INSIDE THIS ISSUE

THANKING YOU FOR YOUR SUPPORT & TRUST FOR 26 YEARS !

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
Website: www.prc-pa.net
Lic. by PA Real Estate Commission
Lic. #RB065819 & #RM423485

14th edition - Winter, 2017

Mortgage: (610)436-0689
Website: www.pmc-pa.com
Lic. by PA Dep't of Banking
NMLS ID#111211 & #135687

HAPPY NEW YEAR!

I hope this newsletter finds you healthy, happy, successful, and prospering!

It's been a good year for me. My family and I are all healthy, traveling, learning, and eating wonderfully exotic and good food. I've become quite the "Bon Vivant," and have expanded my cooking culinary range. Both businesses are doing well, and my gardens, trees, and shrubs never looked so good. I thoroughly enjoyed my PMC 25th Anniversary party. For those of you who were able to attend: Thank You! I hope you enjoyed the chow & gardens!

Re PRC: I finally qualified to sit for the PA Real Estate Commission's Broker Examination. I crammed like crazy, and, long story short, I passed. My 12-year voyage into the field of real estate is now complete, objective realized. I'm now Broker/Owner of PRC and excited about the future!

My voyage could not have been realized without the help and generosity of a person I want to single out and thank publically now: William "Bill" Jack Jr. Bill is a real estate agent I've known since 1989. We got along well and I respected his vast knowledge and success, as well as his work and moral ethic.

I turned to Bill in 2004 when I was feeling a bit low. With the prospects of interest rates increasing and the growing predominance of real estate sales companies owning/affiliating with mortgage lenders, it wasn't an environment conducive to success for a small, independent mortgage broker.

It was Bill who suggested an option to consider – I own PRC and he becomes my "Broker-of-Record," permitting me the ability and time to gain the necessary education and experience to become my own Broker. I cannot thank Bill enough for providing this opportunity, keeping his word, being there for questions and a comforting shoulder (including nights, holidays weekends), and staying steadfast with this 12-year voyage.

Looking ahead to 2017, the housing market and general economy is looking good, as you'll see from the articles in this issue.

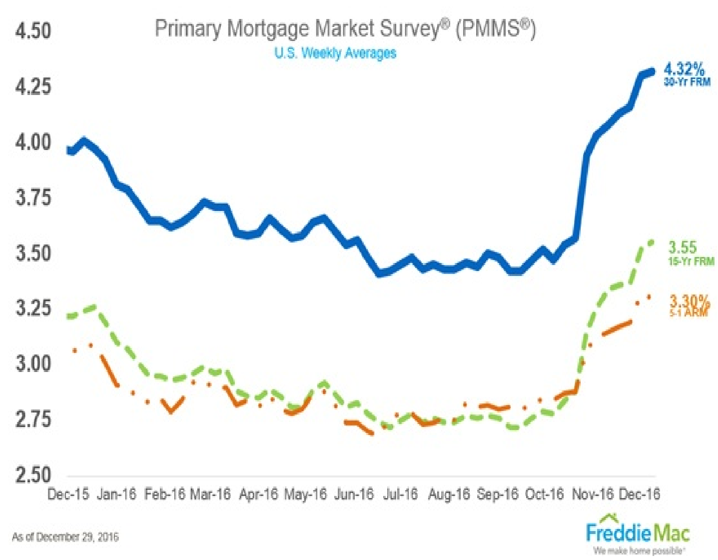
As always, I hope that if you were satisfied with my service and price, for PMC and/or PRC, you will present me with the best compliment I could receive: a referral to assist a friend, co-worker, or family member.

Feel free to call me with any questions during the servicing of your loan or if you personally have any selling or buying needs; there is never a charge nor obligation. Take Care and Enjoy the rest of the Winter!

Thank You & Best Regards, Laurence

MORTGAGE RATE UPDATE

The tale of the tape: November 8th election day. My previous article noted how global issues were affecting our rates more than domestic economic indicators. Now, it's domestic possibilities and/or probabilities dominating the story-line.



RELIEF FOR SELLERS
EFFECTIVE JANUARY 2, 2017

An Amendment to the PA Municipal Code and Ordinance Compliance Act went into effect which prohibits the denial of use and occupancy certificates ("U&O") due to point of sale inspection issues.

Most of you probably never had any problems regarding this point. Some of you dealt with reasonable township/borough/municipal code enforcement officials and worked through the seemingly reasonable requirements. However, some of you dealt with pompous SOBs who rigidly enforced bizarre requirements and created a problem with your sale. No U&O = no sale. Well, that won't happen again!

Here are the highlights of the new law:

- Mandates municipalities that require inspections issue a resale certificate regardless of code violations found. Home sales will no longer be "held hostage" because municipalities refuse to issue a U&O certificate over minor maintenance issues.

- Defines "unfit for habitation" to provide clearer guidance to local code enforcement officials.

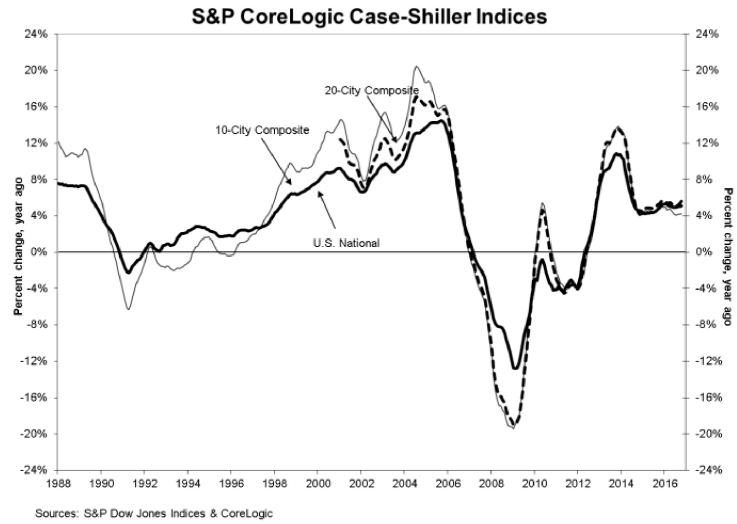
- Creates a new category of certificate ("Temporary Access") which allows buyers of homes that are truly "unfit for habitation" to make repairs within 12 months of purchase. Previously, municipalities could refuse to issue a certificate if they claimed a home was "unfit for habitation" due to even minor code violations such as cracked sidewalks.

- Prohibits escrow requirements by municipalities as a condition of issuing the U&O.

There are 3 possible outcomes from the municipal inspection now: 1) no violation – issue U&O; 2) basic "violation" – issue Temporary U&O and buyer can move in, fully use the property, and have 12 months to cure; or 3) "substantial violation," meaning the property was deemed "unfit for habitation," – issue "Temporary Access Certificate" allowing buyer to become owner, but not occupant, and have 12 months to cure.

SELLERS – REJOICE!

It's been a strong "Seller's Market" in 2016. Prices for existing-home sales in October increased, for a 54th straight month. The median sales price surpassed the nominal pre-recession, 2006 peak. Total existing home sales increased to the seasonally adjusted annual rate of 5.6 million units, the highest since February, 2007.



To illustrate the point more locally, in November, year over year comparisons, according to our local Multiple Listing Service (MLS):

Bucks County: Settled units increased 4.82%; the median sales price increased 1.03% to $293,000.
Local example 18901 (Doylestown), the median sales price increased by 0.3% to $386,000.

Chester County: Settled units increased 2.63%; the median sales price increased 1.56% to $325,000.
Local example 19382 (West Chester), the median sales price decreased by 1.1% to $375,000.

Delaware County: Settled units increased 10.07%; the median sales price increased 3.00% to $206,000.
Local example 19063 (Media), the median sales price increased by 4.4% to $394,000.

Montgomery County: Settled units increased 7.37%; the median sales price increased 3.68% to $282,000.
Local example 19422 (Blue Bell), the median sales price increased by 17.3% to $450,000.

{All of these statistics are updated monthly in my PRC website, under "Market Outlook."

SELLERS – LESS COMPETITION

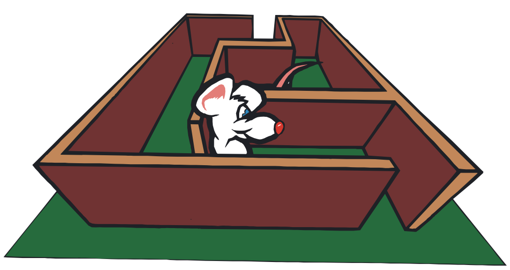
Why has this "Seller's Market" been so strong? Less competition from foreclosures and short sales, has helped considerably. Regarding foreclosures, according to CoreLogic's most recent report in October, 2016, they reached a 9-year low, a 60-month year-over-year (YoY) decline, and a 31.5% decrease from the previous year.

Regarding short sales, again according to a recent CoreLogic report, in 2016Q_3, home equity grew at 10.8% YoY and 93.7% of all mortgage properties now have more money invested in them than their estimated value. Thus, just 6.3% of all mortgage homes now have negative equity.

Additionally, more potential competitors have been removed due to the huge increase in the rental of "starter homes" (defined by Fannie Mae as a single-family residential property, under 2,000 square feet).

According to Fannie Mae's Economic & Strategic Research Group, a recent study found that the stock of owner-occupied starter homes declined by more than 1 million units between 2005 (roughly the peak of the housing boom) and 2013 (the most recent year data was available). Over the same period, the inventory of renter-occupied starter homes rose by ~ 2 million units.

Conclusion: Less supply, especially for first-timers.



BUYERS – BEWARE

It's not easy being a Buyer now. As just noted, it's a "Seller's Market" and according to Attom Data Solutions, their "affordability index" (ability to purchase) was at the lowest level in 8 years in 2016Q_4 because of rapid price appreciation, moderate wage growth, and increases in interest rates.

Supply, Demand, and Cost are not working well right now for a Buyer.

Additionally, it's been widely publicized that mortgage underwriting standards increased dramatically during the Great Recession.

According to a recent release by the Federal Financial Institutions Examination Council (FFIEC) examining banks, savings associations, credit unions, and mortgage companies, 4.7 out of 12.1 million applications made were rejected. And according to a Federal Reserve study regarding 2015 mortgage originations, 12% of purchase applicants were rejected (23% due to excessive debt, 20% due to credit problems, 14% due to property valuation issues).

Super-imposed upon these difficulties for Buyers, I found this statistic curious. According to a J.D. Power's "2016 U.S. Primary Mortgage Origination Satisfaction Study," 21% of customers purchasing a home regretted their choice of a lender (27% of 1st-Time home buyers).

For these points noted, it re-confirms my mantra for 26 years: THE MOST IMPORTANT FIRST-STEP IN THE BUYING PROCESS: GET THOROUGHLY PRE-QUALIFIED. It doesn't matter if you're a 3rd+ time transaction pro or a 1st-time home buyer – get pre-qualified up-front.

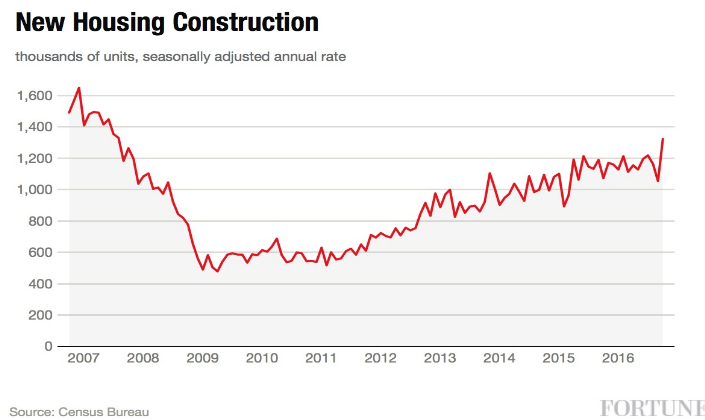
Especially with this younger generation, it needs to be learned that "easy" does not necessarily equate to "correct." The "pre-approvals" that I've seen issued by big lenders aren't worth the paper they're printed on, as the information provided was not what the lender used ultimately. Additionally, little to no professional input and guidance was provided.

A trusted, experienced Mortgage Originator should be consulted up-front, without bias, to 1) establish the financial profile, the way the lender views it, 2) review the same credit report that the underwriter will review, and 3) present viable purchase scenarios for consideration, explaining ALL of the costs and the construct of the payment.

The Buyer should understand and feel comfortable with the expenditure and payment. The Buyer should be confident the lender will approval their mortgage application. This comfort and confidence is crucial before beginning the house hunting process.

BUYERS
- NOW HERE'S SOME GOOD NEWS -

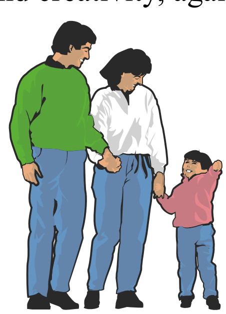
It's predicted by many that price appreciation will moderate in 2017 and a greater supply of homes will become available for sale as the economy improves, e.g. new construction housing starts reached 1.3 million units in 2016, a post-recession peak.



Secondly, mortgage underwriting standards have been slowly decreasing, becoming more reasonable in my opinion, post-Great Recession, post-recovery.

Thirdly, major technological advances and mega-data coordination of newly established set standards among many, many entities will be decreasing the level of annoying and time consuming documentation requirements, e.g. producing W-2s, paystubs, etc., and even certain appraisal requirements. {Note: not for all applicants, but for a great number of situations.}

Example: Fannie Mae introduced a new concept to lenders on 12/10/2016 – "Day 1 Certainty." If lenders originate a loan in a certain way with certain automated verification methods in place, they will be given assurance from Fannie Mae that they won't be forced to buy back the loan. This provides a huge boost in confidence to lenders, allowing them to lend in greater quantities and to lend with prudent judgement and sound creativity, again.



And speaking of sound creativity, check out this new loan program – more good news.

Fannie Mae just rolled out a beneficial loan program for lenders to offer: *"HomeReady."* This is designed for a "Borrower," with income less than 100% of the "Area Median Income." {For most of you receiving this Newsletter, that means $80,300.}

While the Borrower doesn't need to be a 1st-Time home buyer, the benefits are primarily geared to assist this group. Also, the "Borrower" doesn't need to be exclusively the occupant – meaning ..., best for discussion.

Here are the benefit highlights:

- Allows just 3% down!
- Down payment, closing costs, and pre-paids does NOT have to be Borrower's own funds – could be other, like a "gift," grant, or even cash-on-hand. Meaning, the Borrower can qualify using 0 of their own money – extraordinary.
- Interest rate is the same or better as if a normal conventional loan.
- Mortgage insurance cost is lower than a normal conventional loan and cancellable (unlike FHA).
- Expands debt-ratio tolerances (more debt allowed)
- Non-Traditional credit history is allowed.
- Borrower may be required to take a home ownership education course (on-line option available for $75 fee).

Besides this Fannie Mae, *HomeReady* program, there are other designed programs to assist various groups, based upon various purposes, such a purchasing in a specified geographic area, or such as having income below certain percentages relative to Area Median Income.

Again, a thorough pre-qualification, from a trusted, experienced source, should result in some suggestions of offered programs which will benefit borrowers.

Hopefully these specialized programs will help to alleviate some ...

DISTURBING DEMOGRAPHIC TRENDS

According to a recently released study by the Pew Research Center, in 2014, 33% nationally (34% PA) of people in the age 18-34 group ("Millennials") lived with their parents vs. a spouse or partner – that's the highest since Pew began research in 1880! Households headed by a 35-year old or younger was only 35.2% (2014) vs. 37.3% (1994) vs. 41.2% (1982).

And, according to a study by Trulia, almost 40% of young adults lived with their parents, step-parents, grandparents, and/or other relatives in 2016, the highest since 1940.

Why? Certainly, there are many factors ... wage growth stagnation*, especially relative to house price appreciation, just to name one. But a newer, longer-term problem is the lack of savings to afford the down payment, closing costs, and pre-paids, i.e. "cash-to-close." According to a survey of first-time home buyers by TD Bank, 74% of Millennials say saving enough for cash-to-close was the hardest part of buying a home. {**U.S. Census Bureau: incomes rose in 2015 nationally to $56,516, the first increase since 2007.*}

Why? The minimum cash-to-close has increased steadily over the years. Between higher minimum down payment requirements, to higher property taxes and homeowner's insurance costs, to higher lender "junk fees" and appraisal charges due to far greater compliance costs, it's simply become more expensive.

Additionally, Borrower's income increases haven't kept pace with the addition of extra credit debt. Some of this seems like the result of successful marketing campaigns promoting a "spend culture." Some of this has to do with the explosion of medical and student loan debt over the years. According to college and scholarship site, Cappex, the average college graduate is carrying $37,172 in student loan debt (I see far higher) – up 6% from the previous year.

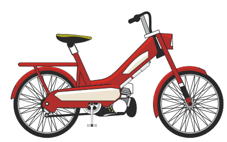
The government and lenders are very much aware of these trends, and the program like *HomeReady*, among others which will no doubt be rolled out in the future, will assist the home buying process, especially for 1st-Time home buyers.

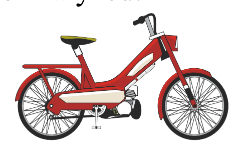
PA GAS TAXES HIGHEST IN NATION

Notice how gas prices just shot up? Effective January 1st, PA gas taxes increased ~ 8 cents per gallon, now the highest in the country. This was the third and final gas tax increase that was phased in as part of a 2013 state law designed to raise billions for transportation infrastructure improvements. Between the state and national taxes, we are charged ~ 76 cents/gallon.

HERE & THERE

• The Philadelphia area was recently named the second best place to bike in the United States, according to ValuePenguin's Best Cities for Biking Report , out of 200 metro areas analyzed.





• Levittown, Bucks County recently ranked 41st, on Money Magazine's 2016 list of top 50 best areas to live in the country. The following demographic and statistical figures, among others, helped characterize the area as family friendly and affordable:

Home Price Median – $184,900
Unemployment Rate – 4.6% (5.3% is PA average)
Household Income Median – $76,747
Property Tax Average – $4,193
Commute Time Average – 24 minutes

• Delaware County had the highest increase of median household income between 2014-2015, compared with other Philadelphia suburbs – up 7% to $67,584. Chester County ranked next, up 6% to $90,503. In a comparison between 2005-2015, Chester County saw the highest increase, up 24%! Wow!
{Source: 2015 American Community Survey, U.S. Census Bureau}

MORTGAGE DELINQUENCY RATE - LOWEST IN 10 YEARS -

According to the Mortgage Bankers Association, the delinquency rate for residential mortgaged properties fell once again, now the lowest since the 2006Q_2. For conventional mortgages, it was 3.86%.

CREDIT CORNER

Trended Credit Data

I've reported on this topic in previous Newsletters in great depth, but lenders now have access, and want, from 2 of the major 3 credit bureaus, up to 2-years of debt repayment and balance history per revolving credit trade line (like credit cards and HELOCs).

Previously, information on the credit report that the lender wanted to review did not offer details on whether payments serviced all of part of an individual's debt, nor if patterns existed in the consumer's balance utilization.

Risk assessment: according to recently released research by Fannie Mae, borrowers who paid off their credit card every month were 60% less likely to become delinquent.

"How does that affect me," you ask? Well, this new data and the risk assessment was incorporated in September into the Fannie Mae algorithm called, "Desktop Underwriter," which ultimately makes a decision of whether to approve your loan application.

Beyond mortgages, I see this "Trended Credit Data" becoming more popular for other forms of credit you might apply for, such as auto loans/leases, HELOCs (Home Equity Lines of Credit), and credit cards, among other types of credit.

HOA Payment History Inclusion

Do you live in a Homeowner's Association and have to pay dues? If so, don't be surprised if your Association Management company starts reporting your payment history, monthly obligation, and account status to a company called, Sperlonga Data & Analytics, who, in turn, will report it to Equifax (1 of the big 3 national credit repositories.

I think this new development will only become more wide-spread. It is an example, generally, of a push to get other types of "non-standard credit data" sourced and reported on customer's credit reports.

The credit bureaus benefit nicely as their revenue stream expands – they get paid by the submitter of the data AND by the user of the data. The cost of a credit report increases, which ultimately you bear.

SMART HOMES – THINK SMART UPGRADES

Have you noticed the profusion of "Smart Home" products and advertising lately? If you're not familiar with this terminology, it has to do with getting various in-home operations equipped and connected to function automatically, by voice command, by bio-metric sensor, and/or remotely, such as an "app" from a smart phone.

For instance, many new light fixtures are "smart," meaning the light control is connected into an integrated system with a "hub." Through the hub, one can apply various types of control.

There are smart lights, thermostats, in-home video/audio cameras, entertainment systems, door locks, security systems, fire & carbon monoxide detectors, water shut-off valves, window shades, sprinkler systems, kitchen & laundry appliances, and the list keeps growing.

The key is for ALL of the smart devices to be operating on the same connectivity protocols, such as Wi-Fi, Bluetooth, Z-Wave, Zigbee, etc. The hub selection will pretty much dictate which connectivity system that will be employed. Examples of hubs include Samsung Smart Things, Lutron Smart Bridge, Wink Connected Home, Amazon Echo Dot, Apple's HomeKit, and Google's Nest Weave.

Why should you care? Besides the personal pleasure you might derive from the conveniences and the possible savings derived from the automation, you will add value and desirability to your home.

According to a recent Coldwell Banker survey, 71% of respondents want a "move-in ready" home, and of those, 41% consider "move-in ready" to mean smart home technology is already installed. This trend will only grow, as Millennials slowly but surely become the future buyers.

If you're doing home improvement, keep this in mind; you're going to have to sell at some juncture.

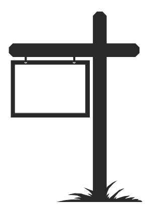
NEW MLS
- SYSTEM & NETWORK -

As a Member of our area Multiple Listing Service (MLS), I have access to an incredible range of resources, besides the house listings. This resource just expanded considerably in two ways.

1) The system completed a major upgrade earlier in 2016, a multi-phase, multi-year project. If you've been set-up in the system by myself or another licensed real estate agent with Membership, you've noticed a far more user-friendly interface and a "portal" in which to access most of the same resources agents have access to. The mapping capability now is truly remarkable.

2) The network expanded, in a just recently announced merger among other Mid-Atlantic MLS services. The new name is "Bright MLS" and the service will encompass not just Southeastern Pennsylvania as before, but now Lancaster, Berks, Cumberland, Dauphin, Perry, York, and Adams counties, besides some of NJ, DE, MD, VA, WV, and Washington D.C.

Access to the information is key, so as long as I can retrieve it, I can assist you.



"COMING SOON"
- GOOD FOR THE SELLER? -

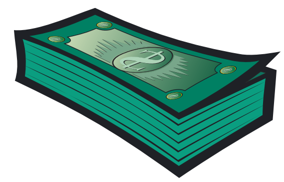
Have you noticed any "For Sale" signs that have an attached rider which says, "Coming Soon?" The trend is a recent result of the "Seller's Market" we've been in, now for a while.

The concept behind it and the increasing use of the riders has prompted a controversy among real estate agents. Our local Board of Realtors® hosted a seminar last week, which I attended, and this topic was discussed in a lively fashion.

I am opposed to the idea. If you hire me to sell your property, one of my jobs is to obtain the highest price for you. In order to accomplish that, I want to market to the widest audience possible, and to do so simultaneously. The more the up-front interest, the greater the competition, thus a higher price.

To market to the widest audience possible and to do so immediately, it needs to be placed into the MLS and noted, "Active." "Active" means Seller is NOW, ready to show and receive offers. "Coming Soon," doesn't mean "Active," and the phrase isn't even a recognized category within the MLS.

If Sellers want perceived benefits from a "preview" effect and/or need more time to better prepare the property, the MLS already provides that option; it's called, "Active, No Show." This listing category notifies all 85,000 Bright MLS Members, and the buyers who are working with them, of the Seller's intention – certainly a wider scope than the people and agents who might physically notice the sign.



CLOSING COST
COMPARISON
HOW DOES PMC STACK UP?

I like to think that, as a Broker, the interest rates I offer are better than most, and the closing costs unique with going through me are less than most. Thus, this recent survey by Bankrate.com caught my attention. Surveying 10 lenders in PA, the average lender-related costs were $1,837 (that figure was one of the lowest in the nation).

Depending upon which lender best serves my particular customer's needs, my lender's costs are $1,400 - $1,500. My fee to the customer is 0.

VISIT MY WEB SITE – www.prc-pa.net
- FOR MORE NEWS YOU CAN USE -

Under "Market Outlook"
- Fannie Mae's Home Purchase Sentiment Index
- Home Price Analysis for Philadelphia region
- Local MLS 4th Qtr, 2016 "Economic & Market Watch Report" - data delineated by zip code
- Local MLS "Market Snapshot" report (12/16)

Under "Helpful Links"
- Township re-sale code requirements & tax info
- Public & Private school rankings & info
- 2016 Remodeling Cost vs. Benefit Report
- 2016 NAR® Profile of Home Buyers & Sellers