

Your REALTOR®

June 2007

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REAL ESTATE *Update*

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Rates Tick Upward

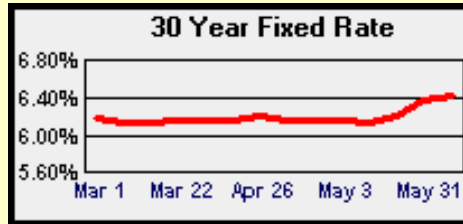
In Freddie Mac's results of its Primary Mortgage Market Survey the 30-year fixed-rate mortgage (FRM) averaged 6.42% for the week ending May 31, 2007, up from last week when it averaged 6.37 percent.

Last year at this time, the 30-year FRM averaged 6.67%.

"Interest rates on fixed-rate mortgages increased this week following stronger growth in orders for durable goods," said Frank Nothaft, Freddie Mac vice president and chief economist. "Recent reports have indicated that

Mortgage Rates

Source: Realty Times



U.S. averages as of May 31, 2007:

30 yr. fixed: 6.42%
15 yr. fixed: 6.12%
1 yr. adj: 5.57%

economic growth outside of the housing market remains robust, with a healthy consumer sector and improving business spending.

Clean The Air and Live Safely

There are unseen



risks in the home and community that claim innocent lives each year - carbon monoxide (CO), radon and lead. More than 300 people per year die of CO poisoning, while radon is the second leading cause of lung cancer.

Lead exposure is so dangerous, especially to children, that many communities require lead testing for all school-age children.

While these dangers can exist in any home, simple precautions can greatly reduce their presence, and the number of injuries and deaths each year.

- Install CO detectors in your home, especially near bedrooms.
- Have furnaces, chimneys and flues inspected and cleaned every year.
- Never burn charcoal inside an enclosed space.
- Never use your oven or gas range to heat your home.
- Never leave a car or lawn mower engine running in a shed or garage.
- The EPA estimates that one in 15 U.S. homes has an elevated level of radon, but the only way to know if your home has a problem is to test it. For more information, or to order a low-cost test kit, call the National Radon Hotline at 800.767.7236.
- If you suspect you have a lead problem, hire a risk assessor or sampling technician.
- Cover bare soil with mulch, pebbles, shrubs, or grass.
- Eat foods rich in iron, calcium, or zinc to reduce the amount of lead retained in the body.

Fix It or Replace It?



The May 2007

issue of *Consumer Reports* offers consumers a timeline to determine when it's time to say goodbye to old appliances that aren't operating properly.

The magazine took into account age, typical repair and replacement costs, and improvements that have been made in newer models.

The following list shows the age when it's more sensible to replace an appliance rather than fix it:

- 6 years: dishwashers, over-the-range microwaves, and top-freezer refrigerators.
- 7 years: clothes dryers and top-loader washers.
- 8 years: Bottom-freezer and side-by-side refrigerators, electric or gas ranges, electric wall ovens, and front-loader washers.

How to Make Over a Laundry Room

An attractive



laundry room can make the difference between a house that sits on the market and one that sells, says Sid Davis, author of *Home Makeovers that Sell*. "It's the wow factor that gets you full price for a home," he says.

Here are some tips that Davis and interior designer Jackie Terrell say work:

- Paint the walls a bright color since laundry rooms often lack natural light. Consider popping in a window or installing a door for more light.
- Add warmth to a cold laundry room floor with a large area rug. Install cabinets and useful built-ins such as an ironing board.
- Take advantage of the plumbing already available in the laundry room to add a half-bath -- an inexpensive way to lift property value.

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Torn Between Two Houses?

By Michele Dawson



As you find yourself heavily immersed in the house-hunting mode, you may encounter a situation in which you're torn between two houses. Perhaps you and your spouse each have a favorite, or perhaps you both like two houses equally - or think you do.

Making a final decision and determining which house to make an offer on shouldn't be taken lightly. The decision should be made rationally and not guided by emotion. Of course, you may not have the luxury of taking your time on deciding which house you'd like to pursue. You may be in a market in which homes in your price range get snatched up as quickly as they go on the market, perhaps even attracting multiple offers.

But in some situations, you may find yourself torn between two houses. Sometimes the easiest thing to do is take pen to paper and outline your family's needs, your budget, and the pros and cons of each house.

Some things you'll want to compare include:

- The neighborhoods. If the two final contenders are in different neighborhoods, evaluate the pros and cons. If you have kids and being close to a park is important, you'll want to consider that. How close are shopping, restaurants, church, and other services? Are the streets maintained? Do homeowners landscape and maintain their homes nicely? How long will your commute to work be?
- The schools. If you have school-aged children, you definitely want to consider the reputation of the neighborhood schools. You can usually find general district information and state standardized test results online. But once you're this deep in the process, you'll want to visit the schools and receive the information first-hand from school officials. You should also talk to teachers and parents.
- Crime. Go to the local police or sheriff department and ask about crime in your specific neighborhood. You might find theft or vandalism to be more prevalent in one area than another.
- The houses compared to others in the neighborhood. While it may boost your self-esteem to have the biggest house on the

block, it's typically a better idea to stay away from purchasing the neighborhood monster. When it comes time to sell you'll find that the lower value of your neighbors' homes will shrink your home's value.

- Appreciation. If the two homes you're eyeing are in different parts of town or different neighborhoods, ask your REALTOR® to retrieve sales of homes in those neighborhoods over the past few years. If one neighborhood shows an annual average 8 percent increase and another is skyrocketing at 15 percent, you may have your decision made.
- The sellers' situations. If you don't know already, ask your Realtor how long each home has been on the market. Usually the longer a house has been listed, the better chance the seller will accept an offer lower than asking price. Conversely, if the house has been on the market for just a couple days, the sellers will probably wait for a better offer if you offer less than the listed price. Your real estate agent might also be able to dig up additional information about the sellers, like why they're selling. If it's a job-related move or a divorce, the sellers likely want to move as quickly as possible, meaning you have a better shot at them accepting a lower price.
- The houses themselves. If you haven't already, you should make a list of the amenities and attributes you want your house to have. If you want that first-floor home office, a large, open back yard for the kids, or a gourmet kitchen, be sure to include that on your list. Then, rate how each house measures up to each need on your list.
- Drawbacks. Likewise, make a list of the cons associated with each house and determine how much of a negative impact each will have.

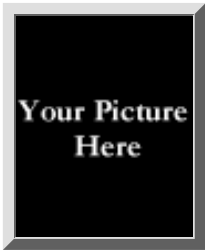
As you carefully weigh all the factors, it might become clear that one house is more enticing than the other. Or, you may find the houses are still equally appealing. If that is the case, be sure you look at the homes more than once. You may notice something you didn't the first time around - something that could sway you one way or the other.

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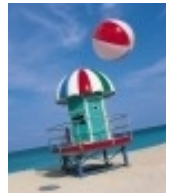
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Vacation Property Sales Increase

By Phoebe Chongchua



According to the National Association of Realtors, more than one million people bought vacation homes in 2006. Industry experts say the NAR data is good news for those considering purchasing a vacation home.

"Their data basically reported that vacation-home sales rose in 2006 based on a 4.7 percent increase over the previous year," says Christine Karpinski, author of, *How to Rent Vacation Properties by Owner, 2nd Edition: The Complete Guide to Buy, Manage, Furnish, Rent, Maintain and Advertise Your Vacation Rental Investment* (Kinney Pollack Press, 2007).

Despite those results, is now really a good time to buy a vacation property?

Vacation home sales and investment home sales together accounted for 36 percent of all existing and new residential transactions. Karpinski says, the survey results signal a "definite green light to anyone thinking of buying a vacation property."

Karpinski says it's important for consumers to understand that there are different segments of the real estate market.

"The general public tends to view the real estate market as a whole," says Karpinski. But she says that not all real estate markets perform the same. The residential market is different from the investment, commercial or vacation properties.

"They really are two separate and distinct markets. So don't let the doom-and-gloom sayers discourage you, and don't let a sluggish real estate market in your area do so, either. You're on a whole different playing field," adds Karpinski.

There's more good news for vacation-home shoppers according to Karpinski. She says that investment home sales are down by nearly 30 percent since 2005.

Fewer speculators in a market means less muddying of the water and perhaps less driving up of sales prices. "If you're buying a second home for your personal use, you don't want

to compete with speculators. You want to take your time and make a thoughtful purchase you can feel good about," says Karpinski.

If now is a good time to jump into the vacation home sales market, do you have to be wealthy to buy? Karpinski says not at all. "Even if you can't comfortably afford two mortgages, it's not difficult at all to offset the cost of your vacation home," says Karpinski.

She adds that you can rent it out part-time and enjoy it at other times and, "As I point out in my books, if you rent out your home only seventeen weeks out of the year, you can still break even."

An important consideration before buying your vacation home is to make sure that you have the ability to rent it out, even if you think you aren't likely to do this at the time you're buying the property.

"Having that safety net to be able to rent out your home is very important even if you're sort of dead set against anybody renting your home now. The reason is that there are a lot of homeowners associations and municipalities that don't allow short-term rentals," says Karpinski.

So buying in an area that doesn't allow short-term renting will not provide you with a safety net and Karpinski says it could hurt your resale value.

"Vacation homes that can be rented typically hold their value better because you've got that money to help off-set [the cost] and your pool of buyers then opens up," explains Karpinski.

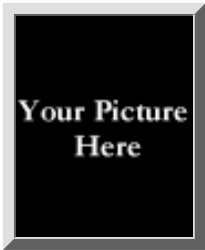
As with any real estate purchase, the best assurance for a good investment is acquiring an education about the area you're buying in, researching restrictions, and hiring qualified industry experts to guide you through the process.

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Many Consumers Ignore Energy Tax Credits

By Broderick Perkins



Most homeowners (74 percent) are aware of federal tax credits for certain energy-saving home improvements, but only 23 percent took advantage of it on their 2006 tax returns. That's despite the fact that 78 percent of homeowners reported that their 2006 heating/cooling costs increased 5 percent or more than their 2005 costs, and only 32 percent believe that their home is already energy efficient.

"The 2006 Energy Efficiency Tax Credit Survey" of 1,040 American adults conducted by Opinion Research Corp. for building products manufacturer Johns Manville may sound a bit self-serving, but it is also an eye-opener in energy efficiency -- or the lack of it.

The Bureau of Labor Statistics' April Consumer Price Index reveals all energy costs rose 2.9 percent in the past year, ending in April, but the compound annual rate was a whopping 43.4 percent. The compound rate is a projection assuming the rate of increase in energy costs over the past three months continues at the same level for the next 12 months.

"Energy costs are volatile, and as the world's consumption of energy continues to increase, energy bills are expected to increase," said Kateri Callahan, president of the Alliance to Save Energy. "Reducing our consumption is the quickest, most cost effective and cleanest way to extend our world's energy supplies. Homeowners can directly help the situation, and themselves, by making energy efficiency upgrades to their homes," she added.

The same Energy Policy Act of 2005 that extended Daylight Saving Time, also allows for a tax credit of up to 10 percent of the cost of materials for qualified home improvements, such as installing Energy Star-rated windows, doors, heating and cooling equipment, insulation and air sealing products. The federal law, which offers a tax credit of up to \$500 per household, was specifically created in response to rising energy prices. Another provision of the same law provides for a tax credit equal to 30 percent of qualifying expenditures for qualified photovoltaic power generating and solar water heating equipment, up to a maximum credit of \$2,000. Right now the credits are good through 2007 and some states offer additional financial incentives.

A tax credit, by the way, reduces the amount of tax you owe, dollar-for-dollar, as opposed to a tax deduction which only reduces the amount of income against which taxes are

calculated. Even without tax benefits, energy efficient home improvements are a no-brainer in today's economy.

The U.S. Energy Information Administration's recently released Annual Energy Outlook 2007, says energy prices are expected to increase steadily through 2030. "Savvy homeowners will realize that insulation upgrades quickly pay for themselves. In addition to the energy bill savings, adding insulation makes your home more comfortable for you and your family by eliminating drafts and hot spots. Also, inefficient homes consume more fossil fuels, and in turn, increase the amount of greenhouse gasses emitted into the atmosphere," said Mike Lawrence, vice president and general manager for Johns Manville's insulation division.

He added, "There's also an economic benefit when it comes time to sell your home. According to the U.S. Energy Information Administration, adding insulation and air sealing increases your home's resale value, and 55 percent of Americans are willing to pay more for energy-efficient home features."

But there's the Catch-22. The survey doesn't venture why homeowners are not performing more home improvements but the added-value issue may be just what's causing homeowners to balk at energy-efficient home improvements. Appraisers say they don't typically calculate energy improvements in terms of added value because standards are spotty.

Standards are spotty, because the data base of homeowners with energy efficient home improvements remains too small to consider during a typical home sale, refinance or home equity loan appraisal. Homeowners aren't compelled to fill in the data base by completing more energy efficient home improvements because they may not realize increased property value from the expenditure.

Remodeling the bathroom, to most consumers, appears to be a better value-enhancing deal than stuffing the attic with insulation.

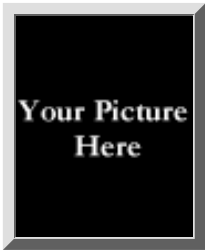
"It's not visibly affirmable. If you walk into a home and see an extra bath, it's visible. With energy efficiency the only time you are cognizant of it is when you pay the bill. That's real, but it's not a selling point," said Ted Faravelli, Jr., a San Jose, CA-based expert witness, forensic real estate analyst and managing director for the California Association of Real Estate Appraisers.

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Secrets to a Successful Move

By Diane Benson Harrington



Planning to move this summer? You're not alone -- summer is the busiest time of year for professional movers, according to the American Moving and Storage Association. It's an arduous process, but these tips will make your transition much smoother.

- If you're planning to use a moving company, call now. As busy as they are, they usually need plenty of notice -- often at least six weeks or much more if you're moving a long distance.
- Be sure to build in some overlap between the closing/possession date of your new home and the last day of the lease on your rental (or closing date of your current home). Moving always takes much longer than you think.
- Pare down your belongings. There's no sense moving things you don't need or want. Look through your house for rarely used items. Discard anything that's beyond repair, have a yard sale to get rid of the rest, and plan to load unsold merchandise into your car right away so you can take it to the charity of your choice.
- Make notes about your new house -- room measurements, door measurements, location of electric, cable, and phone outlets -- so you can determine exactly where your belongings will go. Measure appliances to make sure they fit the space available.
- If the previous homeowners are taking their curtains and blinds, you'll want to measure windows in places you want privacy immediately and buy curtains or blinds before you arrive.
- Start arranging now for phone and utility hookups. Phone companies, especially, now need a few days (or even a week or more) to get you connected. Arrange now for the type of internet connection you want and order extra phone jacks or cable outlets if you need them. Fill out a change of address form with the Post Office. If you have automatic debits on your bank account, alert your creditors if you're changing banks.
- You can buy boxes and packing material from a moving company or other sources, but that can be expensive. Instead,

ask grocery stores, electronics stores and office supply stores for their discarded boxes. Invest in a tape gun, and start saving up newspapers so you'll have plenty of packing material if you don't want to buy bubble wrap.

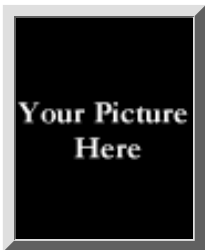
- Whether you use a mover or pack yourself, consider using a product like Pack-N-Label's moving kit. Dozens of preprinted labels for every room of the house provide an instant checklist of items. Labels are color-coded by room so your movers will instantly know where to take each box. The comprehensive kit also includes the IRS form for moving expenses, preprinted lists for taking a household inventory, as well as a sheet of moving and packing tips.
- Be sure to pack a box of essentials -- a telephone, a couple of changes of clothes, a few pots, pans, dishes, utensils, toiletries, and medications -- to get you through the first few days. Also, if your mover is late and there are items you couldn't live without for a few days, consider taking that in your own car.
- If using a mover, be sure to pack any small, nonbreakable, valuable items separately so you can take it with you in your own car. Large valuable items, such as artwork or electronics, should be clearly noted on the mover's inventory form in case of damage during transit. Do buy insurance to cover any damage that may occur.
- Take the time to record the makes, models and serial numbers of your electronics and other items in a notebook or on a sheet of paper. Put this information, along with owners' manuals, extra keys, birth certificates, car titles, wills, insurance information, and other vital documents, in a special folder that you'll keep with you. In your new home, find a place for this folder (or put it in a safety deposit box), so you'll always know where these important papers are.
- Before you unpack, get a clean start by wiping out drawers and cupboards, sweeping out closets and solid-surface floors and vacuuming the carpets. Next, make up the beds and put towels in the bathrooms. Then you can take your time with the rest of the unpacking.

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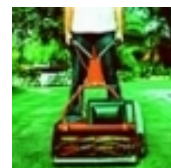
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Terminating Turf Troubles

By Broderick Perkins



Even if you installed Astroturf you'd still have "lawn" problems, because some of them are not associated with the grass itself, but an expanse of earth devoted to a single task. Obviously, however, to keep the neighbors from rolling their eyes, most home owners don't roll out a carpet of green plastic -- except maybe for those select locations out of sight in the back yard.

So when the crown jewel of curb appeal is the real deal, upkeep costs mount. In 2005, lawn owners spend nearly \$9.7 billion to keep their green verdant, lush, and uniform. That's 10 percent more than they spent in 2004 according to the National Gardening Association's latest statistics. Consumer Reports says that's probably a greater expenditure than necessary. Less expensive preventative medicine is a lawn's best friend.

In a new report, the respected consumer goods and services rater, asked on-staff experts and turf scientists to identify the most common lawn problems and related lawn grower errors that persist. The report also includes remedies for lawns that cost more green than they give.

Here's a brief look at what the CR experts suggest.

- There's nothing like crabgrass to interrupt the uniformity of a lawn. Trouble is, home owners apply necessary pre-emergence herbicides too late, in the late spring or summer. Prevention is key. That means applying corn gluten meal in the early spring to both block crabgrass growth and fertilize the lawn. Later ample water, fertilizer and mowing -- your lawn's best friends -- will keep crabgrass down.

Then keep crabgrass at bay by feeding the desirable grasses with ample water and fertilizer -- and by mowing high. Check Consumers Union's GreenerChoices.Org for more advice.

- Pour on the fertilizer to prevent dandelions. If they sprout, remove or kill the entire plant -- taproot and all -- to prevent resprouting -- before the flower matures.
- Other weeds that give your lawn that ugly, patchy, clumpy look most often show up in lawn areas that are different from the rest of the lawn. Prevent dry, wet and shady spots on your lawn. Otherwise, moderately toxic chemicals and back-breaking

removal are your only remedies.

- Fungus among the blades of grass is tough to spot before it's too late. Too much irrigation, improper mowing, off-season fertilizing are primary causes. Fungicides are a waste of time and money, says Consumer Reports. After fungus takes a patch of green, replant.

- Moss means there's too much shade, acidic, compacted or wet soil; or not enough fertilizer. Use shade-tolerant grasses in shady areas and mow them high to trap light. Keep nearby trees and shrubs properly pruned to reduce shade.

Also for compacted soil, have it professionally aerated. Maintain proper drainage and adjust the soil's acidity. Moss prefers acidic soil, but alkaline soil will do just fine if shade and moisture come to the party.

- Even so-called "shade-tolerant" grasses prefer the sun. Replace lawn beneath trees with shade-tolerant ground cover, using shade-tolerant grasses at the edges of the area. Trim back high hedges. Remove the shade wherever possible.

- Compacted soil beneath the lawn is, well, basic physics. Gravity. Lawn traffic compacts soil even more. Compacted soil, however, repels water and fertilizer, preventing nutrients and moisture from reaching the roots. Soil, or core aeration is the only solution. It's a job for a professional.

- Beetle larvae, milky-white, worm-like creatures with brown heads and three pairs of legs curled into a C shape -- grubs -- feed on lawn roots. If the lawn near the edge of a brown area comes up easily, like rolling up carpet, yuk, grubs have had their way with the roots. For mature grubs, you'll need Heterorhabditis nematodes (sold in paste-like form). Chemical insecticides should be used only when the grubs are immature.

- You dog is responsible and well-trained. It's the neighbors who let their untrained hound run free and well, urinate on your lawn. Look for brown spots surrounded by dark green grass. Your money is best spent on a motion-activated sprinkler system rather than animal repellents -- but delivery people, guests and others could get wet too. Talk with your neighbors. Most jurisdictions have restraint and or leash laws.

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Shared Appreciation in a New Light

By Lew Sichelman



Shared appreciation mortgages, a loan product that gained some popularity three decades ago before fading away, could be making a comeback of sorts as a tool that will allow local communities to provide affordable housing that will remain affordable over time.

Shared appreciation mortgages, or SAMs as they became known, are loans in which someone puts up all or some of the cash for a home buyer's downpayment in return for a portion of whatever amount of appreciation takes place in the value of the property between the day it is purchased and the day it is sold.

In the 1970s and '80s, SAMs were used as a way to make housing more affordable. But in those days, it was often a friend or family member who put up the cash.

Now, the idea has resurfaced in a somewhat different form. Now, a local housing authority or another city agency, or perhaps even a nonprofit, puts up the dough and shares in the profits when the house is sold. But instead of pocketing the gain, so to speak, it uses the profits to help another worthy family buy a house or keeps the return in the house so it remains affordable. That way, according to the Center for Housing Policy, it's "one generation helping another."

Jeff Lubell, who is executive director of the Center, calls shared equity "a unique approach to affordable housing" because it permits communities to provide for people over time while at the same helping families build individual wealth "in a predictable and potentially life-altering way."

In return for providing funding, moreover, the public's share of the appreciation can be used in one of two ways -- either by returning it to the government in the form of a cash payment that can be used by another family having difficulty raising enough money for the downpayment or by keeping it with the house, thereby reducing the cost of that home for the next purchaser.

"By sharing the gains in home price appreciation with the public investor, shared equity results in substantial benefits now and for years to come," says the Center, which is the research arm of the National Housing Conference in Washington.

"Home buyers benefit from a substantially lower home price and the opportunity for significant home equity gains. Local communities benefit by retaining vital workers who otherwise couldn't afford to live in the communities they serve. And, by ensuring that the public's investment keeps pace with the housing market, shared equity strategies allow governments to help generations of families achieve homeownership with a single initial investment."

Another term for shared equity is "subsidy retention," meaning that every time a subsidized owner sells his house, the subsidy he received is returned to the jurisdiction. In some cases, the original buyer also agrees to give back a percentage of the appreciation in the house.

Consequently, cities and counties can serve more families with the same amount of funds. And if home prices rise, they get back more money so there may be no need to increase their funding. Or at least by not as much.

Say, for example, someone buys a \$200,000 with the help of a \$25,000 subsidy. When the buyers sells five years later, he gives back the subsidy so the jurisdiction can use the money to help someone else who is short on cash. And in some cases, the first buyer also gives back some of the gain. So if the \$200,000 house sells for \$300,000 in five years, a percentage of the gain goes back to the city, too.

Shared appreciation schemes can take on many forms. The city of Santa Cruz, Calif. collects 1 percentage point of home price appreciation for every percentage point of the purchase funded by its second mortgage program. In Vermont, the Champlain Housing Trust uses an appraisal-based formula in which the seller get 25 percent of the appreciation and the trust gets the rest.

The Center, which works to broaden understanding of America's affordable housing challenges and examines the impact of policies and programs developed to address these needs, has worked with Rick Jacobus of Burlington Associates to develop an online tutorial on shared appreciation and several programs that have worked for various localities.

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Will Congestion Pricing Come To Your City?

By Peter G. Miller



Pick any major city and you're certain to find lots of traffic. Big city traffic is how you flow in and out of most cities, it's a threat to life and limb when crossing streets and since it's often a molasses-like mass of belching vehicles, big-city traffic is the surest way to enrich local cab drivers when going crosstown, uptown or nowhere at all.

It now turns out that New York's Mayor Michael Bloomberg -- a guy who takes the subway to work -- wants to reduce Manhattan traffic in his fair city by instituting what's called "congestion pricing." The idea is to charge \$8 a day for auto users who want entry into the heart of Manhattan, thereby reducing vehicular traffic volume, cutting pollution and raising money which can be used to better public transit.

One study by the Global Strategy Group, a political polling organization, shows that if you charged \$8 per day per car for access to the city from 60th Street south to the Bowery at the tip of Manhattan, then traffic would be cut by 50 percent. Another 10 percent of those surveyed said they would neither drive nor use mass transit, which means they would work at home. However, 17 percent said they would have to drive regardless of the charge because public transport was not realistically available to them.

Is congestion pricing a solution to the nation's crowded cities? Is it a magical cure that would raise money for local governments while cutting pollution?

Actually, congestion pricing already exists in both London and Stockholm, and the programs are said to be hugely popular. (The program in London costs £8 daily, more than \$16 in U.S. currency.)

The electronic pass programs now used in many states to collect highway tolls without stopping traffic could also be used for a congestion pricing program: If you commute you would get a transponder for your car. Once you pass a detector at a given access point your account would be charged for the day. At the end of the month your total bill for access to the city would be paid automatically by credit card. If you did not have a transponder, then you would have to move through a toll plaza and pay in cash. (In Israel, Highway 6 is all electronic -- there are no toll plazas and you can only enter with a transponder.) Congestion pricing would produce a number of winners:

- If you owned a home or apartment inside the congestion zone, unit values would rise because there would be less

pollution, reduced noise and no cost to enter the area.

- If you lived in an area with easy public access to downtown then property values would go up. As an example, Astoria in the borough of Queens is 15 minutes from mid-town Manhattan by train.
- Congestion pricing would encourage more people to car pool, thus cutting the impact of the daily fee while getting more cars off the road.
- There would be exceptions for cabs, buses and delivery vehicles.
- Less traffic would speed the flow of vehicles into the city, in itself a result that would reduce pollution.
- There is a security aspect to congestion pricing in the sense that vehicles with transponders can be tracked. Think of the commercial systems which allow you to press a button for roadside help or if you're locked out of a car.

While congestion pricing has its benefits and has proved to be successful, it also has some drawbacks.

First, congestion pricing is a financial burden. The cost of commuting is a big deal to most drivers and making it more expensive is essentially elitist: If you operate a hedge fund, an extra \$8 a day is irrelevant; if you're a computer programmer working in a downtown office tower, then an extra \$1,600 or so a year in after-tax costs is a visible and real expense.

Second, having ripped up trolley car rails in most areas, congestion pricing would condemn many people to costly and unreliable public transit systems. Commutes in many cases would be longer and would still require cars to get to and from transit access points.

Third, if large numbers of people in a given area needed to commute but the area had poor public transportation, home values would drop because there would be higher driving costs.

Will congestion pricing come to your city? Despite some drawbacks, it's an idea which is likely to be adopted in a number of major metro areas -- think of New York, San Francisco and Washington as places to start. With improved public transport you could certainly see congestion pricing in other major metro areas.

Alas, the art of dodging traffic will never be the same if congestion pricing becomes real, a loss for the more athletic and fun-loving among us.

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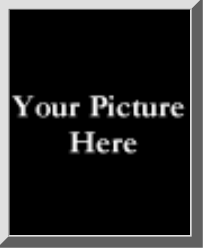
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June Real Estate Update

Rates Tick Upward

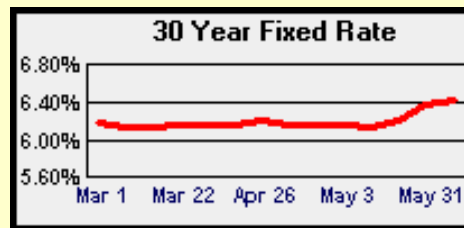
In Freddie Mac's results of its Primary Mortgage Market Survey the 30-year fixed-rate mortgage (FRM) averaged 6.42% for the week ending May 31, 2007, up from last week when it averaged 6.37 percent.

Last year at this time, the 30-year FRM averaged 6.67%.

"Interest rates on fixed-rate mortgages increased this week following stronger growth in orders for durable goods," said Frank Nothaft, Freddie Mac vice president and chief economist. "Recent reports have indicated that

Mortgage Rates

Source: Realty Times



U.S. averages as of May 31, 2007:

30 yr. fixed: 6.42%
15 yr. fixed: 6.12%
1 yr. adj: 5.57%

economic growth outside of the housing market remains robust, with a healthy consumer sector and improving business spending.

Clean The Air and Live Safely

There are unseen



risks in the home and community that claim innocent lives each year - carbon monoxide (CO), radon and lead. More than 300 people per year die of CO poisoning, while radon is the second leading cause of lung cancer.

Lead exposure is so dangerous, especially to children, that many communities require lead testing for all school-age children.

While these dangers can exist in any home, simple precautions can greatly reduce their presence, and the number of injuries and deaths each year.

- Install CO detectors in your home, especially near bedrooms.
- Have furnaces, chimneys and flues inspected and cleaned every year.
- Never burn charcoal inside an enclosed space.
- Never use your oven or gas range to heat your home.
- Never leave a car or lawn mower engine running in a shed or garage.
- The EPA estimates that one in 15 U.S. homes has an elevated level of radon, but the only way to know if your home has a problem is to test it. For more information, or to order a low-cost test kit, call the National Radon Hotline at 800.767.7236.
- If you suspect you have a lead problem, hire a risk assessor or sampling technician.
- Cover bare soil with mulch, pebbles, shrubs, or grass.
- Eat foods rich in iron, calcium, or zinc to reduce the amount of lead retained in the body.

Fix It or Replace It?



The May 2007

issue of *Consumer*

Reports offers consumers a timeline to determine when it's time to say goodbye to old appliances that aren't operating properly.

The magazine took into account age, typical repair and replacement costs, and improvements that have been made in newer models.

The following list shows the age when it's more sensible to replace an appliance rather than fix it:

- 6 years: dishwashers, over-the-range microwaves, and top-freezer refrigerators.
- 7 years: clothes dryers and top-loader washers.
- 8 years: Bottom-freezer and side-by-side refrigerators, electric or gas ranges, electric wall ovens, and front-loader washers.

How to Make Over a Laundry Room

An attractive



laundry room can make the difference between a house that sits on the market and one that sells, says Sid Davis, author of *Home Makeovers that Sell*. "It's the wow factor that gets you full price for a home," he says.

Here are some tips that Davis and interior designer Jackie Terrell say work:

- Paint the walls a bright color since laundry rooms often lack natural light. Consider popping in a window or installing a door for more light.
- Add warmth to a cold laundry room floor with a large area rug. Install cabinets and useful built-ins such as an ironing board.
- Take advantage of the plumbing already available in the laundry room to add a half-bath -- an inexpensive way to lift property value.

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Torn Between Two Houses?

By Michele Dawson



As you find yourself heavily immersed in the house-hunting mode, you may encounter a situation in which you're torn between two houses. Perhaps you and your spouse each have a favorite, or perhaps you both like two houses equally - or think you do.

Making a final decision and determining which house to make an offer on shouldn't be taken lightly. The decision should be made rationally and not guided by emotion. Of course, you may not have the luxury of taking your time on deciding which house you'd like to pursue. You may be in a market in which homes in your price range get snatched up as quickly as they go on the market, perhaps even attracting multiple offers.

But in some situations, you may find yourself torn between two houses. Sometimes the easiest thing to do is take pen to paper and outline your family's needs, your budget, and the pros and cons of each house.

Some things you'll want to compare include:

- The neighborhoods. If the two final contenders are in different neighborhoods, evaluate the pros and cons. If you have kids and being close to a park is important, you'll want to consider that. How close are shopping, restaurants, church, and other services? Are the streets maintained? Do homeowners landscape and maintain their homes nicely? How long will your commute to work be?
- The schools. If you have school-aged children, you definitely want to consider the reputation of the neighborhood schools. You can usually find general district information and state standardized test results online. But once you're this deep in the process, you'll want to visit the schools and receive the information first-hand from school officials. You should also talk to teachers and parents.
- Crime. Go to the local police or sheriff department and ask about crime in your specific neighborhood. You might find theft or vandalism to be more prevalent in one area than another.
- The houses compared to others in the neighborhood. While it may boost your self-esteem to have the biggest house on the

block, it's typically a better idea to stay away from purchasing the neighborhood monster. When it comes time to sell you'll find that the lower value of your neighbors' homes will shrink your home's value.

- Appreciation. If the two homes you're eyeing are in different parts of town or different neighborhoods, ask your REALTOR® to retrieve sales of homes in those neighborhoods over the past few years. If one neighborhood shows an annual average 8 percent increase and another is skyrocketing at 15 percent, you may have your decision made.
- The sellers' situations. If you don't know already, ask your Realtor how long each home has been on the market. Usually the longer a house has been listed, the better chance the seller will accept an offer lower than asking price. Conversely, if the house has been on the market for just a couple days, the sellers will probably wait for a better offer if you offer less than the listed price. Your real estate agent might also be able to dig up additional information about the sellers, like why they're selling. If it's a job-related move or a divorce, the sellers likely want to move as quickly as possible, meaning you have a better shot at them accepting a lower price.
- The houses themselves. If you haven't already, you should make a list of the amenities and attributes you want your house to have. If you want that first-floor home office, a large, open back yard for the kids, or a gourmet kitchen, be sure to include that on your list. Then, rate how each house measures up to each need on your list.
- Drawbacks. Likewise, make a list of the cons associated with each house and determine how much of a negative impact each will have.

As you carefully weigh all the factors, it might become clear that one house is more enticing than the other. Or, you may find the houses are still equally appealing. If that is the case, be sure you look at the homes more than once. You may notice something you didn't the first time around - something that could sway you one way or the other.

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Vacation Property Sales Increase

By Phoebe Chongchua



According to the National Association of Realtors, more than one million people bought vacation homes in 2006. Industry experts say the NAR data is good news for those considering purchasing a vacation home.

"Their data basically reported that vacation-home sales rose in 2006 based on a 4.7 percent increase over the previous year," says Christine Karpinski, author of, *How to Rent Vacation Properties by Owner, 2nd Edition: The Complete Guide to Buy, Manage, Furnish, Rent, Maintain and Advertise Your Vacation Rental Investment* (Kinney Pollack Press, 2007).

Despite those results, is now really a good time to buy a vacation property?

Vacation home sales and investment home sales together accounted for 36 percent of all existing and new residential transactions. Karpinski says, the survey results signal a "definite green light to anyone thinking of buying a vacation property."

Karpinski says it's important for consumers to understand that there are different segments of the real estate market.

"The general public tends to view the real estate market as a whole," says Karpinski. But she says that not all real estate markets perform the same. The residential market is different from the investment, commercial or vacation properties.

"They really are two separate and distinct markets. So don't let the doom-and-gloom sayers discourage you, and don't let a sluggish real estate market in your area do so, either. You're on a whole different playing field," adds Karpinski.

There's more good news for vacation-home shoppers according to Karpinski. She says that investment home sales are down by nearly 30 percent since 2005.

Fewer speculators in a market means less muddying of the water and perhaps less driving up of sales prices. "If you're buying a second home for your personal use, you don't want

to compete with speculators. You want to take your time and make a thoughtful purchase you can feel good about," says Karpinski.

If now is a good time to jump into the vacation home sales market, do you have to be wealthy to buy? Karpinski says not at all. "Even if you can't comfortably afford two mortgages, it's not difficult at all to offset the cost of your vacation home," says Karpinski.

She adds that you can rent it out part-time and enjoy it at other times and, "As I point out in my books, if you rent out your home only seventeen weeks out of the year, you can still break even."

An important consideration before buying your vacation home is to make sure that you have the ability to rent it out, even if you think you aren't likely to do this at the time you're buying the property.

"Having that safety net to be able to rent out your home is very important even if you're sort of dead set against anybody renting your home now. The reason is that there are a lot of homeowners associations and municipalities that don't allow short-term rentals," says Karpinski.

So buying in an area that doesn't allow short-term renting will not provide you with a safety net and Karpinski says it could hurt your resale value.

"Vacation homes that can be rented typically hold their value better because you've got that money to help off-set [the cost] and your pool of buyers then opens up," explains Karpinski.

As with any real estate purchase, the best assurance for a good investment is acquiring an education about the area you're buying in, researching restrictions, and hiring qualified industry experts to guide you through the process.

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June 2007 Real Estate Update

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Many Consumers Ignore Energy Tax Credits

By Broderick Perkins



Most homeowners (74 percent) are aware of federal tax credits for certain energy-saving home improvements, but only 23 percent took advantage of it on their 2006 tax returns. That's despite the fact that 78 percent of homeowners reported that their 2006 heating/cooling costs increased 5 percent or more than their 2005 costs, and only 32 percent believe that their home is already energy efficient.

"The 2006 Energy Efficiency Tax Credit Survey" of 1,040 American adults conducted by Opinion Research Corp. for building products manufacturer Johns Manville may sound a bit self-serving, but it is also an eye-opener in energy efficiency -- or the lack of it.

The Bureau of Labor Statistics' April Consumer Price Index reveals all energy costs rose 2.9 percent in the past year, ending in April, but the compound annual rate was a whopping 43.4 percent. The compound rate is a projection assuming the rate of increase in energy costs over the past three months continues at the same level for the next 12 months.

"Energy costs are volatile, and as the world's consumption of energy continues to increase, energy bills are expected to increase," said Kateri Callahan, president of the Alliance to Save Energy. "Reducing our consumption is the quickest, most cost effective and cleanest way to extend our world's energy supplies. Homeowners can directly help the situation, and themselves, by making energy efficiency upgrades to their homes," she added.

The same Energy Policy Act of 2005 that extended Daylight Saving Time, also allows for a tax credit of up to 10 percent of the cost of materials for qualified home improvements, such as installing Energy Star-rated windows, doors, heating and cooling equipment, insulation and air sealing products. The federal law, which offers a tax credit of up to \$500 per household, was specifically created in response to rising energy prices. Another provision of the same law provides for a tax credit equal to 30 percent of qualifying expenditures for qualified photovoltaic power generating and solar water heating equipment, up to a maximum credit of \$2,000. Right now the credits are good through 2007 and some states offer additional financial incentives.

A tax credit, by the way, reduces the amount of tax you owe, dollar-for-dollar, as opposed to a tax deduction which only reduces the amount of income against which taxes are

calculated. Even without tax benefits, energy efficient home improvements are a no-brainer in today's economy.

The U.S. Energy Information Administration's recently released Annual Energy Outlook 2007, says energy prices are expected to increase steadily through 2030. "Savvy homeowners will realize that insulation upgrades quickly pay for themselves. In addition to the energy bill savings, adding insulation makes your home more comfortable for you and your family by eliminating drafts and hot spots. Also, inefficient homes consume more fossil fuels, and in turn, increase the amount of greenhouse gasses emitted into the atmosphere," said Mike Lawrence, vice president and general manager for Johns Manville's insulation division.

He added, "There's also an economic benefit when it comes time to sell your home. According to the U.S. Energy Information Administration, adding insulation and air sealing increases your home's resale value, and 55 percent of Americans are willing to pay more for energy-efficient home features."

But there's the Catch-22. The survey doesn't venture why homeowners are not performing more home improvements but the added-value issue may be just what's causing homeowners to balk at energy-efficient home improvements. Appraisers say they don't typically calculate energy improvements in terms of added value because standards are spotty.

Standards are spotty, because the data base of homeowners with energy efficient home improvements remains too small to consider during a typical home sale, refinance or home equity loan appraisal. Homeowners aren't compelled to fill in the data base by completing more energy efficient home improvements because they may not realize increased property value from the expenditure.

Remodeling the bathroom, to most consumers, appears to be a better value-enhancing deal than stuffing the attic with insulation.

"It's not visibly affirmable. If you walk into a home and see an extra bath, it's visible. With energy efficiency the only time you are cognizant of it is when you pay the bill. That's real, but it's not a selling point," said Ted Faravelli, Jr., a San Jose, CA-based expert witness, forensic real estate analyst and managing director for the California Association of Real Estate Appraisers.

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Secrets to a Successful Move

By Diane Benson Harrington



Planning to move this summer? You're not alone -- summer is the busiest time of year for professional movers, according to the American Moving and Storage Association. It's an arduous process, but these tips will make your transition much smoother.

- If you're planning to use a moving company, call now. As busy as they are, they usually need plenty of notice -- often at least six weeks or much more if you're moving a long distance.
- Be sure to build in some overlap between the closing/possession date of your new home and the last day of the lease on your rental (or closing date of your current home). Moving always takes much longer than you think.
- Pare down your belongings. There's no sense moving things you don't need or want. Look through your house for rarely used items. Discard anything that's beyond repair, have a yard sale to get rid of the rest, and plan to load unsold merchandise into your car right away so you can take it to the charity of your choice.
- Make notes about your new house -- room measurements, door measurements, location of electric, cable, and phone outlets -- so you can determine exactly where your belongings will go. Measure appliances to make sure they fit the space available.
- If the previous homeowners are taking their curtains and blinds, you'll want to measure windows in places you want privacy immediately and buy curtains or blinds before you arrive.
- Start arranging now for phone and utility hookups. Phone companies, especially, now need a few days (or even a week or more) to get you connected. Arrange now for the type of internet connection you want and order extra phone jacks or cable outlets if you need them. Fill out a change of address form with the Post Office. If you have automatic debits on your bank account, alert your creditors if you're changing banks.
- You can buy boxes and packing material from a moving company or other sources, but that can be expensive. Instead,

ask grocery stores, electronics stores and office supply stores for their discarded boxes. Invest in a tape gun, and start saving up newspapers so you'll have plenty of packing material if you don't want to buy bubble wrap.

- Whether you use a mover or pack yourself, consider using a product like Pack-N-Label's moving kit. Dozens of preprinted labels for every room of the house provide an instant checklist of items. Labels are color-coded by room so your movers will instantly know where to take each box. The comprehensive kit also includes the IRS form for moving expenses, preprinted lists for taking a household inventory, as well as a sheet of moving and packing tips.
- Be sure to pack a box of essentials -- a telephone, a couple of changes of clothes, a few pots, pans, dishes, utensils, toiletries, and medications -- to get you through the first few days. Also, if your mover is late and there are items you couldn't live without for a few days, consider taking that in your own car.
- If using a mover, be sure to pack any small, nonbreakable, valuable items separately so you can take it with you in your own car. Large valuable items, such as artwork or electronics, should be clearly noted on the mover's inventory form in case of damage during transit. Do buy insurance to cover any damage that may occur.
- Take the time to record the makes, models and serial numbers of your electronics and other items in a notebook or on a sheet of paper. Put this information, along with owners' manuals, extra keys, birth certificates, car titles, wills, insurance information, and other vital documents, in a special folder that you'll keep with you. In your new home, find a place for this folder (or put it in a safety deposit box), so you'll always know where these important papers are.
- Before you unpack, get a clean start by wiping out drawers and cupboards, sweeping out closets and solid-surface floors and vacuuming the carpets. Next, make up the beds and put towels in the bathrooms. Then you can take your time with the rest of the unpacking.

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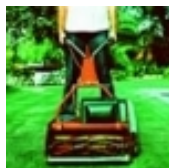
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June 2007 Real Estate Update

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Terminating Turf Troubles

By Broderick Perkins



Even if you installed Astroturf you'd still have "lawn" problems, because some of them are not associated with the grass itself, but an expanse of earth devoted to a single task. Obviously, however, to keep the neighbors from rolling their eyes, most home owners don't roll out a carpet of green plastic -- except maybe for those select locations out of sight in the back yard.

So when the crown jewel of curb appeal is the real deal, upkeep costs mount. In 2005, lawn owners spend nearly \$9.7 billion to keep their green verdant, lush, and uniform. That's 10 percent more than they spent in 2004 according to the National Gardening Association's latest statistics. Consumer Reports says that's probably a greater expenditure than necessary. Less expensive preventative medicine is a lawn's best friend.

In a new report, the respected consumer goods and services rater, asked on-staff experts and turf scientists to identify the most common lawn problems and related lawn grower errors that persist. The report also includes remedies for lawns that cost more green than they give.

Here's a brief look at what the CR experts suggest.

- There's nothing like crabgrass to interrupt the uniformity of a lawn. Trouble is, home owners apply necessary pre-emergence herbicides too late, in the late spring or summer. Prevention is key. That means applying corn gluten meal in the early spring to both block crabgrass growth and fertilize the lawn. Later ample water, fertilizer and mowing -- your lawn's best friends -- will keep crabgrass down.

Then keep crabgrass at bay by feeding the desirable grasses with ample water and fertilizer -- and by mowing high. Check Consumers Union's GreenerChoices.Org for more advice.

- Pour on the fertilizer to prevent dandelions. If they sprout, remove or kill the entire plant -- taproot and all -- to prevent resprouting -- before the flower matures.

- Other weeds that give your lawn that ugly, patchy, clumpy look most often show up in lawn areas that are different from the rest of the lawn. Prevent dry, wet and shady spots on your lawn. Otherwise, moderately toxic chemicals and back-breaking

removal are your only remedies.

- Fungus among the blades of grass is tough to spot before it's too late. Too much irrigation, improper mowing, off-season fertilizing are primary causes. Fungicides are a waste of time and money, says Consumer Reports. After fungus takes a patch of green, replant.

- Moss means there's too much shade, acidic, compacted or wet soil; or not enough fertilizer. Use shade-tolerant grasses in shady areas and mow them high to trap light. Keep nearby trees and shrubs properly pruned to reduce shade.

Also for compacted soil, have it professionally aerated. Maintain proper drainage and adjust the soil's acidity. Moss prefers acidic soil, but alkaline soil will do just fine if shade and moisture come to the party.

- Even so-called "shade-tolerant" grasses prefer the sun. Replace lawn beneath trees with shade-tolerant ground cover, using shade-tolerant grasses at the edges of the area. Trim back high hedges. Remove the shade wherever possible.

- Compacted soil beneath the lawn is, well, basic physics. Gravity. Lawn traffic compacts soil even more. Compacted soil, however, repels water and fertilizer, preventing nutrients and moisture from reaching the roots. Soil, or core aeration is the only solution. It's a job for a professional.

- Beetle larvae, milky-white, worm-like creatures with brown heads and three pairs of legs curled into a C shape -- grubs -- feed on lawn roots. If the lawn near the edge of a brown area comes up easily, like rolling up carpet, yuk, grubs have had their way with the roots. For mature grubs, you'll need Heterorhabditis nematodes (sold in paste-like form). Chemical insecticides should be used only when the grubs are immature.

- You dog is responsible and well-trained. It's the neighbors who let their untrained hound run free and well, urinate on your lawn. Look for brown spots surrounded by dark green grass. Your money is best spent on a motion-activated sprinkler system rather than animal repellents -- but delivery people, guests and others could get wet too. Talk with your neighbors. Most jurisdictions have restraint and or leash laws.

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Shared Appreciation in a New Light

By Lew Sichelman



Shared appreciation mortgages, a loan product that gained some popularity three decades ago before fading away, could be making a comeback of sorts as a tool that will allow local communities to provide affordable housing that will remain affordable over time.

Shared appreciation mortgages, or SAMs as they became known, are loans in which someone puts up all or some of the cash for a home buyer's downpayment in return for a portion of whatever amount of appreciation takes place in the value of the property between the day it is purchased and the day it is sold.

In the 1970s and '80s, SAMs were used as a way to make housing more affordable. But in those days, it was often a friend or family member who put up the cash.

Now, the idea has resurfaced in a somewhat different form. Now, a local housing authority or another city agency, or perhaps even a nonprofit, puts up the dough and shares in the profits when the house is sold. But instead of pocketing the gain, so to speak, it uses the profits to help another worthy family buy a house or keeps the return in the house so it remains affordable. That way, according to the Center for Housing Policy, it's "one generation helping another."

Jeff Lubell, who is executive director of the Center, calls shared equity "a unique approach to affordable housing" because it permits communities to provide for people over time while at the same helping families build individual wealth "in a predictable and potentially life-altering way."

In return for providing funding, moreover, the public's share of the appreciation can be used in one of two ways -- either by returning it to the government in the form of a cash payment that can be used by another family having difficulty raising enough money for the downpayment or by keeping it with the house, thereby reducing the cost of that home for the next purchaser.

"By sharing the gains in home price appreciation with the public investor, shared equity results in substantial benefits now and for years to come," says the Center, which is the research arm of the National Housing Conference in Washington.

"Home buyers benefit from a substantially lower home price and the opportunity for significant home equity gains. Local communities benefit by retaining vital workers who otherwise couldn't afford to live in the communities they serve. And, by ensuring that the public's investment keeps pace with the housing market, shared equity strategies allow governments to help generations of families achieve homeownership with a single initial investment."

Another term for shared equity is "subsidy retention," meaning that every time a subsidized owner sells his house, the subsidy he received is returned to the jurisdiction. In some cases, the original buyer also agrees to give back a percentage of the appreciation in the house.

Consequently, cities and counties can serve more families with the same amount of funds. And if home prices rise, they get back more money so there may be no need to increase their funding. Or at least by not as much.

Say, for example, someone buys a \$200,000 with the help of a \$25,000 subsidy. When the buyers sells five years later, he gives back the subsidy so the jurisdiction can use the money to help someone else who is short on cash. And in some cases, the first buyer also gives back some of the gain. So if the \$200,000 house sells for \$300,000 in five years, a percentage of the gain goes back to the city, too.

Shared appreciation schemes can take on many forms. The city of Santa Cruz, Calif. collects 1 percentage point of home price appreciation for every percentage point of the purchase funded by its second mortgage program. In Vermont, the Champlain Housing Trust uses an appraisal-based formula in which the seller get 25 percent of the appreciation and the trust gets the rest.

The Center, which works to broaden understanding of America's affordable housing challenges and examines the impact of policies and programs developed to address these needs, has worked with Rick Jacobus of Burlington Associates to develop an online tutorial on shared appreciation and several programs that have worked for various localities.

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Will Congestion Pricing Come To Your City?

By Peter G. Miller



Pick any major city and you're certain to find lots of traffic. Big city traffic is how you flow in and out of most cities, it's a threat to life and limb when crossing streets and since it's often a molasses-like mass of belching vehicles, big-city traffic is the surest way to enrich local cab drivers when going crosstown, uptown or nowhere at all.

It now turns out that New York's Mayor Michael Bloomberg -- a guy who takes the subway to work -- wants to reduce Manhattan traffic in his fair city by instituting what's called "congestion pricing." The idea is to charge \$8 a day for auto users who want entry into the heart of Manhattan, thereby reducing vehicular traffic volume, cutting pollution and raising money which can be used to better public transit.

One study by the Global Strategy Group, a political polling organization, shows that if you charged \$8 per day per car for access to the city from 60th Street south to the Bowery at the tip of Manhattan, then traffic would be cut by 50 percent. Another 10 percent of those surveyed said they would neither drive nor use mass transit, which means they would work at home. However, 17 percent said they would have to drive regardless of the charge because public transport was not realistically available to them.

Is congestion pricing a solution to the nation's crowded cities? Is it a magical cure that would raise money for local governments while cutting pollution?

Actually, congestion pricing already exists in both London and Stockholm, and the programs are said to be hugely popular. (The program in London costs £8 daily, more than \$16 in U.S. currency.)

The electronic pass programs now used in many states to collect highway tolls without stopping traffic could also be used for a congestion pricing program: If you commute you would get a transponder for your car. Once you pass a detector at a given access point your account would be charged for the day. At the end of the month your total bill for access to the city would be paid automatically by credit card. If you did not have a transponder, then you would have to move through a toll plaza and pay in cash. (In Israel, Highway 6 is all electronic -- there are no toll plazas and you can only enter with a transponder.) Congestion pricing would produce a number of winners:

- If you owned a home or apartment inside the congestion zone, unit values would rise because there would be less

pollution, reduced noise and no cost to enter the area.

- If you lived in an area with easy public access to downtown then property values would go up. As an example, Astoria in the borough of Queens is 15 minutes from mid-town Manhattan by train.

- Congestion pricing would encourage more people to car pool, thus cutting the impact of the daily fee while getting more cars off the road.

- There would be exceptions for cabs, buses and delivery vehicles.

- Less traffic would speed the flow of vehicles into the city, in itself a result that would reduce pollution.

- There is a security aspect to congestion pricing in the sense that vehicles with transponders can be tracked. Think of the commercial systems which allow you to press a button for roadside help or if you're locked out of a car.

While congestion pricing has its benefits and has proved to be successful, it also has some drawbacks.

First, congestion pricing is a financial burden. The cost of commuting is a big deal to most drivers and making it more expensive is essentially elitist: If you operate a hedge fund, an extra \$8 a day is irrelevant; if you're a computer programmer working in a downtown office tower, then an extra \$1,600 or so a year in after-tax costs is a visible and real expense.

Second, having ripped up trolley car rails in most areas, congestion pricing would condemn many people to costly and unreliable public transit systems. Commutes in many cases would be longer and would still require cars to get to and from transit access points.

Third, if large numbers of people in a given area needed to commute but the area had poor public transportation, home values would drop because there would be higher driving costs.

Will congestion pricing come to your city? Despite some drawbacks, it's an idea which is likely to be adopted in a number of major metro areas -- think of New York, San Francisco and Washington as places to start. With improved public transport you could certainly see congestion pricing in other major metro areas.

Alas, the art of dodging traffic will never be the same if congestion pricing becomes real, a loss for the more athletic and fun-loving among us.

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