

The Real Estate Update

Brought to you by Mount Vernon Mortgage Corporation

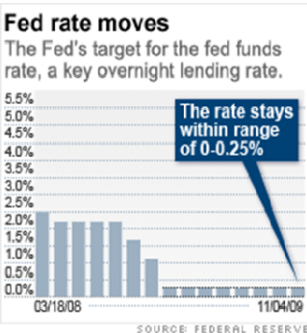
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Something to Be Thankful For

It has been a rough year for many around the world. The economic crisis which started three years ago as a downturn in an overheated U.S. real estate market has spread world-wide. Many would ask what they have to give thanks for in a year in which so many have lost their jobs and houses. We believe there is a lot to give thanks for. For one, after declaring that the economy could withstand the downturn, the government soon came to realize that we must apply strong medicine. Starting in 2008, we did apply this medicine in a variety of ways from record low interest rates to making sure that the banking system did not collapse. We have not addressed the long-term issue of deficit spending, but most would agree strong measures were warranted.



In every challenge there lies opportunities. For example, the down market has made real estate a bargain and millions are becoming owners for the first time. The recent extension and expansion of the tax credit shows the government will continue to apply strong medicine. Low rates, low prices and a government subsidy point to a bargain that many have not seen for many years. Even the recent lull in housing starts bodes well for the long-term prospects of real estate because analysts agree that the market will not rebound permanently until the excess inventory is off the shelves. As the bad news has brought opportunities, the good news of a rebounding real estate market can also create problems. For one, don't expect record low rates to be with us forever. The



Federal Reserve Board has kept short-term rates close to zero and also has brought long-term rates down by purchasing mortgage securities. As the market rebounds, less help will be needed and when the government backs off, the record sale on real estate we have witnessed may be over. □



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Inside this Issue . . .

- Something to Be Thankful For
- Home Market Rebounds
- Are You Paying Too Much in Property Taxes?
- Tax Credit Is Expanded!

Home Market Rebounds

Most states continued to experience rising existing-home sales in the third quarter, with prices moderating in many metro areas, according to the latest survey by the National Association of Realtors®. Total state existing-home sales, including single-family and condo, increased 11.4 percent to a seasonally adjusted annual rate of 5.30 million units in the third quarter from 4.76 million units in the second quarter, and are now 5.9 percent above the 5.01 million-unit pace in the third quarter of 2008. Sales increased from the second quarter in 45 states and the District of Columbia; 28 states and D.C. saw double-digit gains. Year-over-year sales were higher in 32 states and D.C. Lawrence Yun, NAR chief economist, said the tax credit is a significant factor.



"We can't underestimate just how powerful a catalyst the first-time home buyer tax credit has been for the housing sector," he said. "It's given buyers the confidence they needed to get off the fence and take advantage of extremely affordable housing conditions. The buying conditions this year are the most favorable on record dating back to 1970, but the tax credit is allowing buyers to set aside any reservations about waiting for a better deal." □

Source: National Association of REALTORS®

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Did you know...?

- Buyers of new homes can expect much healthier and more energy-efficient properties. Tom Molidor, president of Molidor Custom Builders in Illinois, recommends installing a high-efficiency furnace close to the family-use area, instead of the basement. A 3,000-sq-ft. home that is top-rated for energy efficiency can be heated in the greater Chicago area for less than \$50 a month, estimates R.A. Faganel Builders. Other common energy-friendly features include double- or triple-paned windows that keep out cold air and make homes quieter. □

Source: Chicago Tribune

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Are You Paying Too Much in Property Taxes?

You know that your home's value has gone down. So why doesn't your property tax fall as well? Home prices fell 27% from the 2006 peak to the end of 2008, according to the S&P/Case-Shiller Index, while the amount municipalities collected in property taxes rose 12% from 2006 to 2008. Keep in mind that this drop is an average. Some areas experienced much smaller decreases.

There's a simple fix: Dispute your home's assessment. Simple, but not always easy. Municipalities are flooded with homeowners seeking tax reductions, and many towns are reluctant to deliver "because they can't find money anywhere else," says Leslie Sellers, president-elect of the Appraisal Institute. That means your argument has to be airtight. Follow these steps to help the assessor see it your way.

Learn the rules. Each municipality's assessor reevaluates properties periodically, usually every one to three years. Those who do so every five to 10 years often adjust assessments annually based on market factors. You can appeal your assessment in any year, as long as you do so within a certain amount of time after you get your tax bill — typically within 30 to 90 days. Don't get a bill because you pay through mortgage escrow? Call town hall and ask for a copy.

In a few areas, your assessment must be off by a minimum percentage for you to make an appeal. For example, in New Jersey, it's 15%. Call your assessor to see if such a limit applies.

Obtain the facts and develop rapport with the Assessor. First, check the accuracy of your official property record. This should be available online or in the assessor's office. Factual errors aren't uncommon. Prove that, say your house has three bedrooms rather than four, and your tax can get lowered immediately. Also gather info on comparable homes using real estate sites like Zillow.com or with the help of a Realtor. Look for homes like yours within a mile of your address that sold within two months of the municipality's assessment date for less than your home's assessed value. Forget about foreclosure sales as most towns won't consider them. If your home is older or smaller than the "comps" you found, adjust the price down; if you recently renovated, adjust up. Collect five solid comps — more is overkill. Next, informally discuss your findings with the assessor. He or she is probably inundated by angry homeowners, so stand out by being pleasant. "If you establish a rapport, it will be harder for him to tell you no," says Melinda Blackwell, a property tax attorney in Dallas. Can't get a meeting, or the meeting goes nowhere? Time for a formal appeal.

Test-drive a hearing. While some municipalities allow online appeals, most require in-person hearings, usually at the county level. File your appeal as quickly as possible so that you'll be at the front of an increasingly long line. (In Clark County, Nev., for example, 6,019 homeowners appealed their property taxes this year, more than triple the number in 2006.) Can't get a date until after taxes are due? Pay up; you'll get a refund if you win.

While you're waiting, sit in on a hearing to see the format. When your turn comes, you don't need anyone to represent you. Just give board members a packet with copies of your tax statement, data on your five comps and any additional evidence. For example, if you're arguing that your house's assessment should be lower than that of your neighbor's because yours has a leaky roof, include photos of both roofs and repair cost estimates.

If you lose and the annual amount you're being overcharged is at least a few thousand dollars, it may be worth it to make an appeal at the state level. In roughly half of states, you must do so through a state review board; in the rest, you file a complaint in state tax court.

You'll need a property tax attorney or a property tax consultant if you're appearing before a board. To avoid hourly fees of \$150 to \$400, ask if your pro will take your case on contingency. Most demand half of your first year's tax savings. But remember: If you win, those savings should accrue for years to come. It is obvious that appealing your property taxes is serious business. However, the ordeal can be well worth the hassle. □

Source: CNN/Money



Tax Credit Is Expanded!

Great news for homebuyers courtesy of the government. The President has signed legislation that extends the \$8,000 homebuyer tax credit to contracts signed by April 30 and closed by June 30 of next year. The credit, which many say has boosted home sales in recent months, was set to expire after Nov. 30 of this year. The bill also creates a \$6,500 credit for those who buy a home after living in their current house at least five years. That measure would also apply to contracts signed by April 30 and closed by June 30. The current credit defines a first-time homebuyer as someone who has not owned a residence within the past three years.

Both credits are available only for the purchase of principal residences priced at \$800,000 or less. The bill also raises the adjusted gross income cap to \$125,000 for single filers and \$225,000 for joint filers. The amount of the previous credit began to phase out for taxpayers whose adjusted gross income was more than \$75,000, or \$150,000 for joint filers.

"It's going to put people back to work, both home builders and people in the real estate business," said Sen. Chris Dodd, D-Conn. "The kind of jobs that can make a difference." The extension will cost \$10.8 billion over 10 years, according to the Joint Committee on Taxation. □

Source: CNN Money

Selected Interest Rates

November 19, 2009

30 Year Mortgages	4.83%
2009 High (June 11)	5.59%
2009 Low (April 30)	4.78%
15 Year Mortgages	4.32%
5/1 Hybrid ARMs	4.25%
1 Year Adjustables	4.35%
10 Year Treasuries	3.34%

Sources—Fed Reserve, Freddie Mac. Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.