

June 2011 Archive

Reverse mortgage a tricky way to pull money from home

WASHINGTON – June 21, 2011 – Reverse mortgages allow people 62 and older to borrow against their home equity. Like marriage, the experts say, these are arrangements not to be entered into unadvisedly or lightly.

That's because reverse mortgages are actual loans that must be repaid in full – when you move, when you sell your house or upon your death, rather than in monthly installments.

But, said David Certner, AARP's legislative-policy director, it's something to consider "if you want to remain in your current home and don't have other options."

"If the one asset you have is your home, a reverse mortgage will let you turn it into a payment stream," Certner said. "Maybe you simply need a home-equity loan, or to sell the home and move to something smaller. For a lot of people who want to stay in their own homes, the reverse mortgage is one way to help accomplish that."

Though home values have dropped steeply since the real estate bubble burst in 2006, many older Americans have owned their houses for decades and have vast amounts of equity to tap into.

Yet of the millions of home loans originated between 1990 and 2010, just 660,000 were reverse mortgages, AARP says.

Why? Because reverse mortgages can be complicated, sometimes pricey affairs compared with the financial alternatives.

There are three kinds of reverse mortgages, but the lion's share – 95 percent – are Home Equity Conversion Mortgages (HECM) insured by the Federal Housing Administration.

HECMs cost more than traditional mortgages. They have no income or medical requirements, and the cash can be used for any purpose, such as paying medical bills.

Currently, the national loan limit for a HECM is \$625,500. How much you can borrow depends, among other factors, on your age, the appraised value of your home, and current interest rates.

The older you are, and the more equity you have in your house, the more you can borrow. Though 62 is the minimum age, many experts advise against reverse mortgages then – you may have a greater need to tap into your home equity later in life.

To qualify for HECMs, borrowers must own their properties outright or have small mortgage balances; occupy the properties as principal residences; and not be delinquent on any federal debts, such as income taxes.

Borrowers must participate in "consumer information sessions" provided by counselors approved by the Department of Housing and Urban Development. (These typically cost \$125, Certner said.)

During the course of the reverse mortgage, you must pay your homeowners' insurance and property taxes, plus keep the house in good repair. If you don't, the loan can become due.

Advantages to reverse mortgages include:

- How you get the money is your choice: in fixed monthly payments, a lump sum, a credit line or a combination of the three. You can change the option any time for \$20.
- Even if you receive more in payments than your home is worth, you will never owe more than the home's value.
- Loan advances are not taxable and generally don't affect Social Security or Medicare benefits.
- You retain title to your home.

The reverse mortgage must be repaid in full when the last surviving borrower dies or sells the home, or when it is no longer the primary residence. An HECM lets a borrower live in a nursing home or other medical facility for up to 12 months before the loan comes due.

After the home is sold and the reverse mortgage and fees are repaid, the remaining equity belongs to the borrower or heirs.

Among the disadvantages:

- Lenders, who must be FHA-approved, may charge servicing fees during the loan's term.
- Loans may carry variable interest rates tied to short-term indexes, although AARP says more than 70 percent now have fixed interest rates.
- If interest rates are fixed, you must borrow the maximum amount against your home's equity.
- Refinancing your existing mortgage or taking out a home-equity loan or line of credit may be a less expensive alternative to a reverse mortgage, which can have substantial upfront fees.

For example, the standard HECM loan charges a 2 percent mortgage-insurance premium up front on the home's value, not the amount borrowed. If you own a \$400,000 house, the upfront premium would be \$8,000, regardless of the loan amount.

You also will pay an origination fee to compensate the lender for processing the reverse mortgage. That fee can be up to \$2,500 if your house is valued at less than \$125,000. If your house is valued higher, lenders can charge 2 percent of the first \$200,000, plus 1 percent of the amount over \$200,000, with a cap of \$6,000.

The HECM Saver Loan, which made its debut in October, charges only 0.01 percent of a home's value up front. But this loan usually carries a higher interest rate, and you can't borrow as much as you can with a standard HECM.

Closing costs for a reverse mortgage include an appraisal, a title search, and insurance, surveys, inspections, recording fees, taxes, and credit checks. You can pay for most such HECM costs through the proceeds of the loan. Though that means no out-of-pocket payments, it reduces the net loan amount available.

A lender may charge a monthly servicing fee of no more than \$30 if the loan has an annually adjusting interest rate, \$35 if the interest rate adjusts monthly.

Reverse-mortgage foreclosures have been rare – until recently.

"Because the borrower is responsible for paying taxes, insurance and upkeep," Certner said, tough

economic times have “put a lot of people in trouble, especially in hard-hit markets like Florida.”

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Ten materials that could replace wood one day

PULMAN, Wash. – June 21, 2011 – Whether framing a new addition, building a deck or making a piece of furniture, wood is often the go-to material. Lumber, plywood and other products made with sustainably harvested wood are widely available and relatively inexpensive.

However, there are environmental costs and structural drawbacks to many traditional wood products. Plenty of creative alternatives are available. Here is a sampling of wood alternatives, most with some environmental advantages, for home construction and remodeling projects.

1. Hemp

Hemp is a fast-growing and sustainable crop that generates more construction-grade fiber per acre than most trees and other crops. It can be used in place of lumber and a wide range of other materials. For example, Washington State University researchers found hemp-based medium density fiberboard to be twice as strong as wood.

2. Bamboo

Bamboo is often considered a wood, but this grass is really a wood alternative. It has been called the world’s most useful plant (though hemp advocates might argue otherwise). Bamboo is fast-growing but at least as strong as some slow-growth woods. It is a very trendy (and somewhat controversial) flooring option. It is also used in furniture and a wide variety of other construction materials.

3. Wood composites

As the name suggests, composite materials combine wood with recycled plastics or other components. As compared to lumber, composites are a more sustainable way to use trees. For example, composite deck boards can be made with scrap wood fiber leftover from cutting solid hardwood deck boards. Composite decks and other products also have other advantages over hardwood. They require virtually no finishing, staining or maintenance, and are very durable.

4. Plastic wood

Another growing segment of the deck market is basically the plastic - recycled or not - of composites without any wood fibers. Like composite decking, plastic wood requires no maintenance. Of course, it’s hard to make plastic look exactly like wood, so it’s not a perfect aesthetic substitute. However, in many other ways, composites and plastic wood are good hardwood alternatives.

5. Soy

No, you can’t build walls out of tofu, but soy is another immensely useful plant that is used for insulation, carpet backing, paint strippers and more. While soy fibers may not be a substitute for wood, soy can make traditional wood products safer. Soy-based chemicals can replace the potentially dangerous formaldehyde, glues and other solvents.

6. Cork

Cork is made with bark rather than the core of a tree. That means it re-grows faster and is more sustainable in some ways than many traditional wood products. It is a popular flooring material, and is growing into other areas of construction and remodeling.

7. Cardboard

Cardboard construction isn’t just for kids. A couple of plywood substitutes on the market are made primarily with recycled cardboard.

8. Newspaper

Similarly, recycled newspaper is being used to create fiberboard products for roof decking and much more. For example, Homasote is a New Jersey company that claims to recycle up to 250 tons of newspaper each day into construction materials.

9. Nutshells

Maderon is a recyclable Spanish furniture-building material made primarily of crushed almond, hazelnut and walnut shells. The shells are ground into a paste, then mixed with resin and molded into chairs and other furniture.

10. Straw

Look closely at plywood. The fibers look a lot like straw, so it's no stretch to imagine particleboard from a variety of straw varieties, including wheat, oat and flax straw. All these are available and useful alternatives to traditional pressed wood products.

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Citizens has cash for all but biggest storms

TALLAHASSEE, Fla. – June 17, 2011 – Citizens Property Insurance, the state-backed company and largest property insurer in Florida, has enough in reserves and reinsurance coverage to pay claims unless there's a 1-in-50 year hurricane like Andrew – or a season with multiple major hurricanes like 2004, a Citizens official told Gov. Rick Scott and the Cabinet on Thursday.

Citizens Executive Vice President Susanne Murphy told Cabinet members that the company has about \$10 billion in reserves for its coastal wind-only accounts and another \$5.6 billion for other accounts, though that includes about \$3 billion in liquidity from bond sales that would have to be paid back.

A 1-in-5 year hurricane could be handled just with Citizens current surplus, and a 1-in-25 year storm that causes \$8 billion in damage could be paid for with the company's surplus and its reinsurance through the state Hurricane Catastrophe Fund.

If a major storm like Andrew hit, however, it would mean assessments on all Florida policy holders, though Murphy reminded the Cabinet that the law has changed so Citizens policy holders would bear the largest share of that cost as well. Citizens policy holders could now be assessed a fee equal to 15 percent of their premium for each of the company's three accounts that's in deficit – meaning a possible 45 percent hit if there's a large storm the company can't pay claims on.

People insured by the private market could see assessments of up to 6 percent of their premium for each account. The assessed amount would vary depending on how long state officials stretch the payments out – with the possibility that a large assessment might be charged over decades to keep the annual amount lower.

Source: News Service of Florida

7 most popular real estate websites

CHICAGO – June 15, 2011 – Realtor.com continues to hold onto its No. 1 spot in grabbing the most online traffic among real estate websites, according to Experian Hitwise, a web metrics firm. Hitwise recently released its monthly report for April, which provides a snapshot of some of the most highly visited real estate websites.

Hitwise's seven most popular real estate websites in April

1. Realtor.com: 6.5 percent of the market share

2. Yahoo! Real Estate: 6.1 percent
3. Zillow: 5.52 percent
4. Trulia.com: 4.75 percent
5. AOL Real Estate: 2.91 percent
6. Rent.com: 2.41 percent
7. Homes.com: 2.18 percent

Source: Experian Hitwise and "Top 10 Real Estate Web Sites in April," Inman News (May 31, 2011)

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75% of Americans support homeownership

WASHINGTON – June 15, 2011 – Nearly three out of four American voters believe that it's reasonable and appropriate for the federal government to provide tax incentives to promote homeownership, a sentiment that cuts across partisan and regional lines across the country, according to a recent poll conducted on behalf of the National Association of Home Builders (NAHB).

Further, an overwhelming majority of respondents oppose eliminating the mortgage interest deduction and would be less likely to support a candidate for Congress who wants to do away with this vital tax incentive.

"Despite the current housing downturn, Americans still see homeownership as a core value and key building block," says Celinda Lake, president of Lake Research Partners, which conducted the survey along with Public Opinion Strategies. "The bottom line: The bipartisan consensus outside the Beltway is that owning a home remains an essential part of the American Dream, and voters would strongly oppose any efforts by lawmakers to increase barriers to homeownership."

Two thousand likely 2012 voters were surveyed from May 3 through May 9. Among the poll's key findings:

- 73 percent of all respondents – both owners and renters – believe the federal government should provide tax incentives to promote homeownership. This support for housing runs strong among all party affiliations, with 79 percent of Democrats, 71 percent of Republicans and 68 percent of Independents agreeing.
- 71 percent of voters oppose proposals to eliminate the mortgage interest deduction, and 63 percent oppose efforts to reduce it. A majority also oppose eliminating the deduction for interest paid on home equity loans, ending the deduction for interest paid on a second home, limiting the deduction for those earning more than \$250,000 per year or capping the deduction for homeowners with mortgages over \$500,000.
- By a more than two-to-one margin (57 percent to 26 percent), voters said they would be less likely to vote for a candidate who supports eliminating the mortgage interest deduction. These figures held firm across the political spectrum, with 63 percent of Republicans, 56 percent of Independents, 55 percent of Democrats and 61 percent of tea party supporters saying they would be less likely to support a candidate who favored killing the deduction.
- Even when told that getting rid of the mortgage interest deduction would help ease the federal budget deficit, 65 percent of voters opposed any proposal to abolish the housing tax provision. This strong consensus cuts across partisan lines, with 69 percent of Republicans, 69 percent of Independents and 59 percent of Democrats opposing eliminating the deduction.
- Saving for a downpayment and closing costs is the biggest barrier to homeownership.

- Among voters who are aware of proposals under consideration by Washington policymakers to raise the downpayment requirements for a home loan, 92 percent believe it will make it more difficult to buy a home. Six federal agencies are proposing a national standard to require a minimum 20 percent downpayment, which would be opposed by households most likely to be affected – mortgage holders and renters ages 18 to 54. Among voters in these age groups, 59 percent of renters and 58 percent of those holding a mortgage oppose adding that obstacle to buying a home.
- 81 percent of voters agree on the need to promote policies that encourage homeownership in order to rebuild the middle class and 83 percent believe that a strong housing industry will provide more jobs and strengthen the economic health of local communities.
- 75 percent of voters say that owning a home is the best long-term investment they can make.
- 73 percent of voters who do not now own a home say that it is a goal of theirs to eventually buy a home.
- An even greater percentage of homeowners – 95 percent – say they're happy with their decision to own a home and believe that owning a own home is important.

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UF: Fla. population soars in century's first decade

GAINESVILLE, Fla. – June 14, 2011 – Florida was again one of the country's leaders in population growth in the last decade, but the growth rates over the past few years have been among the lowest in the state's history, according to a new study by the University of Florida.

Florida's permanent resident population increased by more than 2.8 million between 2000 and 2010 – an increase of 17.6 percent – to 18,801,310. It was the third-largest numeric increase and the eighth-largest percentage increase in the country. However, the growth rate lagged behind previous periods for the state, and is expected to decline steadily through 2040.

"Growth rates varied considerably during the decade, not only from county to county but also from year to year," says Stan Smith, director of the Bureau of Economic and Business Research at UF's Warrington College of Business Administration. "Fueled by an expanding economy and a booming housing market, population increases from 2003 to 2006 were among the largest in Florida's history. As economic growth slowed and the housing market cooled later in the decade, population growth declined as well, reaching its lowest levels in more than 60 years."

In the decades from 1970 to 2010, Florida saw annual population increases that averaged between 280,000 and 320,000. The projected annual growth is 252,000 for 2010 to 2020 and 255,000 for 2020 to 2030. The projection drops considerably for 2030 to 2040 with an annual growth of 220,000.

Smith said the slow economic recovery and a dismal job market have hampered population growth.

"Jobs are a major reason people come to Florida," Smith says. "But Florida lost about 1 million jobs from 2007 to 2010. As the economy recovers, population growth will increase as well."

Sixty-five of Florida's 67 counties gained population during this past decade. Four counties grew by more than 50 percent, and 20 grew by more than 20 percent. The largest numerical increases over the past decade occurred in Orange County (up 249,612 to 1,145,956), Miami-Dade County (up 242,656 to 2,496,435) and Hillsborough County (up 230,278 to 1,229,226). Smith attributed this increase to those counties' long history of growth and that each is home to a major metropolitan city.

Flagler and Sumter counties experienced the fastest growth in the state. In 2000, Flagler County's population was 49,832. According to 2010 Census data, that number grew to 95,696. Sumter County's population in 2000 was 53,345 and rose to 93,420 by 2010. Smith attributed Flagler's growth to the popularity of the area's Palm Coast development and Sumter's growth to the establishment of The Villages, a popular and growing retirement community.

The only two counties to lose population were Monroe (down 6,499 to 73,090) and Pinellas (down 4,953 to 916,542). Smith says a large portion of Monroe County is not developable because of marshlands, while Pinellas County is already densely populated and has little room to grow.

"The collapse of the housing market and the lingering effects of the worst economic crisis since the 1930s are likely to keep the state's population growth at relatively low levels for another year or two," Smith says. "We expect growth to increase thereafter, reaching levels more in line with historical patterns by the middle of the decade. For many counties, however, future increases are likely to be smaller than those occurring during the last several decades."

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Which housing values have dropped most?

CAMBRIDGE, Mass. – June 8, 2011 – Lower priced homes have been harder hit than higher priced homes in the sluggish housing market, according to a study by Harvard University's Joint Center for Housing Studies.

High-priced homes have lost 38 percent of their value since values peaked in 2006. Lower priced homes, on the other hand, have dropped 63 percent since peaking in 2007.

Why such a difference? Daniel McCue, senior research analyst for the Joint Center, says it's because lower priced homes appreciated much more before reaching its peak and therefore had further to drop than higher priced homes.

For example, in San Francisco, lower end homes nearly tripled in price before peaking. High-end homes, meanwhile, did not even double before reaching its peak. McCue attributes this partially to lenders making more loans available to lower income households during the housing peak days, which increased demand and prices.

Foreclosures have also plagued low-income areas, more so than higher income areas, according to the study. Foreclosures in low-income neighborhoods are more than double that of high-income neighborhoods, according to the Joint Center for Housing Studies.

Prices range drastically among major housing market so what's considered "high-priced" and "low-priced" in the study varies greatly from market to market. For example, in Atlanta low-tier homes were considered under \$122,533 and high-tier homes above \$221,679; in San Francisco, low-tier homes were considered \$312,546 and high-tier homes over \$573,577.

Source: "Falling Prices Whacked Low-Priced Homes Hardest," USA Today (June 5, 2011)

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Lawmakers hope new bill fixes hurricane insurance

TALLAHASSEE, Fla. (AP) – June 6, 2011 – Florida hasn't been hit by a hurricane since the disastrous years of 2004 and 2005 – but the state's property insurance companies say they are still losing money

despite collecting billions in premiums.

That has industry leaders, Gov. Rick Scott and Republican lawmakers hoping that a recently signed bill will make them profitable and spur competition. Proponents say that would drive down rates in the long-run and allow private insurers to compete better for some of the 1.3 million customers of the state-backed Citizens Property Insurance Corp. in hopes decreasing the exposure to taxpayers.

The legislation, among other things, allows private companies to pass on 15 percent of their reinsurance costs to their customers along with whatever increases state regulators approve. Reinsurance is basically policies the insurance companies buy themselves as protection against catastrophic losses if a major storm hits.

The new law also tightens restrictions on sinkhole claims, which the insurance companies say are costing them \$500 million annually, and allows insurers to hold back part of a claims settlement until repairs are completed. Former Gov. Charlie Crist last year vetoed a bill that was similar except for the sinkhole provisions.

But some consumer advocates think lawmakers gave away too much.

"If a hurricane comes and the industry is not ready to deal with it, they're not going to have an excuse," said Sean Shaw, founder of the policyholders of Florida coalition. "They ought to be pretty happy."

The Office of Insurance Regulation reported that Florida property owners paid just over \$7 billion in premiums in 2009 compared to \$5.6 billion five years earlier after the first four of the eight storms that hit the state in two years had made landfall. Despite the 25 percent increase in premiums during the intervening quiet years, the insurance industry says it is losing millions of dollars each year in Florida. Several companies also became insolvent and disappeared.

OIR, meanwhile, has approved rate increases of about 30 percent for the top 20 property insurance companies in the past two years. Still, the industry says it has been unable to stockpile sufficient reserves it could tap after a major storm. The industry says it was stockpiling between \$7 billion and \$9 billion in surplus annually for several years before the 2004-05 storms hit.

"We needed every penny of that surplus we had in 2004 and 2005 and it still wasn't enough," said Sam Miller, vice president of the Florida Insurance Council, an industry group. "It's a very foreboding situation when you don't accumulate billions of dollars when you don't have a hurricane. No company is building the surplus it should be building during non-hurricane years, no company – that's the crisis."

But many homeowners dispute the industry's claims.

"If they thought they passed something they thought was going to work, they're in for a rude awakening," said John Thompson, a 45-year-old small businessman from Spring Hill. "Nothing we're doing here makes common sense."

Thompson's \$2,200 annual homeowners premium has roughly tripled in the last decade. He is covered by Citizens after being canceled by four different commercial companies.

Florida's property insurance system has been an almost annual legislative headache since shortly after Hurricane Andrew struck South Florida in 1992 — the Category 5 storm killed caused about \$16 billion in insured damage.

Legislators in 2007 tried to protect consumers from crippling rate increases, thinking that was the best way to go. But most of that backfired, accomplishing none of their goals.

"They did a number of things they thought were pro-consumer that seemed like a good idea at the time, but it turned out there was potential for abuses that we did not anticipate," said Kevin McCarty, the state's chief insurance regulator.

"Unfortunately the abuses and costs of other cost drivers, particularly sinkholes, has been a real drag on the surplus of our companies even without hurricane season," McCarty said.

Many private carriers, including giant State Farm, began to cut back on the number of policies they were willing to write in such a risky climate, both politically and from storms.

"Insurance companies operating in Florida generate billions of dollars in jobs, payroll, tax revenues and economic impact," said former state Rep. Don Brown of DeFuniak Springs, a longtime insurance executive. "Yet, the political attitude has been mostly punitive toward insurance companies and the industry."

But backers believe that the new bill will solve the problem.

McCarty believes the new legislation is better than what Crist rejected a year ago. "It really attempts to get around some of the fraud and abuse in the sinkhole process," McCarty said.

They also say that by allowing insurers to pass along part of the cost of reinsurance, it will help shore up private insurers and make others want to sell here. The provision is expected to cost the average homeowner more in the short run, although no company or regulator could say yet how much that might be.

"Clearly total premiums will be less with this bill than without it," Miller said, predicting that "someday premiums could be less than they are now."

Jim Massie, Florida counsel for the Reinsurance Association of America, said the state "is on the edge of a financial catastrophe, all in the name of keeping homeowners' insurance premiums lower than the risk they're supposed to cover."

"Businesses, automobile policyholders, charities, environmental groups are beginning to push back," he said.

The ultimate goal is to reduce the exposure and shore up the finances of Citizens, which would be hard pressed to pay off after a major storm without an additional assessment on Floridians who buy auto or property insurance. And while a separate proposal to substantially shrink Citizens failed in the recently completed legislative session, many of the provisions in the comprehensive bill will benefit the publicly backed company.

And that remains a problem.

"We should not be subsidizing million-dollar beach homes on Florida's coast and we should not be going into every hurricane season hoping for a miracle," said Jose Gonzalez, vice president of Associated Industries of Florida.

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If disaster strikes, will your insurance come through?

LOS ANGELES – June 3, 2011 – Most people don't give much thought to their homeowners insurance policy unless a tree punches a hole in their roof or they come home from vacation to find that the

basement has been transformed into an indoor swimming pool.

But if your homeowners insurance claims have been limited to those types of calamities, count yourself among the fortunate. Thousands of families in Joplin, Tuscaloosa and other tornado-stricken communities have seen their homes flattened and the contents destroyed. And sadly, many of these homeowners will soon discover that their insurance won't cover all of their rebuilding costs.

The good news is that typical homeowners insurance covers damage from tornadoes. Other natural disasters, such as floods and earthquakes, aren't covered under standard policies. But while 96 percent of homeowners have insurance, 64 percent of homes are undervalued for insurance purposes, according to a 2008 study by Marshall & Swift, a research firm.

Even if you don't live in Tornado Alley, you should review your policy periodically to make sure you could recover from a catastrophe. Typical homeowners coverage falls into three categories:

Replacement cost. This covers the cost of repairing or replacing your home, based on a set dollar limit. The problem is that it may not reflect increases in the cost of construction and labor since you took out your policy. If a disaster strikes your entire community as was the case in Joplin higher demand could push up the cost of building materials and labor, says Amy Danise, managing editor of Insure.com.

Extended replacement cost. In this case, the insurer agrees to pay a certain percentage above the replacement cost to account for inflation, Danise says. For example, if your replacement cost is \$250,000, extended replacement cost coverage would pay up to 120 percent of that, or \$300,000. Even with this adjustment, you could come up short, particularly if it has been a long time since you updated your coverage. There are several online tools you can use to calculate the current replacement cost of your home. You can get an estimate at AccuCoverage.com for \$7.95.

Guaranteed replacement cost. This coverage will pay the total cost of replacing your home, no matter how much prices have increased since you took out the policy, Danise says. This type of coverage is more expensive and increasingly difficult to obtain because insurers want to control their costs, she says.

In addition to these levels of coverage, many policies include an "inflation guard" provision that automatically adjusts your coverage limit when you renew your policy to reflect increases in construction costs. Some policies include this as part of standard coverage; for others, it costs extra, says Jeanne Salvatore, spokeswoman for the Insurance Information Institute.

Replacing your stuff

Most homeowners policies also cover lost or damaged possessions. Typical coverage ranges from 50 percent to 70 percent of the amount of insurance you have on the structure of your home. For example, if your policy provides up to \$250,000 to rebuild your home, you could get an additional \$125,000 to \$175,000 to replace your belongings.

Again, though, there are different levels of coverage. You can insure belongings for their actual cash value, or the replacement cost. Actual cash value means what it says: If you lose a 10-year-old TV, your payment would be based on the value of a 10-year-old TV. Replacement cost coverage would get you enough money to buy a new TV.

Replacement coverage costs about 10 percent more, but it's worth it, Salvatore says, because most household items depreciate quickly.

All homeowners should do an inventory of their belongings to figure out how much insurance they need and make it easier to file a claim, Salvatore says. Store a record of your inventory on a secure website, in

a safe deposit box or with a relative or friend.

The Insurance Information Institute offers free home inventory software. The National Association of Insurance Commissioners also has information.

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With COASTAL bill, wind debate again part of flood insurance reauthorization

WASHINGTON – June 1, 2011 – U.S. Sen. Roger Wicker (R-Miss.) recently introduced S. 1091, the “Consumer Option for an Alternative System to Allocate Losses” (COASTAL) Act, which offers an alternate way of addressing flood claims.

COASTAL reauthorizes the National Flood Insurance Program (NFIP), but it also addresses the wind vs. water debate associated with hurricane claims, in which private insurers claim damage was caused by water, so the flood insurance program should pay; at the same time, the flood insurance program says private insurers should pay.

“The goal of any bill must be to maintain the vitality of the NFIP, continue the partnership that exists with the private market, and increase participation and availability to those residents living in flood-prone areas across the country,” says American Insurance Association (AIA) Assistant General Counsel and Chief Claims Counsel James Whittle. “We look forward to working with Sen. Wicker to accomplish these important objectives.”

Wicker’s measure would use data already collected by the Federal Emergency Management Agency (FEMA) and the National Oceanic and Atmospheric Administration (NOAA) to settle total loss properties following hurricanes. It would create a formula to provide the most accurate settlements when property loss occurs due to wind and water. The alternative loss allocation system would examine the timing, location and magnitude of wind speeds before, during, and after a coastal storm. An independent arbitration panel would handle appeals from policyholders and insurers.

Meanwhile, the U.S. House Financial Services Committee already has advanced NFIP reform to the House floor – H.R. 1309 would extend the program for five years, increase premiums to reflect actuarial costs, tie policy limits to inflation, and encourage private insurers to participate in the market.

Source: BestWire (05/27/11) Carr, Sean P.

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UF: Florida’s consumer confidence stays level for first time in months

GAINESVILLE, Fla. – June 1, 2011 – Consumer confidence among Floridians remained at 68 in May, ending three consecutive months of decline, according to a new University of Florida (UF) survey.

“While the overall consumer confidence index has declined steadily over the last several months and remained flat this month, there has been some uncharacteristic volatility in the individual components,” said Chris McCarty, director of UF’s Survey Research Center in the Bureau of Economic and Business Research. “Of particular interest are the changes in perceptions of personal finances. This month, there was a decline in perceptions of personal finances now compared to a year ago, while expectations of personal finances increased from a record low in the release last month. We attribute most of these changes to fallout from the Florida budget.”

Three of the five index components increased or remained the same. Perceptions of respondents' personal financial situation expected a year from now experienced the largest increase, rising three points to 76. Perceptions of U.S. economic conditions over the next year (66) and perceptions of U.S. economic conditions over the next five years (72) remained the same.

Confidence in purchasing big-ticket items such as cars and appliances fell one point to 74, and perceptions of personal financial situation now compared with a year ago fell four points to 52.

Although April brought some positive signs of recovery, McCarty said the economic environment is still mixed. Unemployment dropped to 10.8 percent – the lowest in Florida since 2009 – but the rate is still one of the highest in the country. Median housing prices rose to \$132,700, but McCarty said prices could decline as a backlog of foreclosures moves through the courts. Gas prices have declined the past two weeks, but should rise again with the summer travel season approaching.

"Looking ahead, Florida is once again at a crossroads," McCarty said. "It is critical that the job situation in Florida continues to improve. Although there have been gains associated with a recovery in tourism, there are several thousand layoffs looming in the public sector and associated industries. These will likely show up in the unemployment rate for July or August. This will likely keep consumer confidence at relatively low levels in the upper 60s."

The research center, a 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 May was collected from 403 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 possible is 150.

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