

May 2010 Archive

What to watch for when buying a vacant home

DETROIT – May 20, 2010 – When it comes to the housing market for foreclosures – buyer beware.

"One mistake that we see all the time is buyers going in and assuming all the mechanicals are working," said Brandon T. Johnson, president of GTJ Consulting in Roseville, Mich. "You have to be careful you don't get burned that way."

Johnson's company maintains foreclosed homes for a number of lenders, Realtors and Freddie Mac. He said the term "as is" shouldn't scare buyers off as long as they know what it means. He recommends that buyers get private inspections on houses they want to buy to avoid surprises such as missing plumbing or water damage.

Here's a list of 10 things to watch for in foreclosed or vacant homes from Ross Kollenberg, mitigation and construction manager for On-Site Specialty Cleaning & Restoration in Troy, Mich:

1. Air quality. This tells a lot about the home's condition. Include air and surface testing in your home inspection. It is a few hundred dollars well spent.
 2. Black cobwebs, greasy gray residue on walls and/or a strong oily odor. This is soot damage, which requires professional cleaning, and points to a malfunctioning furnace. It also could be a tip-off that the home had a fire.
 3. Discolored subflooring. From the basement, check the subflooring above for stains and small holes, both caused by mold.
 4. An older home with extensive renovations. Check with the city for permits: You'll get remodeling details. If asbestos or lead paint is present and has been disturbed, be sure it's been remediated by a certified specialist. If the home has four or five major changes, it may not be up to code, and that could mean extensive fixes for the next owner.
 5. Peeling, bubbling, and discolored paint; swelling in walls or ceilings (especially around kitchens and bathrooms); a musty odor: All indicate water damage and, potentially, the presence of moisture and mold.
 6. Missing sinks, toilets and other fixtures. Sometimes the previous owner will take the fixtures with them, but won't shut off the pipes or will rip fixtures from the wall. If a pipe was cracked during the fixture removal, it could start a slow leak in the wall that isn't easily seen. Make sure those fixtures have been properly removed and not ripped from walls and floors.
 7. Fungus growth inside cabinets, behind drawers and built-ins. That could mean there has been water damage. Since water falls down, look for the source above the mold. One trick inspectors use to determine whether there could be hidden water damage is to pull out the kitchen drawers and look inside to see whether the back wall has been rebuilt. If it has, that could mean water damage has been covered up.
 8. Excessive painting of every nook, cranny, door and floor. The seller may be covering up mold. "When you go do a home that is 'landlord white' and the trim is flat, we tell people there is a reason the house was painted this way," Kollenberg said. "When we see it is over everything, it is a tip-off that it is just covering something up."
 9. Unheated house in winter months. If the home has been properly winterized, there's no need for heat. If not, pipes will burst and cause water damage.
 10. Blocked drains or pipes. These will cause future problems and may have already created sewage backups. Check for a telltale water ring in the basement, Kollenberg said.
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Guidelines for reporting oil on the beach

TALLAHASSEE, Fla. – May 19, 2010 – If you see pollution – a tar ball, a tar patch or an oil sheen – the state wants to know, even if it's not related to the Gulf leak.

Governor Charlie Crist asks residents and visitors to report evidence of oil along the state's shores by calling the State

Warning Point at 1-877-2-SAVE-FL [877-272- 8335], or by dialing #DEP from a cell phone.

Oil reports through the State Warning Point will be investigated for verification. If oil impacts are found, Unified Command in Mobile will send out a Shoreline Cleanup and Assessment Technique (SCAT) team in coordination with state and local governments.

"Floridians and visitors can play an active role in minimizing any potential threats to Florida's beautiful beaches and coastline by reporting the impact of oil," says Gov. Crist. "There are no oil impacts to our coasts at this time, but it is important that we be prepared and informed about what to look for and what impacts may be associated with the spill."

A key component to reporting evidence of oil is recognizing the appearance of weathered oil. When crude oil is released into the environment, its composition changes as a result of "weathering," or exposure to the water and sun. Evaporation is one of the more significant weathering processes. Evaporation occurs mainly during the first 24 to 48 hours after release, and it greatly reduces the amount of the lighter components of crude oil. Some crude oils may lose up to 40 percent of their volume due to evaporation in the first days after a release. The composition of released material becomes substantially different from the originally released crude oil.

Oil on Florida's coastline will most likely be in the form of tar balls, oil sheen, tar patches or mats. Each has a different appearance.

To help Floridians identify the different types of oil pollution, the state created a PDF with photos. It can be downloaded online at: http://www.dep.state.fl.us/deepwaterhorizon/files/news_gov_oil_spill_reporting.pdf

To learn more about Florida's response to the Deepwater Horizon oil spill, visit www.dep.state.fl.us/deepwaterhorizon, follow www.Twitter.com/FLDEPalert or call the Florida Oil Spill Information Line at (888) 337- 3569.

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Homeowners pick fixed-rate, shorter terms

WASHINGTON – May 14, 2010 – The U.S. Federal Home Loan Mortgage Corp. said borrowers refinancing their mortgages in the first quarter chose fixed-rate contracts 95 percent of the time.

The majority of new contracts were set with 30-year terms, while many of those who refinanced favored 15-year contracts, Freddie Mac said.

Regardless, when refinancing their mortgages, fixed-rates were the most popular by far.

"Average interest rates on 30-year and 15-year fixed-rate mortgage loans remained extraordinarily low during the first quarter, averaging 5 percent and 4.38 percent, respectively," said Frank Nothaft, Freddie Mac vice president and chief economist.

"With fixed-rate interest rates near a generational low and initial rates on hybrid adjustable rate mortgages close to fixed-rate levels, large numbers of homeowners have chosen fixed-rate loans for refinance," he said.

With homeowners choosing "the comfort that comes with constant monthly principal and interest payments," a quarter of homeowners who refinanced dropped their contracts from 30-year to 15- or 20-year contracts, Freddie Mac said.

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Fl. foreclosures dropped in April

TALLAHASSEE, Fla. – May 14, 2010 – The number of Florida foreclosures fell in April from a year earlier, mirroring a national trend that indicates a slowing of defaults on mortgages, according to data released Thursday by RealtyTrac.

Florida's foreclosure fell 18 percent from March and was down 25 percent compared to April 2009. Despite the improvement, the state still posted the second highest number of foreclosures in the nation, however, with 48,384 properties receiving a foreclosure filing during the month.

One in every 182 Florida properties received some type of foreclosure filing, the third highest rate (based on total

population) in the country behind Nevada and Arizona. In Nevada, still the poster child of the housing bust, one in every 69 homes was in foreclosure.

Nationally, foreclosure filings fell 2 percent from April 2009, according to the Irvine, Calif.-based company that collects data from more than 2,200 counties nationwide.

The number of foreclosure notices issued fell nationally for the first time since the company began tracking foreclosures in 2005. April also marked an all-time high for bank repossessions, the company reported.

"We expect a similar pattern to continue for most of this year, with the overall numbers staying at a high level and ripples of activity hitting the various stages of the foreclosure process as lenders systematically work through the backlog of distressed properties," says James J. Saccacio, chief executive officer of RealtyTrac, in a statement.

The Fort Myers area posted the nation's fourth highest metro foreclosure rate, with one in every 105 housing units receiving a foreclosure filing. The region continues to dig out from under the housing collapse that followed an extraordinary boom in southwest Florida.

Orlando, meanwhile, dropped out of the top 10 to No. 11 in the monthly poll.

Easing credit and an uptick in economic activity are possible drivers to the lower figures. Federal programs have also helped.

Source: News Service of Florida, Michael Peltier

Mortgage rates drop to lowest level this year

WASHINGTON – May 14, 2010 – Mortgage rates fell this week to the lowest level of the year, as rates fell on U.S. government securities. Fixed mortgage rates closely track interest rates paid on long-term Treasury bonds.

The average rate on a 30-year fixed rate mortgage dipped to 4.93 percent this week from 5 percent a week earlier, Freddie Mac said Thursday. It was the lowest level since mid-December, when rates averaged 4.81 percent.

The drop came as investors shifted money from risky European debt to safer U.S. securities. Bond yields fell as a result, and that lowered mortgage rates.

Freddie Mac collects mortgage rates on Monday through Wednesday of each week from lenders around the country. Rates often fluctuate significantly, even within a given day.

The average fixed rate dropped to a record low of 4.71 percent late last year, pushed down by a campaign by the Federal Reserve to reduce borrowing costs for consumers. The program ended this spring, but rates have remained low, especially after fears that Greece's government would default shook world markets.

"In times of nervousness, everybody seeks the safe haven," said Greg McBride, senior financial analyst at Bankrate.com

The last time rates for 30-year fixed mortgages averaged less than 5 percent was the week of March 25, when they were 4.99 percent.

This week, the average rate on a 15-year fixed-rate mortgage was 4.30 percent, down from 4.36 percent last week.

Rates on five-year, adjustable-rate mortgages averaged 3.95 percent, down from 3.97 percent a week earlier. Rates on one-year, adjustable-rate mortgages fell to 4.02 percent from 4.07 percent.

The rates do not include add-on fees known as points. One point is equal to 1 percent of the total loan amount.

The nationwide fee for loans in Freddie Mac's survey averaged 0.7 of a point for 30-year loans 0.6 of a point for 15 year, 5-year and 1-year loans.

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Foreclosures down 2 percent from last year

WASHINGTON – May 13, 2010 – Millions of Americans are still likely to lose their homes in the coming years, but the foreclosure crisis is finally showing signs of subsiding.

The number of households facing foreclosure in April fell 2 percent from a year ago, the first annual decline in five years, RealtyTrac Inc. said Thursday.

But the data aren't all sunny. While the number of new delinquencies is dropping, the number of borrowers losing their homes is still rising. Banks seized a record 92,000 homes last month.

And there are millions more potential foreclosures ahead. Nearly 7.4 million borrowers, or 12 percent of all households with a mortgage, had missed at least one month of payments or were in foreclosure as of March, according to Lender Processing Services Inc., a mortgage data research firm.

RealtyTrac, a foreclosure-listing firm in Irvine, Calif., reported that nearly 334,000 households, or one in every 387 homes, received a foreclosure-related notice in April. That was down more than 9 percent from March.

Economic woes, such as unemployment or reduced income, are the main catalysts for foreclosures this year. Initially, lax lending standards were the culprit, but homeowners with good credit who took out conventional, fixed-rate loans are now the fastest growing group of foreclosures.

As the economy turns around, "you will see an improvement in housing markets and in foreclosure activity," said Rick Sharga, a RealtyTrac senior vice president. "The problem is that there's such a backlog right now."

Lenders are offering a variety of programs to help homeowners modify their loans, but their success rates vary. Hundreds of thousands of homeowners can't qualify or fall back into default.

The Obama administration is managing a \$75 billion program that so far has helped about 231,000 homeowners with permanent reductions to their monthly mortgage bills. That's about 20 percent of the 1.2 million borrowers who started the program over the past year.

Foreclosed homes are typically sold at steep discounts, lowering the value of surrounding properties. Cities lose property tax dollars from homes that sit empty and lower property values.

Among states, Nevada posted the highest foreclosure rate in April, with one in every 69 households receiving a foreclosure notice. Foreclosures there were up 10 percent from March, but unchanged from a year earlier. Next on the list were Arizona, Florida, California and Michigan.

Las Vegas continued to be the city with the nation's highest foreclosure rate, but activity there was down 3 percent from a year earlier.

And in another sign the problem is receding, nine out of the top 10 cities with the highest foreclosure rates posted annual declines. The exception was Reno, Nev., where foreclosures were up 16 percent from a year ago.

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U.S. Census Bureau: More people move in '09

WASHINGTON – May 10, 2010 – The U.S. Census Bureau announced that the national mover rate increased from 11.9 percent in 2008 (the lowest rate since the U.S. Census Bureau began tracking the data in 1948) to 12.5 percent in 2009.

According to data from Geographical Mobility: 2009, 37.1 million people age 1 year and older changed residences in the U.S. within the past year. This represents an increase from 35.2 million in 2008.

In 2009, 67.3 percent of all movers stayed within the same county, 17.2 percent moved to a different county in the same state, 12.6 percent moved from a different state, and 2.9 percent moved to the U.S. from abroad.

"Geographical Mobility data not only track mover rates and types of movement, they also provide information on who moves, why and how far," says David Ihrke, a survey statistician in the Census Bureau's Housing and Household Economic Statistics Division. "These components help people see variations in the motivation for moving."

By region, people in the Northeast had the lowest mover rate (8.1 percent), followed by the Midwest (11.6 percent), the South (13.7 percent) and the West (14.8 percent). All regions except the West, which saw a 1.6 percentage point increase, were not significantly different between 2008 and 2009.

Principal cities within metropolitan areas experienced a net loss of 2.1 million movers, while the suburbs had a net gain of 2.4 million movers.

In 2009, renters were more than five times more likely to move than homeowners; 29.2 percent of all people living in renter-occupied housing units lived elsewhere in 2008. The mover rate of all people living in owner-occupied housing units was 5.2 percent.

Other highlights:

* Of the unemployed civilian population 16 and older, 20.9 percent lived in a different residence one year ago compared with 12.5 percent who were employed. Among those not in the labor force, 9.3 percent lived in a different residence one year ago.

* Generally, people with incomes below the poverty line were more likely to move than those just above the poverty line. Last year, 23.6 percent of people with incomes below 100 percent of the poverty line moved within the last year as compared with 17.5 percent of people with incomes between 100 and 149 percent of the poverty line.

* Most often, people cited housing-related reasons as their main reason for moving. About 17 million movers (45.9 percent) said they wanted to own a home or live in a better neighborhood. Other reasons for moving included family concerns (26.3 percent), employment needs (17.9 percent) and other (9.8 percent).

* The number of intercounty movers – people who moved to a different county – who lived 50 to 199 miles away one year ago increased from 2.1 million to 2.4 million between 2008 and 2009.

* The black population had the highest mover rate (16.7 percent), followed by Hispanics (15.8 percent), Asian (13.8 percent) and white (10.7 percent).

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Oil issue dead in Florida for now

TALLAHASSEE, Fla. – May 4, 2010 – Gov. Charlie Crist declared the issue of drilling off the Florida coast effectively dead Monday as he monitored the latest news surrounding an oil spill caused by an explosion on a BP rig last month.

"It hasn't happened in Florida, but it happened in Louisiana and we may suffer as a result of it," he said. "But I think the timeliness of when this occurred is pretty extraordinary when you think about it because there may have been legislation in this last week that would have permitted it, but for this occurring."

Incoming Senate President Mike Haridopolos and House Speaker Designate Dean Cannon have pushed for offshore oil drilling in Florida for the past two years. The two have held hearings over the past year on the subject to garner support for the proposal. With the two of them set to lead the two chambers come November 2010, oil drilling was expected to become a major part of their platforms.

A committee led by Cannon had even released a report talking about the potential benefits of drilling.

But when the oil rig in the Gulf of Mexico exploded, the two incoming leaders were less fervent in their support of drilling, saying they needed to monitor the situation closely and tour the coastal areas.

"We're going to take the entire summer and fall to see, first and foremost, what happened in the Gulf," Haridopolos told reporters last week. "It gives me great pause. But a tragedy does not stop all progress."

Nearly every major candidate for office has weighed in on the issue. Chief Financial Officer and Democratic gubernatorial candidate Alex Sink called for disaster loans and an oil spill task force Monday afternoon. And Attorney General Bill McCollum said last week that he would veto Cannon's proposal if he were governor because it involved drilling too close to the shore.

"If I'm governor, he'll face a veto on my desk if he brings it up the way it is now," McCollum said last week.

State Sen. Dan Gelber, D-Miami Beach, who is running for attorney general, put out a release saying he was "inalterably opposed" to drilling. What potential Cabinet members think matters because under the proposal as it was last floated, the Cabinet would ultimately decide on new leases.

"I don't think we need to study it, I think we need to reject it outright and put the entire idea where it belongs: in our rear view mirror," Gelber said.

Scott Maddox, a Democratic candidate for agriculture commissioner, held a press conference Monday asking all candidates for Cabinet positions to sign a pledge saying they would not support offshore oil drilling in Florida.

"No state in the nation is dependent on its beaches for tourism the way Florida is," he said.

His Republican opponent, U.S. Rep. Adam Putnam, R-Bartow, also released a statement saying he was "deeply concerned" about the economic and ecological impact of the spill.

"It is clear to every elected official, from the President on down, that consideration of any new exploration closer to shore needs to be taken off the table and we need to have a thorough investigation into what happened and the inability of the industry to effectively respond," Putnam said.

Source: News Service of Florida, Kathleen Haughney