Professional Realty News

Consumer-Oriented Information & Advice to Save Time and Money
•Mortgage •Real Estate •Personal Credit & Finance •Home Improvement

From My Home To Yours

Real Estate: (610)436-5397 **Mortgage: (610)436-0689**
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Hello everyone,

I hope this newsletter finds you well, successful, and enjoying much happiness in your homes. And I hope you've enjoyed the summer!

Personally, I continue to toil in the yard, tending to the perennials, weeding, mowing, etc. No major landscape problems to complain about; however, if I can only get a certain driveway contractor to please come out and take my many thousands of dollars, I'll hopefully have a new, red stone asphalt driveway installed by the end of the fall.

Besides the driveway project, I'm also excited about the new car I just purchased - an '08 Ford Escape. I never owned a new car before, living contentedly with economical used cars over the years (3 Ford Escorts). I'm still giddy & learning about all of the new features. Wow, even power windows are such a novelty for me!

Business, too, has been good. My expansion into real estate sales has dove-tailed well into my mortgage business. And given the state of the real estate market in general, the move proved quite fortuitous. I've continued to slowly but surely develop my new, dual-function "one-stop shopping" model, helping clients both find and finance their new homes.

I've taken several more real estate broker-level classes. The education, along with the experience each real estate sales transaction brings, is confirming my notion that real estate service bundling, if done well and efficiently, can produce both lower costs and better service to the customer, especially if it's one-on-one service rather than a myriad of different departments and contacts.

Thanks, as always to you, my faithful clients. I hope you find the newsletter helpful and informative.

Take care, *Laurence*

SUB-PRIME SORROWS

What the heck is going on? Every day recently it seems we're hearing about housing and economic problems caused by sub-prime loans gone wild. The stock market is dramatically vacillating based upon the latest news and lenders going under. Should you care?

To the extent you've invested in real estate-related stocks, and to the greater extent that the economy may slow and yield consequences, yes. But, with regard to the safety of your mortgage, no.

I've received calls from several of you over the past few weeks regarding your mortgages with American Home Mortgage (AHM). Upon hearing that this large national mortgage originator and servicer had declared bankruptcy, some of you were concerned. One of my lenders was indeed American Broker's Conduit, the wholesale division of AHM, and I had placed some loans with them. Their rates were always very competitive (maybe too good).

No, you don't need to be concerned - your loan is an asset (guaranteed payment stream over time). Some other mortgage servicer will buy parts of AHM's portfolio. Given your A+ credentials (loan & financial characteristics), you'll be the cream of the crop and likely to be bought first. You'll be notified by your new servicer when the purchase is consummated and where to direct your payments.

Now, why the sorrow? Let's first understand what a sub-prime loan is. Loans were made to borrowers who possessed non-traditional or "non-conforming" characteristics for the lending industry -- it could be a poor credit history, an inability to document income, or a multitude of factors which did not meet standardized lending (*) "guidelines."

(*) ["Fannie Mae" (Federal Nat'l Mortgage Assoc.), & "Freddie Mac" (Federal Home Loan Mortgage Corp) are the

organizations, only answerable to Congress, which mainly comprise the "A" mortgage paper, traditional lending market. All of you met the "guidelines" when I placed your loans, thus obtaining the best interest rates being offered at the time.]

Those loans which did not "conform" to these guidelines found a home with lenders who increasingly deviated from the guidelines as consumers increasingly wanted to buy homes that they really couldn't afford in the frenzy of the real estate market that we experienced from fall, 1998 to spring, 2006. These high-risk lenders were financially backed by Wall Street investment bankers through a variety of means. It could be stock which owned a portion of a pool of loans meeting certain loan characteristics. Generally speaking, the greater the risk, the higher the rate and/or potential negative features to the consumer, the higher the payout/return to the investor.

We can now simply play out the series of events: first, the housing market cyclically slowed -- no surprise to many. Then sub-prime borrowers started to default on their loans as the risky features of their loans kicked in (*). Accordingly, the payment commitments the lender had to make to their investors could not be met. Then the investors were unwilling, or would only pay less, to back new pools of money, and thus the downward spiral began.

(*)National foreclosure filings rose 9% from June to July, 2007 and surged 93% over the same period last year, according to RealtyTrac Inc. That's one filing for every 693 households.

To make matters worse, you have the ultimate investor to the investor (you & me) who wants to sell. It's similar to a margin call in the stock market. If you have a loan against a stock that is losing value, the investor receives a "margin call" and needs to pay down the loan, as the underlying stock is losing too much value to be considered adequate collateral any longer. So, for the big lenders, as their portfolio lost value due to increased risk premiums and losses, the margin calls started coming in and then they were required to pay down their balances. In turn, this meant they had less available to fund new loans, which then only exacerbated the problem. Multiply that by thousands upon thousands of loans, and you have millions upon millions of dollars of loss for the company trying to sell the pool at lower than expected prices. This is what happened to AHM.

<u>What does this all mean for you?</u>

The sub-prime meltdown has precipitated and will extend the downturn in the lending cycle (lending criteria get easier, then tougher in reaction to the housing market and other market forces).

"Alt-A" loans have now come under this selling pressure as well as "Jumbo" loans (loans which may be "A" quality, but over the current conforming limit of $417,000), thus must be funded through an alternative market, to investors who have little appetite for investing in real estate-related debt right now.

Bottom line: the cost and hassle of obtaining mortgage money has increased. Those Wall Street investment banks and all of those other funds which have backed these loans will suffer, their profits will go down, and their investors (you & me) may lose money on our investment. Lastly, a portion of first-time home buyers, and others, who need non-conforming loans will now no longer qualify.

I don't want to sound too pessimistic. The cycle will swing the other way; it's just a matter of time. And, believe it or not, conforming interest rates have actually <u>improved</u> since the sub-prime sorrow began.

<u>Churchill's Wisdom</u>

"The pessimist sees difficulty in every opportunity.

The optimist sees the opportunity in every difficulty."

★I was recently interviewed for, then quoted in, an article about originating mortgages for the self-employed in the July/August 2007 issue of "SelfEmployed Magazine" published by the National Association for the Self-Employed. If you would like to read the article, go to

<u>http://www.prc-pa.net/pdf/selfemployed_article.pdf</u>

VISIT MY WEB SITE
- FOR NEWS YOU CAN USE

In my PRC website, <u>www.prc-pa.net,</u> I have some very helpful linkages under "Market Outlook."

- Market Conditions, written by local real estate agents about their local markets in PA.
- Home Price Analysis for the Philadelphia region
- Bank of America Monthly Real Estate Agent Survey
- Median Sales Price Statistics & Trends
- Local MLS 2nd Qtr, 2007 "Economic & Market Watch Report" - data broken down by zip code

YOUR PRIVATE INFORMATION - IN MORE DATABASES

Are you aware that insurance companies and potential employers can learn about you and your home from a repository of information on the web? Because I'm concerned about privacy issues and knowing about credit and credit errors, I always stay on the lookout for such things.

ChoicePoint Asset Company, a publically traded 1997 spin-off from Equifax (one of the big three national credit repositories), holds quite a bit of information regarding us. But, because they are considered a consumer reporting agency under the Fair Credit Reporting Act, you have certain rights regarding this information, such as FREE access to the information once per year. Go to http://www.choicepoint.com/consumer/all_products.html

You have to establish a user ID and password before you can access the free reports online. You can also call (866)312-8076.

I just completed the process myself. After slogging through a lot of material, shying away from the constant solicitations for paid "scoring" and the like, I was able to access, print, and verify information contained in the following: a "personalized public records search," a "C.L.U.E. Personal Property Report," and a "C.L.U.E. Auto Report." "C.L.U.E." (Comprehensive Loss Underwriting Exchange) is the name of ChoicePoint's database of information, supplied by and accessed by insurance companies when you may applied for or put in a claim for homeowner's or auto insurance. It's like a credit report on you for insurance companies.

The public records search was extensive, revealing ownership information and details of my property. It also scanned FAA aircraft registration records, UCC code filings, professional licenses, DEA controlled substance licenses, ATF licenses for firearms, among many other data sources, besides bankruptcies, liens, and judgments.

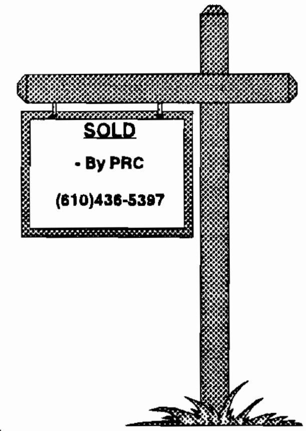
The personal property report contained my homeowner's insurance company information and any claims I made in the past 5 years. It correctly reported the claim I filed in 2003 when Hurricane Isabelle caused $803 worth of wind damage to my property.

Based upon the information contained in these reports, you are "scored," and this scoring is a component of your rates and/or whether or not you are denied coverage.

I suggest you take advantage of your rights and inspect your information.

– Home buyer's tip: Ask the seller to provide a "CLUE Home Disclosure Report." You'll be able to validate any insurance claims stemming from damage to the house.

2007 National Association of Realtor's® Profile of Buyers' Home Feature Preferences



1) Central Air Conditioning
 - 74% surveyed listed this as "very important."
2) 2+ car Garage (this feature was the largest change - 6% felt it was very important in 2004 vs. 56% in 2007).
3) Other important features listed were walk-in closets in the master bedroom, a backyard or play area, cable/satellite TV readiness and high-speed internet access, hardwood floors, and granite counter tops.

Miscellaneous:
 - Between 2004 & 2007, the typical home purchased was about 100 square feet larger.
 - Over 4/5ths of the homes purchased were detached, single-family residences with more than half located in the suburbs.
 - 60% of buyers undertook home improvement projects immediately after their purchase, spending a median amount of $4,350 within 3 months.

NAR's 2006 Profile of Home Sellers

- Median age 46, median income $83,200
- Owned home for 6 years (3rd home owned)
- Only 13% were 1st-time sellers
- Sellers aged 44 years or younger cited their primary reason to sell was to acquire a larger home.
- 84% used a real estate agent to sell and the most important factors in their selection of an agent was reputation (35%) & honesty/trustworthiness (21%).
- Oddly, only 44% chose their agent based upon a referral from friends, neighbors, or relatives.
- 83% of the agents used worked for full-service brokerages (like PRC).

MORTGAGE INSURANCE: NOW A GOOD DEAL?

This is a rare topic for me. I haven't recommended mortgage insurance since the '90s. As you know, I've recommended that you stay away from this monthly cost, at all costs.

If my client had less than 20% to put down and had very good to excellent credit, I always recommended the option of a "piggy-back" loan, meaning, originating a 80% 1st mortgage, in conjunction with a 10, 15, or 20% 2nd mortgage. I was always willing to run the scenario side-by-side with a private mortgage insurance option (a.k.a. "PMI"), thus demonstrating that it saved money, among other reasons. Well, that logic may have changed now.

1) 2nd mortgage interest rates have risen dramatically over the past ~ 5 years, mimicking the hike in interest rates by the Federal Reserve (Greenspan and current Fed Chair, "Uncle Benevolent"). Thus, the monthly benefit vs. PMI has narrowed.

2) PMI may now be tax deductible. Effective only for loans originated in 2007 (unless legislation is passed extending the deduction), on a "qualified" residence, the cost would be deductible to homeowners with a combined gross income up to $110,000. There's a phase-out of the deductibility between $100,000 and $110,000.

3) First-time home buyer programs have greatly expanded over the past couple of years and now offer reduced PMI rates on certain loans. The home buyer needs to meet certain criteria in order to be eligible for one of these special programs.

These three reasons, taken together, mean that PMI may be the superior option now. If you know of someone who is purchasing and who will be putting less than 20% down, I suggest you recommend they consider this potential cost saving option, ... once again.

Great Tip From Mom

Need to use directory assistance, save a $1.
- Call (800)FREE-411.

Worried about someone stealing & using your cell phone?
- Write down your cell phone's serial #. If stolen, provide that number to your service provider and they can block your handset.

SECURITY CREDIT FREEZE LAW

Effective January 1, 2007, Pennsylvania permits you to "freeze" access to your credit report, from potential creditors for 7 years, without your expressed consent.

Once frozen, you can un-freeze it for a particular lender, un-freeze it for a period of time specified (for instance, if you're shopping and multiple lenders are analyzing you), or un-freeze it permanently until you initiate it to be frozen again.

Each of the 3 credit bureaus is allowed to charge you a maximum of $10 per instruction (freezing & temporarily un-freezing, but not for permanently un-freezing). This fee may not be imposed, however, for consumers 65 years of age or older.

You must send a certified letter to each credit bureau containing certain information. Within 5 days of receipt of your instruction letter *(*)*, the bureau must establish this freeze. Within 10 days, the bureau must issue you a confirmation letter containing a unique personal identification number or password. {**PUT THIS IN A SAFE PLACE.**} You will also receive a toll-free number in which to make future changes.

If you wish to lift the freeze, the credit bureau has 3 business days to comply upon receipt of your instruction.

Your placed credit freeze will still not prevent pre-approved credit offers. To stop these solicitations, you must still "opt out," by calling (888)-5OPTOUT (*see Spring, '06 Newsletter for more details- in PRC web site*).

Bear in mind, if you freeze your credit report and you apply for credit, the lender will not be able to access your information and thus will deem your application incomplete. Because of this point, and the delays it can cause, lenders' associations were not in favor of this law. Personally, I don't see the problem, especially since you have control over un-freezing and it will only take 3 business days.

Despite the freeze, you still have a right to a free copy once per year. Other entities also still have a right to access it - law enforcement agencies & courts, private collections agencies, an entity (or its affiliates or agents) to which you owe a financial obligation for the purpose of account maintenance, credit line increases, etc., or a prospective purchaser of your demand deposit or loan account.

(*) I have sample instruction letters, the specific addresses of the credit bureaus, and the necessary info. you must supply. If interested, contact me & I can fax or email this to you.

HILARIOUS E-MAIL

We're all bombarded with e-mail jokes. Please indulge me ... but this was one I just had to share.

A 98 year old woman wrote this to her bank. The bank manager thought it amusing enough to have it published in the New York Times.

Dear Sir:

I am writing to thank you for bouncing my check with which I endeavored to pay my plumber last month.

By my calculations, three 'nanoseconds' must have elapsed between his presenting the check and the arrival in my account of the funds needed to honor it. I refer, of course, to the automatic monthly deposit of my Social Security check, an arrangement which, I admit, has been in place for only 9 years.

You are to be commended for seizing that brief window of opportunity and also for debiting my account $30 by way of penalty for the inconvenience caused to your bank.

My thankfulness springs from the manner in which this incident has caused me to rethink my errant, financial ways.

I noticed that whereas I personally attend to your telephone calls and letters, when I try to contact you, I am confronted by the impersonal, overcharging, pre-recorded, faceless entity which your bank has become.

From now on, I, like you, choose only to deal with a flesh-and-blood person. My mortgage and loan payments will, therefore and hereafter, no longer be automatic but will arrive at your bank by check, addressed personally and confidentially to an employee at your bank whom you must nominate.

Be aware that it is an offense under the Postal Act for any other person to open such an envelope. Please find attached an Application Contact Status which I require your chosen employee to complete.

I am sorry it runs to eight pages, but in order that I know as much about him or her as your bank knows about me, there is no alternative.

Please note that all copies of his or her medical history must be countersigned by a Notary Public, and the mandatory details of his/her financial situation (income, debts, assets and liabilities) must be accompanied by documented proof.

In due course, I will issue your employee with a PIN number which he/she must quote in dealings with me.

I regret that it cannot be shorter than 28 digits but, again, I have modeled it on the number of button presses required of me to gain access to my account balance on your phone bank service. As they say, imitation is the sincerest form of flattery.

Let me level the playing field even further. When you call me, press buttons as follows:

1-- To make an appointment to see me.
2-- To query a missing payment.
3-- To transfer the call to my living room in case I am there.
4-- To transfer the call to my bedroom in case I am sleeping.
5-- To transfer the call to my toilet in case I am attending to nature....

While this may, on occasion, involve a lengthy wait, uplifting music will play for the duration of the call.

Regrettably, but again following your example, I must also levy an establishment fee to cover the setting up of this new arrangement.

May I wish you a happy, if ever so slightly less prosperous, New Year. - Your Humble Client

CONSIDER A PRE-SALE HOME INSPECTION

A home inspection will cost $300-$400. But your money will be well-spent for a variety of reasons.

Avoid surprises: You finally get a buyer under contract, and surprise, there's a defect which scares them away from the purchase or you have to concede many thousands of dollars off the price. If you place your house on the market, after you've vetted then corrected any defects, this scenario is avoided.

Share the home inspection report with the buyer, up-front. This disclosure on your part instills confidence with the buyer that there are no hidden problems. The buyer then can save on the charge, AND you negate the possibility that they will want you to pay for a 1-year home warranty ($400 cost you just saved, thus breaking even).

What does a home inspector look for? Go to www.ashi.org, and search for "Standards of Practice." You'll see that the inspection is very comprehensive. If you would like a recommendation of a good, local inspector, feel free to call me.

PROPER CELL PHONE/PDA DISPOSAL

Are you aware that your private data can be hijacked from your trashed or turned in device?

Go to www.wirelessrecycling.com, click on the "Cell Phone Data Eraser," select the cell phone manufacturer, model, and click on the download instructions icon. Follow the instructions and all of the data will be completely and permanently removed.

NEW DRIVING LAWS

2 new driving laws were announced by PennDot within the past year:

1) Motorists are now required to turn on their head-lights anytime windshield wipers are used due to weather conditions. Fines can be up to $100/violation.
2) Snow or ice which falls from vehicles and causes injury or death to other motorists or pedestrians will subject the operator to a fine of up to $1,000/offense.

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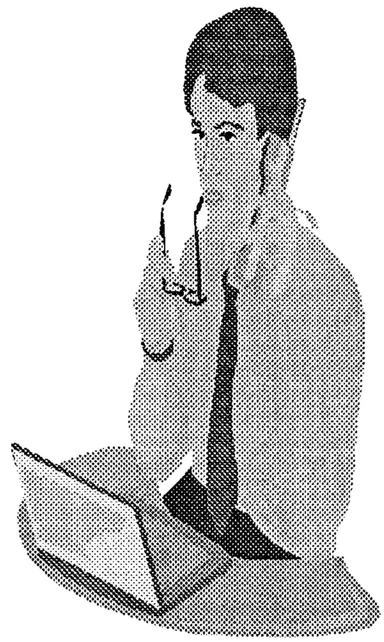

Professional **M**ortgage **C**onsultants
Professional **R**ealty **C**onsultants LLC
Laurence E. Ostrom
401 Darlington Drive
West Chester, PA 19382