

Ask our
broker



WITH PETER G. MILLER
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RE-RE-RE- FINANCE?

QUESTION:

I'm self-employed and got a stated-income, no-documentation, 30-year loan in 2006. Times were good so I refinanced into a 15-year fixed-rate mortgage. Things were still going great and I refinanced into a 10-year fixed. Then came the recession, and I've been struggling to make my \$5,000 monthly payment. I tried to refinance back to a 30-year term and I tried a loan modification and was turned down for both. My credit score took a hit during the recession, and I would like to retire next year. What can I do?

ANSWER:

There are distinct financial advantages to loans with shorter terms. The overall interest cost for the loan is lower than with a 30-year product. However, by compacting the loan term the required monthly payments can get much larger. Example: A \$200,000 mortgage at 4 percent costs \$955 per month for principal and interest over 30 years. Over 10 years, the same loan requires a monthly payment of \$2,025.

Rather than a short-term loan, the better option is to get a 30-year mortgage with the right to prepay in whole or in part at any time and without penalty. This is the arrangement with FHA, VA and conventional mortgages. With such loans only the basic 30-year payment is required, however larger monthly payments are allowed. This means you can effectively create your own 15-year or 10-year loan – and also stop the prepayments if times get tough. (Note that the interest rates for shorter term loan will be lower than a 30-year mortgage, but payment flexibility trumps that issue, in my view.)

Keep making payments to maintain your credit. To refinance, try a local credit union or community bank. They may understand that part of the reason your credit score is down is because you're making huge monthly mortgage payments, a correctable problem. Also, look at a loan modification again because some new guidelines that recently have been announced may help you.

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LEASE OF MIND



74

Percentage of the country's 50 biggest cities in which buying a home is cheaper than renting.

SOURCE: Trulia.com

RENTALS



FROM WOULD-BE SELLERS TO PROPERTY-MANAGEMENT COMPANIES, TODAY'S LANDLORDS HAVE MANY FACES

By MARILYN KENNEDY MELIA
CTW FEATURES

Thinking of renting? Chances are you have an idea — however fuzzy — of the type of place and area you hope to live in.

But whether you're looking for an urban studio or suburban home, you shouldn't overlook an important question: How easy will life be under the landlord?

Actually, the term "landlord" is a misnomer in that it conveys that the apartment owner is an individual.

While statistics from the National Multi Housing Council show that 46.9 percent of all rental properties are owned by individuals, with the bulk of small (four units and under) buildings individually owned, that leaves the rest of rentals owned by other entities like public companies, institutional investors, and real estate investment trusts, also known as REITs.

Here, a look at how your experience as an apartment hunter and tenant is impacted by the ownership of the rental:

BE AWARE OF RELUCTANT LANDLORDS

Many thousands of frustrated home sellers whose homes are languishing on the market and homeowners who can't afford their mortgage, have decided the solution to their problems is to collect rent checks, says Joe Greenblatt, CEO of Sunrise Management in San Diego.

This new rental supply offers more properties, especially single-family homes, to renters. However, these owners may not pay their utility bills, or even their mortgage, adds Greenblatt, risking a foreclosure on the home, with you, the tenant being forced out.

Telltale signs of owner's financial stress are disrepairs, notes John Bartlett of the Metropolitan Tenants Organization, based in Chicago. Also, many counties provide searchable online databases that show mortgages, liens and foreclosure actions.

A FAMILIAL FEEL

When you call and the owner answers and meets you at the rental for a showing, you're dealing with a "mom and pop"-operated rental.

"It's more likely that an individual landlord can be flexible," notes Christina Aragon of Rent.com. For instance, the owner may listen to an explanation of why your credit is damaged, or extend a lease for a week or two until your plans for moving get firm.

But not all individuals will run their rental like a family operation.

Many use an outside management company to screen tenants, collect rents and handle maintenance, notes Ryan Severino, a senior economist at Reis Inc., a New York firm that analyzes the rental market. Outside management can be a plus in that repairs and complaints are handled professionally, but there's no guarantee that this is the case.

If the owner doesn't use a management firm, have a detailed conversation about how maintenance and tasks like watering the landscape are to be handled, suggests Greenblatt.

LIKE-MINDED NEIGHBORS

One trend of the past decade or so, notes Kim Duty of the NMHC, is for firms to own big

complexes with amenities, such as coffee shops and fitness rooms, that target a specific demographic, like young urban professionals.

These institutional landlords are likely to have firm policies on everything from the credit score needed to become a tenant to how to move in furniture.

While they lack flexibility, large company owners offer lots of information. Complexes usually have websites that offer detailed floor plans and information on the availability units.

DO YOUR DUE DILIGENCE

No matter how good a rental looks by day, check it out at night, too, suggests Greenblatt. Only then might you garner an idea of the security and how safe you feel.

When you're outside the building, he adds, hang around until a few other tenants come out, and ask them what their experience is like.

And, search sites like apartmentratings.com for complaints logged by residents against the management company or owner, Greenblatt adds.

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TRENDS

FORECLOSE ACTIVITY ON THE DECLINE

Longer processing timelines resulted in fewer filings in 2011

Drive around and you might see a lot of for-sale signs up, but the number going up as a result of a foreclosure is on the decline.

RealtyTrac's 2011 Year-End U.S. Foreclosure Market Report, released Jan. 12, shows a total of 2,698,967 foreclosure filings — default notices, scheduled auctions and bank repossessions — on 1,887,777 properties in 2011, a decrease of 34 percent in

total properties from 2010. Overall, foreclosure activity was 33 percent the 2009 total and 19 percent below the 2008 total. Total foreclosure activity and the foreclosure rate were both at their lowest annual level since 2007.

Despite the numbers, the most hard-hit area remain so.

More than 6 percent (one in 16) of Nevada housing units had at least



one foreclosure filing in 2011, making it the state with the highest rate of foreclosure for the fifth consecutive year. Arizona, the second-highest state for foreclosures three years running, had a 4.14 percent of housing units (one in 24) with at least one foreclosure filing.

Part of the reason for the decline is because of delays in the foreclosure process, leading to an increase in the foreclosure timeline. In the fourth quarter of 2011, U.S. properties took nearly a year (348 days) to complete the foreclosure process, up from 336 days in Q3 and up from 305 days during Q4 2010. The state of New York documented the nation's longest foreclosure period, with those completing the process in Q4 2011 having taken an average of 1,019 days to close.

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