



Consumer-Oriented Information & Advice to Save Time and Money

• Mortgage • Real Estate • Personal Credit & Finance • Home Improvement

From My Home To Yours

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LET'S SPRING FORWARD!

Yes, we're finally shaking off ol' man winter! I'm sick of the cold, ice, and snow, and especially sick of shoveling my driveway! I'm getting itchy to get busy with early vegetable garden planting and spring clean-up for my early flowers. I always know Spring is close when I hear the bird song volume increase in my bamboo patch and I see the "snow drops" and purple & white crocuses. I enclose some pretty blue "forget-me-not" seeds for you. They're easy – just scatter and they should take. Enjoy!

I hope this newsletter finds you healthy, happy, successful, and warm! I hope 2014 was a good year for you. 2014 was not a good year for me – both professionally and personally.

Personally, I lost my only Uncle and many of my parents' long-time friends. You probably did as well. It's hard to lose people who were inspirations and pillars of strength for us. To honor their memories, I would like to think we concentrate and consider in particular situations, "How would ___ react to this?" Their remembered guidance should continue to serve us well, and they would be proud.

Professionally, 2014 was a tough year since refinancing activity ground to a halt and the purchase market never really bounced back ... just kind of slowly improved from a low level. Being self-employed, I'm reminded of why our parents always encouraged us to save. Taking heed of this sound, practical, conservative advice is what has sustained me during this downturn in business. That, and my frugal nature. :)

I'm encouraged for 2015 and I hope that if you were satisfied with my service and price, you will present me with the best compliment I could receive: a referral to assist a friend, co-worker, or family member.

As always, and as I emphasize: feel free to call me with any questions; there is never a charge/obligation.

Take Care and Enjoy the Spring!

Thank You & Best Regards, Laurence

MORTGAGE & REAL ESTATE DOCS

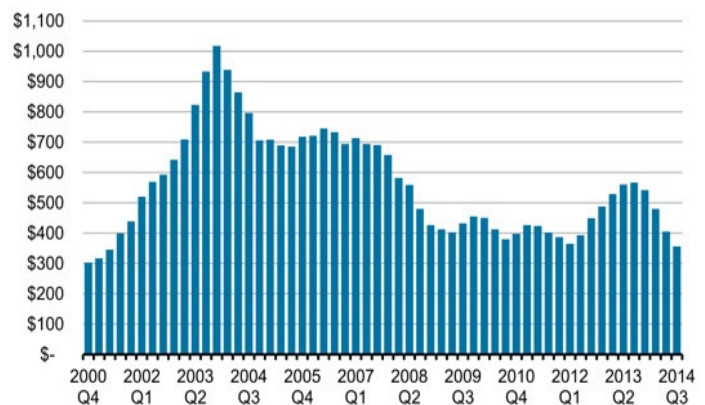
- How long should you keep it?

I'm regularly asked by previous customers, "How long should I keep my paperwork? As a paperwork junkie, I'm acutely aware of government rules.

- Annually – sort through, organize, and destroy (shred or incinerate) any unnecessary documentation.
- 3 years – statute of IRS limitations, barring exceptions, like under reporting of income
- 6 years – if under reported income, IRS can audit
- Unlimited – if a false or fraudulent tax return
- Deed – as long as you own property
- Mortgage, Note, Good Faith Estimate, Truth-In-Lending, and every other document you signed at closing – as long as you own property
- HUD-1 Settlement Statement – forever (this gets into the concept of capital gains). You'll also want to keep proof of capital improvements, i.e. structural/material improvements to your property during your ownership. This proof will add to your "cost basis," and thus ultimately reduce your potential capital gain, and thus potential tax obligation.
- Whether in paper or electronic form, it's the same.

Home Loans Hit 13-Year Low

Mortgage originations, four-quarter moving average, in billions



Sources: Federal Reserve Bank of New York, Equifax | WSJ.com

CREDIT REPORT INFO UPDATE

Topic #1: “My credit score is ... ___.”

I regularly hear from you during prequalification, “I saw my credit score from ___ source was ___.” Let me dispel the assumption of accuracy once and for all.

Unfortunately, you, as the customer, do NOT have access to the real score utilized by mortgage lenders.

As referenced in previous Newsletters (see PMC or PRC web sites), there are various “scoring models” which exist from various providers. Mostly, these models are constructed for the purpose of a particular lender’s question/risk determination – this question will be different if you’re applying for a credit card, an auto loan, a student loan, a mortgage, etc. The score will be also different between each of the 3 credit bureaus (different data bases of credit information). Your score will also be different upon you, the consumer, getting directly a generic “credit score” from one of the Big 3 credit bureaus.

Bottom-Line: as I’ve encouraged in the past and am encouraging again, access your FREE, annual credit report from this site – www.annualcreditreport.com .

If the information is correct, don’t worry. If you see information that is incorrect, complete the required dispute form which will be attached, follow the instructions and get it corrected. Follow up to confirm.

Topic #2: Unpaid Medical Bills

Beginning in the fall, 2014, FICO (Fair Isaac Co.) modified their scoring models to reduce the impact of “unpaid” medical bills. From FICO, “Consumers with a median credit score would generally see their score rise by 25 points if their only major late payment is an unpaid medical debt.”

This is great news, as my experience confirms that the way medical billing/collection information is so quickly and hastily dispensed, unwitting customers are very negatively impacted (“I thought the insurance company took care of that”).

The newly formed Consumer Financial Protection Agency found that “getting sick or injured can put all sorts of burdens on a family, including unexpected medical costs. Those costs should not be compounded by overly penalizing a consumer’s credit score Given the role that credit scores play in consumers’ lives, it’s important that they predict the credit-worthiness of a consumer as precisely as possible.”

In a recent study by the Urban Institute, 35% of Americans had debt reported to collection agencies.

NATIONAL ASSOCIATION OF REALTORS® 2014 HOME BUYERS & SELLERS PROFILE

Characteristics of Home Buyers

- 33% were first-time buyers (50% in ‘10, 38% in ‘13)
- 88% purchased with a real estate agent, 7% directly from a builder, and 5% directly from an owner
- \$84,500 - median household income of all buyers (\$68,200 - 1st-time buyers, \$95,000 - repeat buyers)

Characteristics of Homes Purchased

- 1,870 sq. ft median size, 1993 year built median age (1970 in NE region)
- 16% new construction (28% in 2003)
- 79% purchased a detached single family home
- \$216,000 median sales price (\$210k in 2013)
- \$277k for new construction, \$200k for re-sale
- 50% purchased in a suburb or subdivision location, 20% in a small town, 16% in an urban area, 11% in a rural area

The Home Search Process

- 43% the first step in the home shopping process was looking online for properties {6% contacting a mortgage lender (sad - this should be 100%).}
- 92% used the internet to search for homes.
- 97% – real estate agents viewed as a somewhat or very useful information source
- 10 weeks and viewed a median of 10 homes (12 weeks from 2009 - 2013)

Financing the Home Purchase

- 88% used financing (92% chose a fixed rate product and 61% used conventional financing)
- 6% median down payment for 1st-time buyers
- 13% median down payment for repeat buyers
- Regarding the mortgage application & approval process, 44% reported it was more difficult than expected (40% in 2013)

Characteristics of Home Sellers

- Typical seller lived in home 10 years (6 yrs in 2007)
- 88% were assisted by a real estate agent
- 17% had to stall or delay the sales process because they were “under water *.” (13% in 2013)
[*According to Black Knight Financial Services, roughly 4 million borrowers are in negative equity positions (\$800 Billion in outstanding balances.)]
- Next home purchase: 40% larger size, 47% higher-priced, and 53% newer

PROTECT YOUR MEDS

- Warning From Our Local Board of Realtors®

There have been reports of theft during showings and open-houses within the past year. It's been reported that the thieves work in pairs – one distracts the showing agent, while the other rummages and steals.

I suggest you treat your prescription medications, as if you would your wallet, checkbook, & credit cards – either remove them, lock them, or hide them in a location that it would take a considerable amount of time and effort to find.

Also, please ensure your selected listing agent understands your security needs and has tight control and identification procedures in place for each and every showing of your house.

Regarding disposal of old and/or unneeded meds, contact the following for the closest location:

- Chester County: (866)286-3767
- Delaware County: (610)713-2365
- Montgomery County: call local Police Dep't



REMODELING PROJECT HEAD? CONTRACTING TIPS

- Make sure the contractor is properly licensed (state & municipal).
- Contact your homeowner's insurance company to determine the extent of your coverage should accidents or damage occur while the work is being performed.
- Negotiate all terms, conditions, cost, and in the form of a written contract.

Careful of the “two-page special” from the contractor; you might want to devise your own. There are numerous resources out there, but here's one to consider – a recently released contract (a 10-year update) from the American Institute of Architects (AIA) - look for form A105 (“Standard Form of Agreement Between Owner and Contractor for a residential or small commercial project”).

HIGHLIGHTS FROM

2015 REMODELING COST vs. VALUE SURVEY

The simpler, lower-cost projects tend to return the greater value. Nationally (see full survey for Philly):

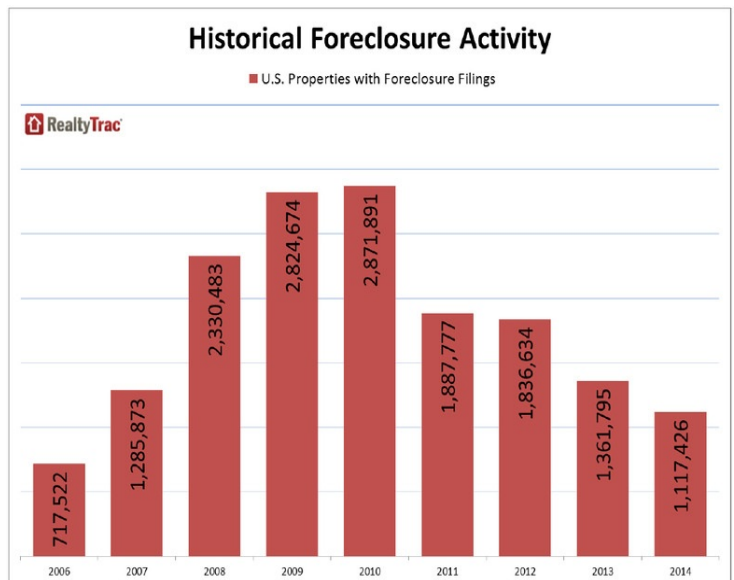
- 1) Entry door replacement - 101.8%
- 2) Manufactured stone veneer - 92.2%
- 3) Garage door replacement (mid-range) - 88.5%
- 4) Siding replacement, fiber cement - 84.3%
- 9) Kitchen remodel (minor) - 79.3%



FORECLOSURE ACTIVITY – REMAINS STUBBORNLY HIGH –

According to RealtyTrac, there are still many states and metro areas where foreclosure rates are actually increasing, as the back-log of foreclosure filings are moving forward and the “shadow inventory” of defaulted loans are moving into the foreclosure queue.

The graph below illustrates the national rates from 2006 through 2014 (good news), but for the Philadelphia metro area, foreclosure activity actually increased 3% (January, 2015, year-over-year). And for Pennsylvania, activity increased 44%!



WHAT'S WITH THE MILLENNIAL GENERATION?

The home ownership rate is at a 20-year low, according to the Commerce Dep't. In 2014_{Q4}, the rate declined to 63.9%.

According to a recent Zillow analysis, most young adults are living with their parents or living with friends in order to defray housing costs. Why?

Low wages, minimal employment opportunities, the impact of student loans, and the high cost of rent has forced many young adults to pack into fewer households, increasing household size but negatively impacting the rate of household formation.

Lawrence Yun, whom I met in Orlando 2 years ago, the chief economist for the Nat'l Assoc. of Realtors®, recently summarized that increasing rental prices and large student loans have made it difficult for young adults to accumulate funds for purchasing a house.

Regarding student loan debt, according to John Burns Real Estate Consulting, a potential 414,000 housing transactions, representing an estimate \$83 billion in sales volume did not occur because of student loan debt in 2014. Every \$250/month of student loan debt reduced a household's home purchasing power by \$44,000. 5.9 million households under the age of 40 pay over \$250/month in student loan debt – compared with just 2.2 million back in 2005 (35% of households vs. 22%).

Regarding the demographics, in a recent study by FannieMae's Economic & Strategic Research Group, "Home ownership among young adults fell sharply during the housing bust, accelerating a long-term trend that saw the home ownership rate of households under age 35 decline by nearly 11 percentage point between 1980 and 2012 ... suggests that long-running social and demographic shifts, including delayed marriage and child bearing, and ... short-term cyclical changes, such as the recession-induced rise in unemployment and decline in real household incomes among young adults, have hastened the pace of home ownership decline in recent years.

Laurence's "street" knowledge: *It's harder and harder for the first-time home buyer to qualify. It takes a person/couple who has a very good job or better, a person who has had the capacity to save (or be given a lot of money), who has very good or better credit scores, at a minimum, to qualify for a "decent," 1st-time home buyer house.*

IT'S STILL GOOD TO BE A LANDLORD

According the Bureau of Labor Statistics, rent inflation hit 3.5% in 11/2014, the highest in 6 years. By contrast, consumer inflation was 1.3%. The Census Bureau reported that vacant rentals are at the narrowest proportion since 1995, with only 7.4% of rentals being vacant (5.8% in NE Region).

According to FreddieMac's chief economist, Frank Nothaft (met him last year at a speech in Springfield, Delco) there's an under supply of single-family houses and apartments for rent, the deficit being the largest since 2001. In a related interesting aspect, as the supply of landlords is attempting to meet the demand of renters, FreddieMac reported that multifamily mortgage originations increased 60% between 2001 and 2014 and predict a further 14% increase in 2015.

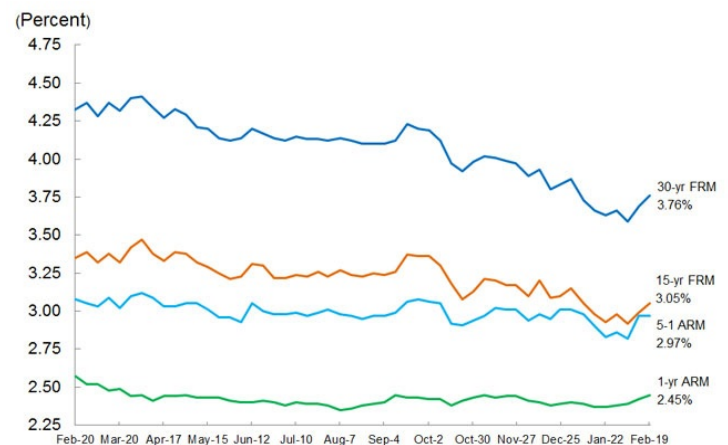
This trend relates also to single-family houses – 35% were rentals in 2011, according to the 2013 American Housing Survey by the Census Bureau.

According to RealtyTrac, for the Philadelphia metro area region in January, 2015, there was a 2% annual increase in rent, a 3 bedroom "fair market rent" was \$1,440, and the Annual Gross Yield was 18.78% (top 10 for metro areas in the country). {AGY = total amount of rental income per year ÷ median sales price}

Demand: The housing crisis (foreclosures, short-sales, job loss, etc.), the financial crisis (net worth of American families plunged 40% since 2007 according to Pew Research Center), and the lack of first-time home buyers (see previous article) has spurred demand

Supply: It's catching up. But in the meantime ..., it's still good to be a landlord!

2014 Mortgage Rates



Source: Freddie Mac

As of February 19, 2015



LIGHT BULBS - COSTS & LIFE SPAN-



All measures are equivalent 800 lumens

Standard Incandescent (60W):

Life 1 yr, \$0.50 bulb cost, \$85.15 cost for 10 yrs

Halogen Incandescent (43W):

Life 1 yr, \$1.50 bulb cost, \$72.44 cost for 10 yrs

CFL (13W):

Life 9 yrs, \$3.00 bulb cost, \$23.37 cost for 10 yrs

LED (10W):

Life 23 yrs, \$13.00 bulb cost, \$26.40 cost/10 yrs

MECHANIC LIEN RELIEF

A revision of the PA Mechanics' Lien law was enacted in 2014, prohibiting liens being placed on homes by subcontractors when the homeowners have paid in full for service and goods.

This is welcome relief to some, especially those who purchased new construction. There was a growing problem of liens showing up, when a homeowner paid for their property, but the building contractor did not pay for their subcontractor's work.



WOOD DESTROYING INSECTS

- DEAL WITH IT THIS SPRING/SUMMER -

Let me guess ... you had a test performed when you bought the house and you haven't considered it since? I suggest you have your home re-tested – it could be money well spent (figure ~ \$85 - \$125).

You're not a professional and don't make assumptions – if you have some nasty bugs, it could be very costly to cure. According to the National Pest Management Association (NPMA), wood destroying insects cause an estimated \$5 Billion in property damage, each year!

I have some great resource links in my [PRC](#) website about this topic, but here are some good tips from the NPMA: clean your gutters regularly, inspect and seal cracks regularly, fix leaking faucets and A/C units, eliminate food sources like wood, lumber and paper by keeping them away from foundations or crawl spaces, divert water from foundations, and get rid of standing water on the roof.

“BOOMERANG BUYERS” GET BENEFIT

FannieMae changed a key time-frame and qualification rule in 2014. These buyers may be returning (coming full circle) to the real estate market.

These are people who were previously owners, but due to a financial distressed situation and/or decreased market value condition, had to give up their home. Typically this scenario resulted in a “pre-foreclosure sale,” which is mortgage jargon for a “short sale.”

Instead of a 4-7 year waiting period and having to put a minimum of 10-20% down, now Buyers can purchase in 2-4 years with a minimum of 5% down. This is a very significant change and one of many signs that the government (FannieMae is now part of the government) is trying to promote home ownership and firmly stabilize the real estate market.

For the 2-year waiting period option, a Buyer will have to demonstrate the short sale, foreclosure, deed in lieu of foreclosure, or bankruptcy was caused by a financial distressed extenuating circumstance (“not my fault”). Also, a Buyer will have had to re-establish credit, noting a perfect payment history.

As always, and especially for the boomerang buyers, a thorough prequalification should be performed as the 1st-step in the home buying process.



VISIT MY WEB SITE



- FOR MORE NEWS YOU CAN USE -

In my [PRC](#) website, www.prc-pa.net, you will find some very helpful and timely information.

Under “Market Outlook”

- Market Conditions, written by local real estate agents about their local markets in PA
- Home Price Analysis for Philadelphia region
- Real Estate Agent Survey for Philadelphia region
- Median Sales Price Statistics & Trends
- Local MLS 4th Qtr, 2014 “Economic & Market Watch Report” - data delineated by zip code
- Local MLS “Market Snapshot” report -- 2/2015

Under “Helpful Links”

- Township re-sale code requirements & tax info
- Community Reports (just type in zip code)
- Public & Private school rankings & info
- Home, well, termite, radon, and septic testing info
- 2015 Remodeling Cost vs. Benefit Report
- 2014 NAR® Profile of Home Buyers & Sellers

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**THANKING YOU FOR YOUR
SUPPORT & TRUST FOR 24 YEARS !**



WORDS IN LISTING ADS CAN BOOST SALES

A recent study conducted by Bennie Waller, professor of finance and real estate at Longwood University in Farmville, VA of over 16,300 transactions from the central Virginia MLS between March 2000 and February 2009 revealed some interesting results.

For each property characteristic (standard features like bedroom count excluded) mentioned in the MLS remarks increased the sales price 0.9% and increased its probability of selling by 9.2%. So, a listing which noted 15 additional property characteristics sold for a 13.5% premium. For example: “Granite counter-

tops” or “wood-burning fireplace.” Also, each positive opinion descriptor like “beautiful” or “fabulous” also increases the price.

Waller advises, “You have one or two seconds to capture the buyer or buyer’s agent’s attention, and you need to sell [your home] as effectively and efficiently as possible. You need to carefully choose your vernacular, but at the same time, not become verbose. There can be some puffing, but too much of it will encourage the buyer to look elsewhere.”

I have my Seller clients assist and approve my script before MLS posting, after multiple edits.