

## July 2011 Archive

### **5 do's and don'ts when hiring contractors**

CASPER, Wy. – July 27, 2011 – Have a home remodeling project in mind? Here are some tips that may help you achieve a successful result.

#### **1. Research pays off, but remember who the expert is.**

DO research your project before you get quotes. It doesn't hurt to find out, at least generally, the correct way your project should be completed. Look at trade magazines and visit home improvement websites to explore different approaches to remodeling. Sometimes there is more than one way to complete a project. For example, one painting contractor may prefer to paint your room with a tinted primer followed by two coats of latex paint, another may use a one-coat self-priming paint. Find out what industry standards are, what is a no-no under any circumstances or what might work best for your project. A little knowledge gives you power to negotiate the best price for the best work.

DON'T think a little knowledge makes you an expert. Above all, don't think your project will be completed like projects you see portrayed on television. Home improvement television shows are deceiving. There are whole crews bringing the project to a finish in-between the time the camera is rolling. Mistakes are edited out. Remember that every remodeling project is different, and there can be hidden complications.

For example, replacing the slider door that's been sticking for the last two years seems like a simple one-day project, but when your contractor takes out the existing door he might find it was not properly flashed by the original installer. Decay, dry rot or mold affecting the underlying framing may require him to do unexpected work. He may not be a shady contractor; he might be concerned that if he replaces the slider without fixing the underlying problem, in a few years you'll be unhappy with his finished product.

Most reputable contractors will keep you informed of any unexpected developments and will discuss solutions with you, including estimated extra costs. They will show you problem areas and explain the process for fixing them in detail. In some cases, they can tell you in advance what kinds of hidden problems they've seen before and whether they think they'll experience the same issues with your remodeling project.

#### **2. Get competitive bids, but don't take the lowest bid offered.**

DO get competitive bids. For small projects, calling 2 or 3 contractors is usually sufficient. For larger, more extensive projects, it's wise to have a minimum of 4 to 5 contractors bidding against each other. People will spend weeks researching the best cars and haggling over a car sale when it's time to buy a new vehicle, but don't hesitate to spend thousands of dollars on a remodeling project after mere hours or a few short meetings with contractors.

DON'T take the lowest bid offered, thinking you will be getting the best deal, even if your contractor shows up in a designer polo in a big, shiny truck with custom lettering looking like the perfect professional. Be leery of any contractor eager to bid lower than everyone else. It's common practice for less-reputable remodelers to have "hidden costs" they spring on you later in the project, when everything is torn apart and you feel like you can't back out without extreme inconvenience or loss of what you've already invested.

#### **3. Negotiate for the best price, but don't under-value your contractor.**

DO negotiate for the best price. Pick the best contractors, and give them a chance to bid against each other for your project. Most contractors are willing to negotiate. If you can't get them to negotiate on the

labor price, ask them to offer you discounts on materials. Most contractors get commercial discounts between 5-25 percent from suppliers and may be able to offer you a portion, if not all, of this discount without suffering a loss on the value of their time. Depending on the size of your project, this can equate to significant savings. Some contractors may offer you a much lower labor price to beat out other bids but make up for it later through high mark-ups on materials.

DON'T get too obsessed with negotiating. Contractors often pay high insurance and overhead costs, especially if they have employees. They want to work for you, but if you want a high quality product, keep in mind that a reputable contractor with good references will walk away from your project if he thinks you are under-valuing his skills. No one wants to be under-valued. Asking for a bottom line price is not inappropriate, but asking him to be competitive with someone he knows to be the worst contractor in town could land you in spot where you have ONLY the bad contractor to complete your job. Be fair.

#### **4. Insist on a contract and understand its terms.**

DO insist on a comprehensive contract. Surprisingly, many people think a contract locks them into a set price, which is not really the case. Anyone can write a number down on paper! The most important aspect of any remodeling contract is the detailed scope of services to be provided. Even for small jobs, this is the key to getting services with a set price. For example, if your contractor is replacing an old window, NEVER accept a contract that says: "Window Replacement \$XXX.XX!" The contract should specify whether or not the window will be removed and disposed of (not all contractors dispose of construction debris); whether the new window will be caulked and weatherized; or even whether the old window molding will be re-applied or replaced. Also, the contract should state how long it will take to reasonably complete services, as well as what kind of materials will be used. Insist on high quality fasteners, caulking and other materials to protect the integrity and long-term durability of your project.

DON'T ignore payment terms, which can vary greatly between contractors. Make sure you understand terms fully. Pay your contractor in a timely manner, especially if he's efficient and provides quality workmanship. If you find the contractor is not meeting his end of the bargain, you have every right to withhold payment until a certain portion of the work is completed in accordance with the terms of your contract. Make sure payment terms state amounts to be paid at specified time periods. Having a clear and concise contract legally protects both parties and prevents misunderstandings about what is expected by all.

#### **5. Check references carefully.**

DO check references, and if possible, look at a portfolio of finished projects. Try to arrange a visit to a site where the contractor performed work similar to your own project.

DON'T let a contractor's charm sway you. The best con artists can "talk a dog off a meat wagon." If you are investing a sizeable amount of money into a remodeling project, you want to ensure that the contractor has a good track record by calling or visiting client references – not his relatives. If possible, try to talk with clients who have finished projects more than a year old. Newly remodeled areas always look great compared with the old, but work that still looks great a year or more later is proof of quality workmanship.

Ask these questions about how the contractor worked: Did the project move along smoothly? Did the contractor show up to work daily or have a project manager so the project moved along in a timely manner, or did work go unfinished for days or weeks at a time, seeming to take forever to complete? Did they work haphazardly or clean up at the end of each day to minimize disruption? Some people want a project completed simply and quickly, some want fancy detailing finished to magazine perfection. Decide what services are most important to you, write a list of them and discuss how they will be completed in a reasonable timeline with the contractor.

## **Q&A: What you need to know about reverse mortgages**

FORT LAUDERDALE, Fla. – July 27, 2011 – Some sales people aggressively promote reverse mortgages, which allow senior citizens to convert home equity into cash, as a way to take care of rising medical costs, unexpected home repairs or even travel expenses. But as a recent reverse mortgage fraud case shows, seniors need to be very careful deciding who to buy these complex products from and make sure they understand the risks.

Three Florida mortgage loan officers and a Pennsylvania title agent were charged in federal court three weeks ago in connection with a \$2.5 million scheme that defrauded a major lender, the federal government and 14 seniors. Some of the seniors now face foreclosure. The suspects pitched the mortgages through a national telemarketing campaign, then fraudulently inflated home values so homeowners would qualify, and never paid off the original loans, according to court filings.

Consumer experts say seniors and their families first should check out other financial alternatives, such as refinancing or selling the home, or finding government programs that assist seniors with medical or living expenses. A reverse mortgage is not for everyone. Here are some facts to help you determine if it's for you.

**QUESTION:** What is a reverse mortgage?

**ANSWER:** It's somewhat similar to a home equity loan. You are contracting with a lender to borrow against the equity in your home, while you continue to live there. The lender will give you cash that you can take as monthly payments, a lump sum, a line of credit or a combination. One of the most popular reverse loans is the Home Equity Conversion Mortgage (HECM), which is federally insured. There are private programs as well.

**Q:** Who is eligible?

**A:** Property owners usually must be at least 62 years old. If two people are on the title, both must be 62 or older. There are no credit or income requirements.

**Q:** How much can I borrow?

**A:** The amount will be based on your age, the value of your home and the interest rate that will be added into the loan. To calculate what you might qualify for, go to the National Reverse Mortgage Lenders Association site at <http://www.nrmlaonline.org>.

**Q:** What homes are eligible and how much can I receive?

**A:** Reverse mortgages are issued only on primary residences. It can be a single-family home, a condo or townhouse, manufactured home or a multi-family home with up to four units, if the owner lives there.

**Q:** Can I get a reverse mortgage if my home is not paid off?

**A:** Yes, but you must pay off your existing mortgage either with your reverse loan or your own money. Also, federal law now allows you to purchase a new home with a reverse mortgage.

**Q:** What about upfront fees?

A: One disadvantage of most reverse mortgages is they carry high upfront fees and closing costs, generally \$10,000 to \$15,000, according to Time magazine, and the fees are usually taken out of your equity. Some HECM loans may have monthly servicing fees, and you often must pay mortgage insurance. If you are considering leaving your home in several years, the upfront costs may not make a reverse mortgage worthwhile.

Q: How does the reverse mortgage get repaid?

A: You or your heirs must repay the money you were advanced or received when you sell the house or permanently move out. The interest compounded over the loan's life will be included in the total due. Ask your lender if the loan would become due, or you would be charged a penalty, if you moved out for an extended time period, such as to go into a rehabilitation center.

Q: What happens if my home loses value?

A: The amount you or your heirs must repay cannot exceed the value of the home. So your family is protected if the home's value drops low enough that when your heirs sell it, the proceeds won't cover the loan repayment. If the proceeds exceed the repayment, your heirs get to keep the extra. However, if your family chooses not to sell the house, they must repay the full reverse mortgage, regardless of the home's value.

Q: Can a reverse mortgage affect my government benefits?

A: Possibly. Your Medicare and Social Security will not be affected. But the money you receive counts as an asset in some states and could keep you from becoming eligible for Medicaid, the federal-state program for the poor that also covers nursing home care.

Q: Who pays for the taxes and the home's upkeep?

A: After a reverse mortgage, you continue to be responsible for real estate taxes, homeowner's and windstorm insurance, and any repairs. You could lose the home if you default on these obligations. If you are having trouble with these expenses or maintaining your home now, a reverse mortgage might not be for you.

Q: Why do I need counseling before getting a reverse mortgage?

A: Counseling about reverse mortgages by consumer credit groups or other organizations approved by the federal government is required by law before taking out a federally insured reverse loan. It's a good idea even if you are considering an uninsured loan. To schedule a session, call the U.S. Housing and Urban Development referral line at 800-569-4287 or go to [hud.gov](http://hud.gov).

Q: What are some things to look out for?

A: Resist telemarketers or sales people trying to pressure you into quick decisions. Be wary of anyone suggesting you finance renovation projects or major purchases with them through a reverse mortgage; there may be less risky ways to pay for these things. In most cases, you have the right to cancel your mortgage contract within three business days if you do so in writing. Send your letter by certified mail and ask for a return receipt. To report fraud: Call the Federal Trade Commission at 877-382-4357 or go to [ftc.gov](http://ftc.gov).

Q: How can I find a reverse mortgage lender?

A: Members of the National Reverse Mortgage Lenders Association, an industry group, have agreed to

standard practices and a code of conduct. Go to <http://www.nrmlaonline.org> to look for members or call 866-264-4466.

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## **U.S. consumers more upbeat this month**

NEW YORK – July 26, 2011 – The Conference Board Consumer Confidence Index improved slightly in July after declining in June. The Index now stands at 59.5, up from 57.6 in June. The Present Situation Index decreased to 35.7 from 36.6. However, the Expectations Index, which gauges expectations for six months in the future, rose to 75.4 from 71.6 last month.

“Consumer confidence posted a modest gain in July, the result of an improvement in consumers’ short-term outlook,” says Lynn Franco, director of The Conference Board Consumer Research Center. “Consumers’ appraisal of current business and employment conditions, however, was less favorable as concerns about the labor market continue to weigh on attitudes. Overall, consumers remain apprehensive about the future, but some of the concern expressed last month has abated.”

Consumers stating current business conditions are “good” decreased to 13.4 percent from 13.7 percent, while those claiming business conditions are “bad” increased to 39.0 percent from 38.4 percent. Consumers’ appraisal of the job market was also less favorable. Those claiming jobs are “hard to get” increased to 44.1 percent from 43.2 percent, while those stating jobs are “plentiful” remained unchanged at 5.1 percent.

Consumers’ short-term outlook improved moderately in July. The proportion of consumers expecting business conditions to improve over the next six months increased to 17.7 percent from 16.5 percent. However, those anticipating business conditions will worsen also increased to 15.2 percent from 14.9 percent.

Consumers were also mixed about the outlook for the labor market over the next six months. Those anticipating more jobs in the months ahead increased to 16.7 percent from 13.8 percent. However, those expecting fewer jobs also increased to 21.8 percent from 20.7 percent. The proportion of consumers anticipating an increase in their incomes rose to 15.7 percent from 14.1 percent.

The Nielsen Company conducts the monthly Consumer Confidence Survey for the Conference Board based on a probability-design random sample. The cutoff date for July’s preliminary results was July 14, 2011.

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## **UF: Fla. consumer confidence up in July**

GAINESVILLE, Fla. – July 26, 2011 – Increased optimism about making major purchases played a significant role in consumer confidence, according to a new University of Florida survey. UF’s monthly index rose two points in July to 68.

Four of the five components that make up the index increased or remained unchanged. The biggest improvement was in confidence to purchase big-ticket items such as cars and appliances, which rose five points to 77.

“Some of this may have to do with declines in gas prices during the month of June and much of July,” says Chris McCarty, director of UF’s Survey Research Center in the Bureau of Economic and Business Research. “This leaves more money in people’s budgets for other purchases.”

The other index components that rose were perceptions of personal finances now compared with a year ago, which increased three points to 57, and expectations of personal finances a year from now, which climbed one point to 75. Expectations of U.S. economic conditions over the next five years remained at 72. The only component to decline was perceptions of U.S. economic conditions over the next year, which fell one point to 59.

Another reason for the increase was improved confidence among seniors, which rose five points to 66. A decline recorded last month, McCarty says, was due in large part to seniors' uncertainty over potential cuts to Medicare and Social Security. Although the federal government has not yet released its budget plans, the delay in reducing those programs may have led to a slight improvement. Seniors may also have learned that proposed entitlement cuts might not affect those in or near retirement as much as previously thought.

State unemployment was unchanged in June at 10.6 percent, ending five consecutive months of decline (national unemployment was 9.2 percent as of July 8). Home sales in Florida were down in June, but the median price for a single-family home (\$138,000) in Florida increased for the fourth consecutive month.

The research center, part of the Warrington College of Business Administration, conducts the Florida Consumer Attitude Survey monthly. Respondents are 18 or older and live in households telephoned randomly. The preliminary index for June was collected from 414 responses. The index is benchmarked to 1966, so a value of 100 represents the same level of confidence for that year. The lowest index possible is a 2; the highest is 150.

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## **Fla. insurance cost comparisons made easy**

TALLAHASSEE, Fla. – July 26, 2011 – A new homebuyer needs property insurance and wants advice. Which company is cheapest? Which one is most expensive?

The Florida Office of Insurance Regulation announced the re-launch of an interactive program designed to assist Florida's homeowners to shop for homeowners' rates. The new system, called the Consumer HomeOwners Insurance Comparison Electronic System (CHOICES), is a revamp of an earlier system developed in 2007.

CHOICES doesn't offer quotes on a specific home; instead, it offers two home examples and generates, county-by-county, a range of costs to insure that house. While a homebuyer doesn't get an actual quote – there's no way to key in a specific home's details – he'll see a range of costs from lowest to highest as they would apply to that sample home. Those rates can be used as a yardstick to compare carriers before calling directly for a quote.

Someone seeking rock-bottom rates, for example, could choose to call the five least expensive carriers on the list. Or if a low price scares him, perhaps fearing that a company won't be around to pay claims after a major disaster, he could decide to simply avoid the five most-expensive carriers.

Insurers base their quotes on different factors, and the most expensive carrier in one county could be the least expensive carrier elsewhere. In Miami-Dade County, for example, United Property & Casualty Insurance Company Inc. has the most expensive coverage at \$9,873 per year without wind mitigation coverage, according to CHOICES. However, that same insurer ranks as the least expensive carrier in Seminole County, charging only \$969 without wind mitigation.

The two sample coverage homes are a \$150,000 property built before 2001 and a \$300,000 property built in 2005.

"The system ranks companies' rates in a given county, along with company contact information, to encourage Floridians to shop for a better rate," says Florida Insurance Commissioner Kevin McCarty. "The system also illustrates the competitiveness of the homeowners' insurance market in Florida and the benefits of shopping for insurance."

CHOICES was originally released in 2007 as [shopandcomparerates.com](http://shopandcomparerates.com); at its peak, the website received nearly 10,000 hits a month. The rate quotes reflect the most recent rate filings accepted by the Florida Insurance Commission.

The Commission notes that the listing of an insurance company does not constitute an endorsement, and the rates don't reflect surcharges or discounts. Consumers must still call carriers directly for an official premium quote.

Consumers can find the information at: <http://www.flair.com/choices>

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## **Turned down for a loan? Now you can find out why**

WASHINGTON – July 21, 2011 – Your credit score determines the interest rate you pay for a credit card, car loan, private student loan or a home mortgage. A low score could prevent you from getting a loan at all. But for years, this important number has been a mystery to most consumers.

Starting today, that will change.

A provision of the Dodd-Frank financial reform law that takes effect today requires lenders to provide consumers with a free credit score whenever:

- They reject an application for a loan. In that case, lenders will be required to provide consumers with an "adverse action" notice that includes their credit score and explains why they were turned down.
- They approve a loan but at a higher rate than the rate provided to their best customers. As in the first instance, lenders will be required to provide borrowers with a credit score and explain why they're charging a higher rate.
- Lenders must provide the score they used to make a decision about your loan. They'll also be required to explain the factors that adversely affected your score and the range of possible scores so you'll know where you stand.

Consumers submit about 1 billion credit applications every year and of those, about half will fall under one of those two categories, says Mark Greene, CEO of FICO, which developed the most widely used credit score.

Many borrowers who receive the notices will be surprised to learn that they didn't qualify for a lender's best rate, Greene says. That could encourage more consumers to shop around and take steps to improve their scores, he says.

The requirement won't create a burden for lenders because they've already bought the scores from FICO or other credit score providers, Greene says. "All (lenders) are doing is sharing it with the consumer," he says.

The requirement won't help consumers who want to view their scores before they apply for a loan. A federal law enacted in 2003 requires the three main credit bureaus to provide consumers with a free

annual copy of their credit reports, but they're not required to include a score.

Consumers can purchase a credit score from the credit bureaus when they order their free credit reports. They can also obtain credit scores when they enroll in credit-monitoring services offered by the credit bureaus.

However, those scores aren't necessarily the same ones lenders use, according to a report issued Tuesday by the Consumer Financial Protection Bureau. Some credit bureaus sell consumers "educational" scores that aren't the ones used by lenders. In other cases, the score may be based on a different model than the one lenders use, the report said.

If these differences lead consumers to mistakenly believe they're poor credit risks, they may settle for less-favorable terms than they're eligible to receive, the report said. Conversely, a consumer who mistakenly believes he is a good credit risk could waste time and effort applying for loans he's not qualified for, CFPB said.

### **More cash**

A separate provision of the financial reform bill that takes effect today will double the amount of money financial institutions must make available to customers after they deposit a check.

The provision requires banks and credit unions to make a minimum of \$200 available to depositors in one business day, up from the current minimum of \$100. There are exceptions: Financial institutions can hold on to funds for a longer period if the check exceeds \$5,000 or the customer has repeatedly overdrawn his or her account.

Nessa Feddis, senior counsel for the American Bankers Association, says most banks already exceed the new requirement. "I don't think many consumers are going to notice" the change, she says.

But some financial institutions have expressed concern that the rule change will make it more difficult for them to identify fraudulent checks. "There's going to be more of a risk exposure to financial institutions in general as a result of this" rule change, says Mary Dunn, general counsel for the Credit Union National Association, a trade group.

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## **Listing website errors rile owners, brokers**

PHILADELPHIA – July 21, 2011 – In the old days, if you were looking for a new place to live, you picked up the local newspaper, looked at the real estate classifieds, put on comfortable shoes or gassed up the car, and began a house-to-house search.

The Internet has made the job easier, at least on your feet. In short order, you can look at all kinds of sales and rental listings just about anywhere – around the block or across the country.

Given their promise of information from all over the place, how reliable are websites such as Zillow, Trulia, HomeGain, and a growing number of others?

A colleague posed the question after seeing that his Abington, Pa., house was listed online by its ZIP code, which is shared by portions of neighboring towns, and included the wrong school district.

Ken Shuman, head of communications at Trulia, said his website obtained information on 95 million houses from county assessors' offices nationwide and Fidelity National Real Estate Solutions, a data provider.

Various sources provide details about Zillow's 100-million-plus homes, both for rent and for sale, said chief economist Stan Humphries: "Information comes in from public-record data, real estate brokerages, users of our information (consumers), and real estate agents directly."

School sources provide that information, Humphries said, adding that "we do take pains to say the closest school to the property will not necessarily be the one children will be attending."

"It would be great if we knew, but very difficult to know exactly," he said.

Real estate agents take issue with these website flaws, as well as with the values the sites place on houses, for sale or not. (They also offer price information about homes already sold, for example.)

When asked whether he recommended these sites to consumers, Kit Anstey of Prudential Fox & Roach in Chester County, Pa., said, "Absolutely not. Very misleading."

But Mark Wade of Prudential Fox & Roach in Philadelphia said the real estate websites did have some value.

"I think they play a very helpful part in house and condo hunting," he said. "A lot of information is available at a potential buyer's fingertips. (Trulia and Zillow) consolidate the information and are both fairly easy to navigate."

Yet Wade added that he thought estimates of value offered on some websites, such as Zillow's "Zestimates," were unreliable, saying that using the formula that determine them "is akin to throwing arrows at a dartboard. You rarely know where it is going to land."

Trulia's Shuman, acknowledging that there is sometimes a 90-day delay in obtaining data, said the three-month "rolling average" his site offers is based on properties within municipalities rather than within metropolitan statistical areas.

"When people buy houses, they are looking for specific places – a city, town, or neighborhood," he said. "MSAs can skew numbers. There are often dramatic differences from neighborhood to neighborhood."

Trulia lets consumers "leverage" information about houses, Shuman said: "People often save homes from the site if they are not interested in buying them. If they are following a property, we serve them up recent comps (comparable sales) so they can manually update that information."

HomeGain has an "instant home-prices tool" that allows an owner to recalculate a price range that might be better if actual amenities and square footage of living space were addressed. It doesn't affect the information from official sources.

Regarding the accuracy of location and school information, Trulia, Zillow, and HomeGain all said owners could update details posted about their homes.

"If you feel your house is misrepresented on Trulia, you can update the information as long as the house is off-market," Shuman said. "We hope to get edited information for houses on the market, but right now we are trying not to tussle with listing agents."

The site also is "resetting school boundaries, as a result of a new relationship (with a data provider) we have just formed," Shuman said. "We have school rankings and are expanding it to do searches based on school boundaries, setting a polygon search for the consumer on the map." Rollout is planned for late July to mid-August.

Zillow requires people trying to update descriptions to prove that they are the homeowners, Humphries said.

It's tough to pinpoint all but obvious misrepresentations, he said, but "we do filter for owners giving erroneous information about home or area, and eliminate the data from the models."

The issue, for some, seems to be not so much the information the websites offer but what consumers might take away from it.

Philadelphia mortgage broker Fred Glick said the websites "can be the downfall for everyone involved" because they offer no sense of the condition of properties.

"When you want to get an idea of what your home is worth for a refinance, those sites can tell you the wrong value," Glick said. "If the appraisal comes in lower, it may mean a higher interest rate than you were expecting."

Zillow's Jill Simmons said, "Zestimates are an estimate – a starting point in determining a home's value," not the actual value of a property.

The data on Zillow "are tools to help consumers make better real estate decisions," Simmons said, "but we always recommend that people who want to buy, sell, or refinance engage a local professional like an appraiser or a real estate agent."

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## **Housing expected to improve over last year**

WASHINGTON – July 19, 2011 – The U.S. housing market, aided by a recovering rental sector, is unlikely to experience a "double-dip" setback, Freddie Mac said Monday.

In its U.S. Economic and Housing Market Outlook for July, the Federal Home Loan Mortgage Corp. said housing likely will follow the performance of the overall economy for the rest of 2011. Additionally, home sales are projected to be above last year's numbers by 3- to 5 percent.

The report also indicated that despite record levels of homebuyer affordability and historically low mortgage rates, households were concerned about their financial futures and were holding off making major purchases, notably homes.

The rental housing market showed the clearest signs of a turnaround with the apartment property price index showing a 15.2 percent gain over the year through the first quarter of 2011.

"Following June's labor market report, households are naturally concerned about their financial futures, which is being reflected in the housing market," said Frank Nothaft, Freddie Mac's vice president and chief economist. "Yet, the single-family market will likely improve over the balance of 2011, in keeping with positive [gross domestic product] forecasts for the United States."

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## **Free advice to help owners keep their homes**

WASHINGTON – July 18, 2011 – Free counseling can help struggling homeowners try to find ways to keep their homes: The U.S. Department of Housing and Urban Development (HUD) provides a list of government-approved counselors on its website, [hud.gov](http://hud.gov).

The counselors often know of special programs that lenders don't, said Kevin Maher, director of community education for the nonprofit Consumer Credit Management Services in Delray Beach, Fla.

His counseling agency was among those giving free help recently to hundreds who stood in line at a Help for Homeowners Community Event in Hollywood, Fla. The event brought out an overflowing crowd: 1,333 homeowners when organizers had only expected about 1,000.

Counselors know about HUD, Fannie Mae and Freddie Mac programs, Maher said. They also keep up-to-date on what local agencies are offering.

If people are in foreclosure, the courts offer free mediation, added Diane Stephenson, foreclosure prevention services manager at Maher's Consumer Credit agency. "It's in the best interests of the people to take advantage of the mediation," she said.

There are also programs to help the unemployed or underemployed, Maher said.

The Obama Administration has a new program, starting Aug. 1, that will give unemployed homeowners with FHA loans a break on part or all of their mortgage payments for up to 12 months.

To qualify, the unemployed will have to be 90-days delinquent on their loans, said Brian Sullivan, a U.S. Housing and Urban Development spokesman.

Those mortgage companies participating in the Making Home Affordable Program will also be required to give the year-long reprieve "whenever possible," according to a HUD statement.

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## **Law protects consumers from mold removal cons**

TALLAHASSEE, Fla. – July 18, 2011 – Florida's warm, humid climate is the perfect setup for mold to grow in our homes. Roughly 1,000 strains of household mold, *Strachybotrys chartarum*, commonly called "black" or "toxic" mold have been identified. Many types of mold cause such health problems as sneezing, itching and wheezing and even trigger asthma attacks.

Toxic or not, mold isn't healthy to have in your home, according to the U.S. Department of Housing and Urban Development.

In the past, Florida homeowners were sometimes taken advantage of by so-called mold removal specialists who were nothing more than con artists.

Now Florida consumers have some protection with a new law that requires licensing of mold specialists.

The law also prohibits a company from performing both the mold testing or assessment and the mold remediation or removal on the same house. Previously, a company could do both on the same property.

"What this means now is that if you do an inspection on a job site, you are not allowed to do the remediation," said Michael Fadell, president of Jupiter-based U.S Mold, licensed to perform both types of service.

The law requiring licenses for mold assessors and mold remediators was enacted in 2010. Enforcement began July 1, according to the Florida Department of Business and Professional Regulation (DBPR).

Qualified companies that submitted their applications by March 1 were grandfathered in if they met

certain requirements such as having performed at least 40 mold assessments or remediations.

Fadell welcomes the regulation and said homeowners should always demand to see a company's license, ask for references and call the references.

To check for a license, go to [www.myfloridalicense.com](http://www.myfloridalicense.com).

"The licensing is a good thing. Nobody can just jump into this business and start doing it," Fadell said.

Those new to the business must meet requirements such as a two-year degree in microbiology, engineering, architecture, industrial hygiene, occupational safety, or a related field of science from an accredited institution and a minimum of one year of field experience, or a high school diploma or equivalent with four years of documented field experience.

All applicants must demonstrate documented training in water, mold and respiratory protection. Applicants must also submit an application and fee to the department, pass a state approved examination, and submit fingerprints for a criminal background check.

Mold problems in Florida homes accelerated beginning with the hurricanes of 2004, Fadell said.

"We had a lot of fly-by-nights coming in from all over the country and slapping magnetic signs on their trucks saying they were mold specialists," Fadell said. "A lot of people were taken advantage of."

In the past few years, the mold problems have been popping up in vacant foreclosed homes.

"As soon as you walk in, you get this ungodly musty, mildewy smell," Fadell said. "The house is closed up and the banks turn the air conditioners off."

Lately, Fadell said he has seen houses where someone has left the windows open to air out the house, and failed to close them before it rained, making the situation worse.

Fadell said his company is doing work on such homes, which are treatable 90 percent of the time.

The job involves cleaning the air conditioning coils, cleaning ducts with a high efficiency particulate air vacuum, and fogging with a biodegradable chemical that kills bacteria and molds.

"It should not scare people from buying a house," Fadell said.

The cost to treat a 2,000-square-foot house would be \$2,000 to \$3,000. If drywall and carpets need to be ripped out, the cost would be higher, Fadell said.

Only if the structure is compromised should a potential buyer not purchase the house, he said. If dry rot is present, that indicates the structure has water damage. When looking at the home, check all water sources, under vanities, behind washer and dryers and refrigerators, etc., Fadell advises.

Check under all windows to see if any baseboards are cracked and pulling away from drywall. Look for water stains and ask if the home has had water damage.

Also check air-conditioning vents for visible signs of mold, and inspect ceilings for water stains.

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## **Adding office could increase home value**

PHILADELPHIA – July 8, 2011 – Remember when the “experts” said that most Americans would telecommute from home offices to work every day?

Hasn’t happened, although ever-evolving technology has made the notion more viable. Think laptops, netbooks, printers, smartphones, and tablets, networked through a wireless router to a high-speed Internet connection.

Thanks to wireless technology, you don’t even need a physical home office – although if you are counting on an income-tax deduction, the IRS requires that space be dedicated to that purpose.

Don’t need the deduction? Then “the home office is everywhere,” said Steve Melman, director of economic services at the National Association of Home Builders.

About 2 percent of U.S. workers – the self-employed and unpaid volunteers excluded – consider home their primary workplace, the Telework Research Network says. It estimates that 20 million to 30 million people work from home at least one day a week.

That’s hardly everyone, though it is more than the Bureau of Labor Statistics’ 2001 figure of 19.5 million.

Two additional factors have had a huge effect on the number of home offices: the flagging economy and an overall demand for affordability that has resulted from it.

Members of the home builders’ group were surveyed at the end of 2010 about what new homes might look like in 2015, Melman said.

The consensus: Homes will be smaller, and “people will be looking for real value, with the walk-in closet and the laundry room at the very top of the list of features.” Most future homebuyers (read: younger buyers) will use the portability of electronic devices to “make the most of less square footage.”

That’s a far cry from the home-office-as-emerging-trend of the 1990s, when telecommuting depended on having a work space that could accommodate, in addition to desk and chair, a telephone, a desktop computer, a modem, a printer, a file cabinet and storage for floppy disks (remember those?).

When the need for data speed overwhelmed standard wiring, Category 5, an advanced system providing Internet access at speeds 200 times faster, required owners of older homes to rip open walls to upgrade their service. Newly built homes had the less expensive advantage, until wireless technology leveled the playing field.

Today, for about \$60, a single-band wireless router allows you to create a building-wide network of computers, printers, and other devices linked to a single Internet source – a cable modem.

Access to the router can be made secure within the network, so you can do online financial transactions safely. Some cable-modem providers offer free antivirus software that can be downloaded to each computer through the network. Every computer can be networked through a single printer, wireless or not.

But all routers are not created equal, and online shopping is a good idea. An excellent guide can be found at <http://is.gd/lggFIj>. Most manufacturers offer free upgrades to their firmware, the internal programs that run these devices, so keep in touch with their websites.

If you run a business from home, or take a lot of work home, you probably will want dedicated space somewhere – a quiet somewhere. Design the space for yourself, keeping the costs within a reasonable

budget, rather than with resale in mind.

In 2007, Remodeling magazine's annual Cost vs. Value report said a home-office renovation would return 56.1 percent of your investment at sale time. This year, that was down to 45.8 percent.

If you'll be working for long periods in your home office, think ergonomically. A good source of information about furniture and design is at <http://is.gd/epQjQA>. Lighting a home office is tricky. The American Lighting Association offers tips at <http://is.gd/l8GULs>.

You'll need plenty of grounded electrical outlets and a surge protector for your equipment – one with a high joule rating (the higher the rating, the longer protection will last) – with phone-line and coaxial-cable jacks, too. Get a printer with copier, fax, and scanner functions.

Choice of computer is up to you – shop for the best deal, warranty protection, and service guarantee. If you will be doing a lot of conferencing from your home office, a Web camera is a must.

Depending on how much data are involved in your job, an external hard drive of 250 gigabytes or more should be weighed against online backup for a fee, as discussed in PC magazine at <http://is.gd/XZr601>.

The problem with technology, of course, is that it evolves faster than our thinking about how to use it. "Remember, even the computer experts had no idea what to do with email," Melman said.

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## **Consumers to soon get free credit score after loan denial**

CHICAGO – July 8, 2011 – Consumers who are denied credit or whose existing loan terms become less favorable soon will be able to get free credit scores under new rules from the Federal Reserve Board and Federal Trade Commission.

On Wednesday, as part of the recently enacted Dodd-Frank Wall Street Reform & Consumer Protection Act, the two regulators issued final rules related to new credit-score disclosures.

Effective July 21, if a credit score is used to set certain credit terms, or to deny or revoke credit or change existing terms, then banks and others will be required to disclose credit scores and related information to consumers.

Besides the consumer's credit score, the lender also must disclose the range of possible scores under the model used to generate the score; the date on which the score was created; the name of the consumer reporting agency or entity that provided the score; and up to four key factors that hurt the credit score, or up to five factors if the number of inquiries made into that consumer's credit report is a key factor. Numerous inquiries into a consumer's credit report can suggest that the consumer has been out shopping for credit and might be financially stressed.

Credit scores are often used by lenders to set or adjust loan terms, such as interest rates charged, and can change over time to reflect changes in a borrower's financial history.

The Fed has estimated that it would take lenders, on average, two business days to update their systems to comply with the new requirements, although some businesses affected said it could take weeks or longer.

The public comment period to the proposed rule changes closed on April 14.

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## **Feds say the newest mortgage fraud is reverse mortgage fraud**

WASHINGTON – July 8, 2011 – In a \$2.6 million scam, three Palm Beach County men used bogus appraisals to take out reverse mortgages on behalf of unwitting borrowers, federal prosecutors said Wednesday.

In one phony deal, the trio convinced reverse mortgage lender Genworth Financial that a Sunrise condo appraised at \$31,000 was really worth \$275,000.

The U.S. Attorney's Office said Louis Gendason, 42, of Delray Beach, and John Incandela, 24, and Marcus Echevarria, 29, both of Palm Beach, each face one count of conspiracy to commit wire fraud. The three worked as loan officers for First Continental Mortgage, which had offices in Fort Lauderdale and Boca Raton. The office said it was its first reverse mortgage fraud prosecution.

Pittsburgh title agent Kimberly Mackey, 46, also was charged.

Reverse mortgages are a legitimate financial product that let homeowners 62 and older tap into their home equity to pay their living expenses. But the loan officers and title agents doctored real estate appraisals to fraudulently inflate the value of the borrowers' properties. In fact, none of the borrowers had enough equity to qualify for reverse mortgages, prosecutors said.

Believing the appraisals, Genworth approved loans for 14 properties in Florida, Indiana, Maryland, Louisiana, Alabama and Pennsylvania. In 2009 and 2010, Mackey received loan proceeds from Genworth totaling \$2.6 million. She sent at least \$988,000 to a bank account controlled by Incandela and Gendason, and they and Echevarria spent the money, prosecutors said.

Three of the homes were in Palm Beach County. In one case, the defendants convinced Genworth that the house at 104 Heron Parkway in West Palm Beach was worth \$398,000, nearly twice its actual value, prosecutors said.

According to property records, a lender had filed foreclosure proceedings well before the defendants applied for a reverse mortgage in 2010 on behalf of owners Reginald and Reneta Smith. The Smiths declined to comment.

The defendants used a loan modification scheme to hide the reverse mortgages from the original mortgage lenders, whose loans remained unpaid, prosecutors said. The four created fictitious short sale offers to buy some of the properties.

If they're convicted, the defendants each face up to 30 years in prison and fines of up to \$1 million.

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## **Unemployed homeowners get more relief**

Under the policy changes, mortgage companies collecting payments on Federal Housing Administration (FHA)-backed loans will be required to offer 12 months of forbearance for qualified unemployed borrowers, the White House said in a release.

Out-of-work borrowers with these loans now can receive a minimum of four months without mortgage payments.

Companies participating in the administration's Home Affordable Modification Program will also be

encouraged to offer up to 12 months of forbearance for unemployed borrowers.

These adjustments will provide much-needed assistance for unemployed homeowners trying to remain in their homes while looking for work, the administration said.

"The current unemployment forbearance programs have mandatory periods that are inadequate for the majority of unemployed borrowers," Housing and Urban Development (HUD) Secretary Shaun Donovan said. "Today, 60 percent of the unemployed have been out of work for more than three months and 45 percent have been out of work for more than six. Providing the option for a year of forbearance will give struggling homeowners a substantially greater chance of finding employment before they lose their home."

Federal housing officials said changes to the Making Home Affordable (MHA) program will require participating loan servicers to extend the minimum forbearance period from 3 months to 12 months for eligible unemployed homeowners, whenever possible subject to investor and regulator guidance for each mortgage loan. Additionally, forbearance under the Unemployment Program will be available to borrowers who are seriously delinquent.

All FHA-approved servicers must participate in the agency's Loss Mitigation Program, which includes the special forbearance program, housing officials said.

HUD has posted an FHA fact sheet online.

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## **'Not enough' done on housing, Obama says**

WASHINGTON – July 7, 2011 – President Obama made a rare admission of a policy misstep Wednesday, acknowledging that his administration failed to provide enough support to struggling homeowners and recognize the scope of the nation's housing crisis.

Despite predictions by Obama's advisers that the housing market would rebound by now, real estate prices are falling once again. And the administration's efforts to push banks to modify the mortgages of families who missed their monthly payments have been widely criticized as lacking.

Obama first raised the issue Wednesday when a questioner during a town hall event asked what mistakes the president had made in handling the economy.

"The continuing decline in the housing market is something that hasn't bottomed out as quickly as we expected," Obama responded.

Later, he added, that his administration's efforts to help struggling homeowners were "not enough."

"And so we're going back to the drawing board," he said.

The housing issue threatens to loom over Obama's re-election campaign, with foreclosures piling up and real estate markets in turmoil in pivotal swing states such as Florida and Nevada, which voted for him in 2008.

Obama has not often discussed the housing crisis with much of his time in Washington and on the campaign trail focused on job creation and deficit reduction. But the issue repeatedly came up Wednesday as Obama conducted his first ever town hall meeting via Twitter.

One person asked in a tweet: "How will admin work to help underwater homeowners who aren't behind

in payments but are trapped in homes they can't sell?"

Later, another questioner – whose Twitter handle was @Shnaps – asked a follow-up question about whether the market could heal itself.

Obama responded that "given the size of the housing market, no federal program is going to be able to solve the housing problem." He later added: "Some folks just bought more home than they could afford and probably they're going to be better off renting."

Much of the criticism of the administration's housing policy has focused on the Treasury Department's foreclosure prevention initiative called the Home Affordable Modification Program, or HAMP. The program was funded by the financial bailout and carved out tens of billions of dollars to pay banks to modify the mortgages of distressed homeowners, or at least lower their monthly payments.

The administration has said that HAMP helped more than a million families in this way. But critics say that the aid was not long lasting, and that the initiative's design was too complicated for the industry to implement effectively.

During Wednesday's town hall, Obama said his administration would press banks to modify loans more quickly and, where possible, reduce the principal owed by homeowners.

The questions submitted to the president were wide ranging, though Twitter co-founder Jack Dorsey, who moderated the event, noted that 6 percent of the tweets focused on housing. Other hot topics included jobs, the economy and education.

The president spent much of the time responding to questions verbally, leaving it to his staff and officials from Twitter to parse his words down to 140-character tweets, the maximum allowed on the microblogging Web site. Obama sent a live tweet only once, patting himself on the back for being the first president in history to do so.

While the event was billed as a "discussion," the format provided a platform for Obama to repeat his positions on the economy with little follow-up from the moderator and Twitter users.

Obama got a laugh, though, when he took a question from House Speaker John A. Boehner (R-Ohio), who is known as @speakerboehner on Twitter.

Boehner asked, "Where are the jobs?"

Obama joked: "This is a slightly skewed question." He then acknowledged that job growth has been slow. But he also accused Republicans of standing in the way of infrastructure and public works programs that would have created work for Americans.

"Eventually, I'm sure the speaker will see the light," Obama quipped.

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## **7 of 10 renters say owning home a top priority**

WASHINGTON – July 7, 2011 – According to the 2011 National Housing Pulse Survey released yesterday by the National Association of Realtors®, 72 percent of renters surveyed said owning a home is a top priority for their future, up from 63 percent in 2010.

Seven in 10 Americans also agreed that buying a home is a good financial decision, while almost two-

thirds said now is a good time to purchase a home. The annual survey, which measures how affordable housing issues affect consumers, also found that 77 percent said they would be less likely to buy a home if they were required to put down a 20 percent downpayment on the home, and 71 percent believe a 20 percent downpayment requirement could have a negative impact on the housing market.

More than half – 51 percent – of self-described “working class” homeowners as well as younger non-college graduates (51 percent), African Americans (57 percent), and Hispanic Americans (50 percent) who currently own their homes reported that a 20 percent downpayment would have prevented them from becoming homeowners.

Pulse surveys for the past eight years have consistently identified a downpayment and closing costs as homebuyers’ top obstacles that make housing unaffordable. This year, 82 percent of respondents cited these, followed by confidence in one’s job security.

The survey also found that two-thirds of Americans oppose eliminating the mortgage interest tax deduction (MID), while 73 percent believe eliminating the MID will have a negative impact on the housing market as well as the overall economy.

“The MID facilitates homeownership by reducing the carrying costs of owning a home, and it makes a real difference to hard-working American families,” NAR President Ron Phipps said. “Homeownership offers not only social benefits, but also long-term value for families, communities and the nation’s economy. We need to make sure that any changes to current programs or incentives don’t jeopardize our collective futures.”

When asked why homeownership matters to them, respondents cited stability and safety as the top reason. Long-term economic reasons such as building equity followed closely behind. On a local level, respondents said neighbors falling behind on their mortgages and the drop in home values were top concerns. Foreclosures also continue to remain a large concern, with almost half of those surveyed citing the issue as a problem in their area.

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