

# The Real Estate Update

Brought to you by Mount Vernon Mortgage Corporation

Volume 4, Issue 5 | May 2010

## Here Come the Numbers

**W**hile we have had some pretty important economic reports released in the past month, as we go to print we have the most important numbers on the horizon. The last day in April, the first quarter preliminary results for the entire economy will be released. The first Friday in May we will see the first set of numbers of the second quarter in the form of the monthly employment statistics for April. Together we might see a clearer picture as to how strong this recovery actually might be at this juncture. Again, we had some important positive releases in the past 30 days, including reports on economic indicators, new home construction and retail sales.



Yet, we do know that the economy must grow significantly to start producing jobs on a consistent basis. Of course, jobs are required for the economy to keep growing. This is called "firing on all cylinders." Few are expecting a growth rate over 5.0% as we experienced in the last quarter of last year. However, anything in the 2.0% to 3.0% range or above may be enough to keep our growth in confidence moving forward. The millions of foreclosures and unemployed hanging over the economy will not disappear overnight. We must take one step at a time and this data will help tell us if that step is forward or not.



Another bit of good news: the markets did not collapse when the Federal Reserve Board removed stimulus in the form of purchases of mortgages. According to Trade Signal, "A combination of pent-up demand, cash on hand and expectations for a stable range of movement in 10-year Treasury yields are providing a boost to these securities guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae. Buyers include banks, domestic money managers and foreign banks." □



**2010 Homebuyer Education!**  
Wed, 5/19 in Weymouth  
Sat, 6/12 in Quincy

Sign up or tell a friend. Info at:

[www.MtVernonMortgage.com/Events](http://www.MtVernonMortgage.com/Events)

## Did you know...?

➤ Home flippers have their groove back, but this time around most of them are pros that are savvy enough to buy the right properties and turn them over quickly. Nationally, the number of flipped homes rose 19 percent to 197,784 in 2009, according to RealtyTrac. Flipping has been encouraged by a Federal Housing Authority rule change, which allows FHA borrowers to buy foreclosed homes from owners who have held title for less than 90 days. Many of today's flippers are wealthy foreign investors. In many cases, they bid without ever seeing the properties, relying on services that check titles and send drivers to properties to relay photos and descriptions via mobile phone to bidders. □

Source: *Business Week*

## Inside this Issue . . .

- Here Come the Numbers
- Tax Time is Here: Time to Pay?
- Six Ways to Ensure that a Remodeling Project Pays Off
- Great Buys on the "Imperfect"

## Tax Time is Here: Time to Pay?

**P**eople who cashed out refinances, or had part of their mortgage debt forgiven when they sold their homes through short sales, will probably owe the IRS a big payback. In 2007, Congress passed the Mortgage Forgiveness Debt Act, but that doesn't let everyone off the hook. Here are exceptions to the rule:



- Anyone who did a cash-out refinance and spent the money on something not housing related, then got in trouble and lost their home to a foreclosure or short sale, will owe the IRS as if the money from the refinance were earned income.
- The IRS will forgive tax liability only on money from home-equity loans that was spent to improve the property.
- Anyone who lost a vacation home or investment property to foreclosure or short sale will owe Uncle Sam.
- Multi-million dollar homes—lost or sold—are always subject to tax.

Sources: CNN / Money.com

*Note: If you did a short-sale or were foreclosed upon in 2009, and haven't filed your taxes, meet with a tax pro a.s.a.p. It would be my pleasure to refer you to one.*

## MOUNT VERNON Mortgage Corporation

**Your first choice for mortgage financing!**

440 Washington Street | Weymouth, MA 02188  
Office: 781-337-2432 | Toll Free: 1-800-869-5882  
[www.MtVernonMortgage.com](http://www.MtVernonMortgage.com)

Receive our monthly newsletters by e-mail as soon as they come out by registering online at [www.MtVernonMortgage.com/Newsletters](http://www.MtVernonMortgage.com/Newsletters)



If people you care about need expert mortgage advice, it would be my pleasure to provide them with an exceptional mortgage experience. Your referral is the greatest compliment I can receive!



## ➤ Daily Market Update

Stay on top of the market with MVMC's Daily Market Update online @ [www.MtVernonMortgage.com](http://www.MtVernonMortgage.com).



Do you know someone who may enjoy this newsletter? Do you want to read a back issue? It's easy! Sign up online: [www.MtVernonMortgage.com/Newsletters](http://www.MtVernonMortgage.com/Newsletters)

# The Real Estate Update

Brought to you by Mount Vernon Mortgage Corporation

## Six Ways to Ensure that a Remodeling Project Pays Off

Just a few years ago you could count on getting the bulk of your money back for almost any home-improvement project you took on. According to a study from Remodeling magazine, the average return on value for an upgrade declined from 87% in 2005 to 64% in 2009. But these six rules will help you maximize your return on your remodeling investment.

**Rule No. 1: Repairs get the biggest returns.** The smartest money now goes into "un-deferring" needed maintenance. That's because while buyers might appreciate enhancements like Jacuzzis and Sub-Zeros, they won't tolerate a house with a leaky roof or antiquated plumbing. "If a property is known to have issues, today's buyers won't even look at it," says appraiser Jim Amarin.

And trying to keep problems a secret can cost you big-time. If buyers discover them during inspection, it's now common practice to ask sellers not only to pick up the tab for the repair but also to pay a penalty to compensate the buyer for the inconvenience of having work done. So the \$20,000 you saved by putting off a roof repair, say, could turn into a \$30,000 credit to the buyers at closing, says Amarin.

**Rule No. 2: Remodeling beats adding on.** McMansions have gone the way of the SUV and large additions don't pay off either. "There's been a fundamental shift toward quality over quantity," says real estate agent Ron Phipps. Having a big, formal living room plus an everyday family room is less desirable than having a multi-use common space. So rather than adding on, you're better off repurposing existing square footage by reconfiguring the floor plan or capturing unused basement or attic space.

Want an eat-in kitchen? Knock down the wall between the kitchen and dining room (\$2,000 to \$8,000, depending on whether it's load-bearing or contains plumbing). That will instantly create a large eat-in kitchen and give the whole house a more open feel, without a huge investment to make up at resale.

**Rule No. 3: Eco-friendly upgrades can save cash.** Some green improvements pay you back long before you sell your house. Install energy-efficient features, such as EnergyStar appliances and extra wall insulation, and you'll see lower energy bills every month. Add in the federal tax credit of up to \$1,500 that lasts through 2010, plus many local rebates and incentives, and the work may pay for itself in just five years. Green features are also increasingly a selling point, says Phipps. "Most people in the market right now are first-time buyers in their thirties, and they've been raised to care about carbon footprints and being eco-friendly," he says.

The best way to go green is with a while-you're-at-it job: When it's time to replace your furnace, for example, upgrading to super-efficiency might add only \$500 (after tax credits), compared with standard new equipment, but it will save you and your buyers someday \$150 or more in annual heating costs.

**Rule No. 4: Tech infrastructure trumps cool gadgets.** Home electronics seem like a deal, since prices have fallen about 50% over the past three years and continue to drop, according to Stephen Baker, president of industry analysis at NPD Group, a market research firm. Still, that doesn't change the fundamental problem with expensive built-in technology. Put in a \$10,000-plus home theater today, and something better will come along tomorrow and make your system look as if it's ancient.

Tech infrastructure is different, however. Anytime you're opening up walls for a construction project, have cabling and Ethernet ports installed. At about \$80 a room, it's a low-cost way to provide the capability for whatever technologies come along.

**Rule No. 5: Let the Joneses be your guide.** During the boom, you could be the first on your block to have a luxury kitchen, spa bathroom, or in-ground pool and count on others following suit. And even if the neighbors never took your lead, there was plenty of equity growth to cover your costs. Nowadays that fudge factor is gone. "You really have to keep your house's amenities in line with the neighborhood," says Kermit Baker, director, remodeling futures program at Harvard's Center for Housing Studies.

If other houses on the block have real marble countertops, add one to your house, but if everyone still has faux blue-marble Formica from the '70s, you're not getting your money back. Keep your projects design-neutral so they'll appeal to the greatest number of people. Choose neutral colors and traditional electrical and plumbing fixtures unless your house has a modern architectural style.

**Rule No. 6: The new payback time is five years.** As with any investment, the longer your time frame, the lower the risk. Don't take on a big project if you're likely to move in less than three to five years. There's just too much chance that any money you put in, aside from necessary repairs or superficial cosmetic work, could be lost while the housing market continues to meander.

But if you plan to stay awhile, don't delay starting a project. Home improvements are a bargain right now, with contractors bidding 10%, 20%, even 40% lower for the same work than just a year or two ago, says Bernie Markstein, senior economist for the National Association of Home Builders.

Source: Business Week



## Great Buys on the "Imperfect"

The best deals on homes these days are often on properties that aren't perfect. Home shoppers looking for a great deal should keep these factors in mind when they are looking for a place with potential:

- **Location, location, location.** It's still true that you get a better deal when you buy the worst house in a great neighborhood than you do when you buy a fancy house in a not-so terrific neighborhood.
- **Less than 50 years old.** Properties older than a half decade are likely to have more fundamental problems like aging wiring, inadequate plumbing and sagging foundations. Home inspections are extremely important when purchasing less than perfect properties.
- **Livable floor plan.** Buyers should select a home with a basic design they can live with. Once they start moving walls, they're into big money.
- **Light.** Houses with the most potential have plenty of natural light. Make sure you view the property at different stages during the day so you can assess this situation.
- **Good storage.** Adding storage isn't cheap, so it's smart to choose a property that already has it.

Source: MSN.com

### Selected Interest Rates

April 22, 2010

30 Year Mortgages	5.07%
2009 High (June 11)	5.59%
2009 Low (April 30)	4.78%
15 Year Mortgages	4.39%
5/1 Hybrid ARMs	4.03%
1 Year Adjustables	4.22%
10 Year Treasuries	3.77%

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.