trial modification through Bank of America that cut their house payment, including taxes and insurance, to \$957 a month from \$1,140 a month.

But it came with a hit to the credit score.

"Our credit rating has gone from the 800s to 750," Carol Sperr said.

"It's punitive to a consumer who is already scared, frustrated, mad," said John Ulzheimer, president of consumer education for Credit.com.

The Sperrs said they had never been late or missed a mortgage payment, but their bank had reported them as being behind on payments.

Their credit score took a hit, falling from the 800s to 750.

"They tell us that once the paperwork 'catches up' and the new loan is finalized, they will correct the credit reporting agencies," Carol Sperr said.

No one saw this coming.

"I didn't find out about our credit until they did a check on this van we bought," James Sperr said.

He said his wife was able to provide more documentation that their mortgage was in compliance so they did not have to pay a higher rate or get shut out of a loan.

Others aren't so lucky.

Loan modifications remain a good thing, but they often come with that consequence.

Homeowners who face hardships but cannot traditionally refinance their mortgages can try to get a loan modification. A modification temporarily reduces the monthly payment, which can be helpful if someone's dealing with a pay cut. Typically, the principal amount owed on the loan is not reduced or changed and the amount of debt owed is not forgiven.

The federal government has programs, and banks and credit unions have proprietary programs as well.

Yet many homeowners feel blindsided when they discover that their credit score has dropped by 50 to 100 points or even more after they entered a trial modification.

"What's the point of the additional credit damage? What have they just accomplished by doing that to the borrower?" asked John Ulzheimer, president of consumer education for Credit.com.

Good question.

In the first few months after receiving a trial modification, Ulzheimer said, it is possible that the initial payments would show up as a "partial payment plan" on a credit report, which turns into a negative hit to a credit score. This can be a problem even for homeowners who never have missed a mortgage payment.

"It really depends on how the mortgage company decides to report this to a credit agency," said Julie Bos, group manager and certified credit counselor for GreenPath Inc. in Grand Rapids, Mich.

A homeowner who is behind on payments will see credit score damage, and that won't change from a modification.

"If you're already delinquent, your credit is already impacted," said John Snyder, manager of foreclosure programs for NeighborWorks America.

But consumers who are making their mortgage payments are getting modifications, too, perhaps because wages were cut or jobs were lost. They may be struggling to stay current, but their credit may not be bad when they start a modification.

At Bank of America, consumers who are current on mortgage payments could show up as being delinquent in the bank's system after a trial modification period begins because they're paying less than the actual mortgage payment during that trial period.

At the end of the trial period, the bank said it brings its system up to date when the loan is converted to a permanent modification.

Some might argue that it's not a wise move to take on more debt, such as a car loan, if a person saw a cut in pay and needed a home loan modification. But many consumers often cannot control when their car breaks down.

On top of that, lenders benefit from home loan modifications because potential foreclosures can be avoided.

Unknowingly though, many consumers discover themselves boxed in later when they try to get approved for credit.

"They're concerned about the damage to their credit. They're not happy about it," said Bos.

"If you go out and try to purchase a car in two months, you could be denied," she said.

Or you might have to get a co-signer or put down a bigger downpayment or accept a higher interest rate to get a loan.

What's stranger is that not all home loan modifications will hit consumers in the same way on their credit reports.

Consumers who modify their mortgages under federal programs, such as the Making Home Affordable and the Home Affordable Modification Program, now can do so without hurting their credit scores since those modifications are listed as a "loan modified under a federal plan" as of Nov. 1.

Here's the sticking point: If you are able to modify your loan through an individual bank or credit union's program and not a government plan, it's likely your credit score will be hurt.

To complicate matters further, eventually a "loan modified under a federal plan" on your credit report could hurt your score, too.

Ulzheimer noted that the only reason the new reporting guidelines do not damage your credit scores is because FICO, the company that created the FICO credit score, hasn't had a chance to study the long-term predictive value of loan modifications to credit risk.

Still, homeowners who are in trouble must realize that a foreclosure or a short sale would be listed as a charge-off or settlement on a credit report and last seven years, Ulzheimer said, while a modification would typically last a few years.

If you do receive a loan modification, ask questions and be more careful about how you handle your credit elsewhere to try to combat any potential damage.

Before making any moves, talk to a nonprofit housing counselor. See www.findaforeclosurecounselor.org.

How to keep up your credit score

These days, a good score is around 720 points or higher. Here are some tips to help you maintain or improve your credit score:

- Do not apply for several credit cards. Applying for a store credit card could cut 10 points off the credit score of some consumers with good credit.
- Pay all bills on time – utilities, mortgage, credit cards, etc. Lenders customarily don't report you as late to the credit bureaus until you have missed the original due date by at least 30 days. Being a month late with all payments, for example, might lower a credit score by from 60 to 110 points.
- Missing a payment on one account that wasn't already late could slice 40 to 75 points from some credit scores.
- Keep your credit card balances low on all cards, much lower than half of the available limit on your credit cards. Maxing out can cut credit scores by 45 to 100 points.
- Negotiating a debt settlement with creditors can lower some credit scores by 45 to 125 points.

A short sale on a home would be reported as a debt settlement.

- A loan modification to get a lower mortgage payment and stay in your home could impact your credit score. In some cases, consumers could see credit scores drop by 100 to 150 points.
- Having your home foreclosed on could knock 45 to 100 points off your credit score, depending on where your score started.
- Filing for bankruptcy will hurt some credit scores by 195 to 255 points.

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File early for tax exemptions

BARTOW, Fla. – Jan. 5, 2010 – It's not too early to file for a property tax exemption for next year, according to Polk County Property Appraiser Marsha Faux, Faux said filing now will allow property owners to beat the rush that normally occurs early in the year as people try to beat the March 1 deadline.

Faux said her staff is accepting applications for homestead, portability, widow, widower, disability, veterans, senior, religious and charitable exemptions as well as applications for agricultural classification, also known as greenbelting.

Applicants filing for homestead exemption for the first time must apply in person and bring their recorded deed and proof of residency, which includes Florida driver license, Florida vehicle registration, Florida voter registration or resident alien card.

Persons filing for any exemption are required to present their Social Security cards.

A husband and wife must both have Florida driver licenses, if both drive.

Homestead exemptions are allowed on mobile homes if the landowner also is the owner of the mobile home. The mobile home registration must be provided at the time of filing.

A widow or widower must provide a copy of their late spouse's death certificate.

Applicants for the disability exemption must provide a letter from a certified Florida physician verifying a total and permanent disability.

Veterans exemption applicants must provide documentation of percentage of service-connected disability from the U.S. Department of Veterans Affairs.

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Home demand will be strong as buyers seek tax credits

WASHINGTON – Jan. 4, 2010 – So you want to sell a home in 2010? Think January, not June.

Not only are prices expected to keep falling, cutting into sellers' profits the longer they wait, but demand will be strong early in the year from first-time and move-up buyers looking to qualify for tax credits that expire April 30.

"If I had a home that I wanted to get as much money for as I could, I'd sell it as soon as

possible," said Chris Lafakis, an economist for Moody's Economy.com in West Chester, Pa.

Richard Griest, 58, is selling his three-bedroom home in Margate. It's listed for \$275,000, down from \$299,000. "I'm a motivated seller, but I'm not going to give the thing away," he said.

Griest's real estate agent, Michael Citron, isn't advocating any fire sale, but he has stressed to his client that time is of the essence.

Griest's neighborhood is full of foreclosures and short sales, which will hurt prices of all neighboring properties. Even if Griest accepts an offer in the \$250,000 range, that would be better than holding out and watching the distressed sales set a much lower standard for prices in the area, Citron said.

"More distressed sales are happening and will continue to happen in 2010," said Citron of RE/MAX ParkCreek in Coconut Creek. "The market will continue to decline in value."

While some real estate observers insist South Florida's housing prices can't fall much more than they have, others say the lingering recession and rising unemployment will hurt the market next year.

Potentially playing a large role will be a so-called shadow inventory of homes – repossessed properties that haven't been put on the market for resale and mortgages that are in default and soon will be in foreclosure.

"Option ARM" adjustable-rate mortgages are due to reset higher in the next two years, leading to more foreclosures. And Miami-Dade, Broward and Palm Beach counties are among the leaders nationwide in first-mortgage defaults, according to Economy.com.

The firm expects South Florida home prices to bottom at the end of 2010, but not before they drop another 24 percent in Palm Beach County and another 30 percent in Broward. That would put Palm Beach County's median price at less than \$175,000 and Broward's median in the \$130,000 range.

Already, prices have plummeted by more than 40 percent in both counties since the housing markets peaked in November 2005.

Sales of existing homes have increased steadily for the past year, but half to two-thirds of the transactions involve foreclosures and short sales, agents say.

Scott Agran, head of Lang Realty in Broward and Palm Beach counties, said the housing recovery will happen once the economy improves.

"Not a lot of people are buying because it's the right home on the right lot," Agran said. "Most people are in the market to find a really good buy. There's not a lot of normal purchasing."

Still, some market followers take issue with the dire price forecasts for 2010.

Mike Pappas, president of the Miami-based Keyes Co., expects foreclosures will "seep out slowly" as lenders are careful not to deluge the market with more vacant homes.

"I think we'll be able to handle it," Pappas said.

Douglas Rill, broker/owner of Century 21 America's Choice in West Palm Beach, also is optimistic.

Lenders and borrowers are better prepared now than in previous years, which will lead to more people staying their homes, he said.

Rill said the large price declines have flattened over the past 12 months, and inventory of homes for sale has steadily decreased.

"I do not jump on the bandwagon of super declines in value," Rill said. "I think that's significantly overstated."

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