

Your REALTOR®



November 2008

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Note: Simply click on the title of a story below to go directly to that page.

Pages with full header

- [November Real Estate Update](#)
- [Smaller Homeowner Relief Already In Place](#)
- [Improving Indoor Air Quality At Home](#)
- [Good News for Qualified Buyers](#)
- [Credit Unions To The Rescue](#)
- [FHA Still Going Strong](#)
- [Investor Report: Bailout to Aid Investors](#)
- [Don't Let Pesky Insects Hurt the Sale of Your Home](#)
- [Blank Template](#)

Pages with footer only

- [November Real Estate Update](#)
- [Smaller Homeowner Relief Already In Place](#)
- [Improving Indoor Air Quality At Home](#)
- [Good News for Qualified Buyers](#)
- [Credit Unions To The Rescue](#)
- [FHA Still Going Strong](#)
- [Investor Report: Bailout to Aid Investors](#)
- [Don't Let Pesky Insects Hurt the Sale of Your Home](#)
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Rates On The Move

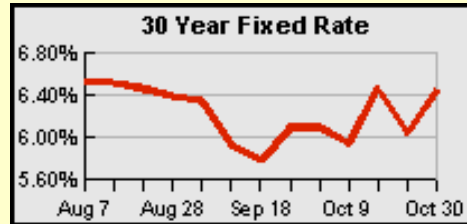
In Freddie Mac's results of its Primary Mortgage Market Survey the 30-year fixed-rate mortgage (FRM) averaged 6.46 percent for the week ending October 30, 2008, up from the previous week when it averaged 6.04 percent.

Last year at this time, the 30-year FRM averaged 6.26 percent.

In other news, house-price declines in many markets have improved housing affordability and stimulated home sales. In September, sales of existing homes

Mortgage Rates

Source: Realty Times



U.S. averages as of October 30, 2008:

30 yr. fixed: 6.46%
15 yr. fixed: 6.19%
1 yr. adj: 5.38%

rose 5.5 percent while sales of new homes were up 2.7 percent, at a seasonally-adjusted annual rate.

Does Your Home have a Fiery Appeal?

Outdoor living is



becoming more popular as indoor living space is shrinking and becoming an extremely high-cost premium. But what gives your home a fiery spark to send buyers rushing to write an offer? Perhaps, bringing the comforts of indoor living outside may help.

Outdoor fireplaces create a visual focal point and are often a quality of the home that attracts buyers. "This is a great way for people to warm up and gather around. They're very well engineered," says Peter Ross, CEO of Home & Hearth, Inc.

Here are a few quick tips if you're planning to purchase an outdoor fireplace.

- Consider your space: make sure you don't go too large or too small for the area.
- Wood-burning option: not all outdoor fireplaces are set up to burn wood; some only burn gas. Be sure to check that the one you buy accommodates wood-burning.
- Location: make sure you put the outdoor fireplace in a safe spot. "You don't want to set the outdoor fireplace on a wooden deck. You don't have adequate protection around it from embers," says Ross. He also says don't put it underneath over-hanging trees or right up against your house. On a concrete patio or paving stones is a good location provided that there is lots of clear space in case sparks fly out.

Reverse Mortgages Get Boost from Uncle Sam

Starting on

November 1, 2008 - the limit on Federal Housing Authority (FHA) backed reverse mortgages, dubbed Home Equity Conversion Mortgages (HECMs), will rise to \$417,000 nationwide.

The new rules also will institute a 2-percent cap on origination fees for the first \$200,000 of the loan amount or a 1-percent ceiling for higher amounts, with a \$6,000 inflation-adjustable limit.

Additionally, seniors will be allowed to use such loans to purchase a new property and extract equity from co-operative properties, and lenders will no longer be allowed to sell annuities and other financial products along with the mortgage.

Gen Y Wants High Tech, Green Homes

Gen Y, which will



be 30 percent of homeowners by 2015, are forcing home builders to look differently at what they design, build, and sell.

The generation born between 1976 and 1982 wants high-tech convenience and communication, walkability, green building standards, and diversity. They'll sacrifice space, and some will even pay more, to incorporate those qualities into their lives, real estate experts told an audience at a recent forum on developing real estate for Gen Y, sponsored by the Urban Land Institute. Gen Y's favorite neighborhood amenity is a library, followed by a restaurant or cafe, a main street village, a recycling center, and a fitness center.

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November 2008

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Smaller Homeowner Relief Already In Place



By Broderick Perkins

Don't wait for home owner bailout provisions to trickle down from the \$700 billion Emergency Economic Stabilization Act of 2008," (H.R. 1424) recently rushed through Congress. When it comes to help from new federal legislation for distressed home owners, the \$300 billion "Housing and Economic Recovery Act of 2008" (H.R. 3221), signed earlier this year, can provide more *immediate relief*. The \$300 billion recovery act has both a mandated mortgage modifying provision and a voluntary "Hope For Homeowners" (H4H) refinance program, for home owners who qualify. President Bush signed the larger \$700 billion stabilization act on Oct. 3, 2008, but it is, in-part, "stay tuned" legislation. Exactly how it will be implemented to help home owners -- or the economy, for that matter -- isn't fully clear.

In part, the stabilization act calls for federal agencies holding mortgage and mortgage securities to identify loans that can be modified and work toward modifications. The stabilization act also allows the U.S. Secretary of the Treasury to use loan guarantees and credit enhancements to help home owners avoid foreclosures. And the stabilization deal calls for shoring up the H4H program. How any of those provisions will be implemented, however, is still under consideration.

Loan modifications: On the other hand, the older recovery act, signed in July came with one provision ready to go. It mandated that mortgage servicers modify loans for certain home owners to help them avoid foreclosure as long as three requirements are met:

- A default on the mortgage either has already happened or is "reasonably foreseeable."
- The home owner lives in the property as his or her primary residence.
- The lender is likely to recover more through the loan modification than by forcing the home owner into foreclosure.

It's up to the home owner to prove, in writing, his or her case to the lender. That could mean some back and forth negotiating, even legal wrangling. To that end, an accredited mortgage, banker and broker certifier, CMPS Institute, offers a sample letter (cmpsinstitute.org) containing more assistance, and tips to help home owners negotiate a loan modification.

The institute further advises:

1. Your hardship letter should demonstrate job loss, a serious health condition, an ensuing balloon payment, a coming adjustable rate reset or some other financial calamity that will preclude you from making your mortgage payments as scheduled.

2. Send the letter along with documented evidence -- your

financial statements, employment records, tax returns and bank statements and other evidence that demonstrates how you can afford a modified loan under your present financial circumstances.

3. Deal directly with a representative of the lender's "loss mitigation" or workout department -- not a broker, loan originator or other mortgage staffer.

FHA refinancing: Newly effective Oct. 1, 2008 a second provision of the recovery act allows troubled mortgage holders to avoid foreclosure by refinancing into smaller, more affordable, Federal Housing Administration (FHA)-backed mortgages, provided Uncle Sam gets a piece of the equity-growth action and provided the lender voluntarily agrees to the deal, which includes writing down or reducing loan balances. U.S. Department of Housing and Urban Affairs' (HUD) "Hope For Homeowners" fact sheets has the details.

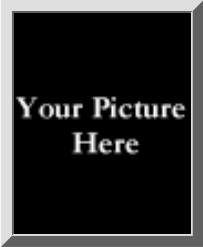
- The refinanced, 30-year, fixed rate FHA mortgages in the H4H program are for home owner-occupants having difficulty making their payments.
- The existing mortgage must have been originated on or before January 1, 2008, and the owner must have made at least six payments.
- Banks can volunteer to write down an existing mortgage to 90 percent of the new appraised value of the home. To get the deal to fly, any holders of existing mortgage liens must release the liens and waive all prepayment penalties and late payment fees. The existing first mortgage holder has to accept the H4H loan as full settlement of all outstanding indebtedness.
- As of March 2008, the home owner's total monthly mortgage payments due must be more than 31 percent of the household's gross monthly income.
- The loan amount on the new H4H mortgage cannot exceed \$550,440. The amount can include a financed 3 percent "Upfront Mortgage Insurance Premium" and other loan costs. The home owner must also pay a 1.5 percent annual mortgage insurance premium.
- The home owner cannot take out a second mortgage for the first five years of the new loan, except under certain emergency conditions.
- The borrower must agree to share equity with the FHA, both the equity created at the beginning of the new mortgage and future appreciation in the value of the home. If the home is sold or refinanced, the homeowner will share the equity with FHA on a sliding scale ranging from a 100 percent FHA share after the first year to a minimum of 50 percent after five years.

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Improving Indoor Air Quality At Home

By Tara Darby



Over the past few years energy efficiency within homes has been greatly improved upon. The modern approach to home design goes another step further by also greatly improving indoor air quality. By following a few simple tips and guidelines, you can work to better your family's respiratory health. Here's a room-by-room checklist for homeowners looking to achieve optimal health at home.

Let's start on the lower level. Basements are prone to water leakage. Once the walls or floors have become moistened, mold can begin to grow in the drywall or carpet making you or your family sick. According to Dan Vandervort of HomeTips.com, gutters are an easy solution to routing water runoff away from the home. You can also easily regulate humidity levels with a dehumidifier or air conditioner.

In the basement you'll also find the heating system. Furnaces can easily be inspected to make sure they're not leaking dangerous gasses. And keep in mind that newer units usually have far fewer problems than older ones.

In the garage, it's essential to install a weatherproof door between the garage and the rest of the home to keep gasoline and other odors at bay. The American Lung Association (ALA) also warns that you should never leave a car or lawn mower running in an attached garage or shed.

Let's now move to the kitchen. The ALA recommends that if you have a gas range, you should fit the range with a hood fan that exhausts outdoor air. Using the fan or opening a door or window when cooking will also serve to remove gas fumes. Have all fuel burning appliances professionally inspected yearly to prevent carbon monoxide poisoning.

Throughout the home, you can encourage proper ventilation by leaving doors between rooms open most of the time for better air circulation. It's also nice to occasionally open

windows to air out and refresh the home. One of the simplest ways to ensure a safe and healthy environment for your family is by declaring your home a smoke-free zone. You can politely let your guests and family know of the new rule by purchasing signs and labels at www.no-smoke.org.

In your family and living areas, it's critical to keep clutter to a minimum. By properly storing toys, books, and other items in closets or designated storage areas, you can eliminate the amount of dust that accumulates in the home.

Next let's travel upstairs to the bedrooms and bathrooms. It should go without saying that cleaning regularly will greatly improve the air quality in your home. Dust mites and other allergens can be greatly reduced by washing bedding materials in hot water.

The Healthy House Institute (HHI) also proposes replacing carpet with area rugs that can be easily washed.

In the bathrooms, where we tend to use a lot of harsh chemicals, ventilation is key. Exhaust fans in bathrooms serve to remove moisture and chemicals from the house. And when choosing cleaning products, be sure to check them for pesticides or other toxic ingredients. You can read a review of several green bathroom cleaning products at www.grist.org.

Finally, let's head on up to the attic where the air conditioner is located. The HHI advocates inspecting the ductwork, especially if it runs through an uninsulated attic because humid air can condense causing mold and rust. The quick fix to this issue is to insulate the ductwork.

With as much time as we all spend inside our homes indoor air quality needs to be more than just an afterthought. Healthy homes make for happy homes, and these easy and cost-effective ideas should help guarantee just that.

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Good News for Qualified Buyers



By Phoebe Chongchua

A recent survey released by Trulia, a real estate search engine, community forum center, and reporter of market trends and data, found that a "crisis of confidence" exists among key groups of U.S. homebuyers.

Not surprisingly, much of the lack of confidence in the real estate market stems from the mortgage fallout, the instability of the real estate market, uncertainty of economic times, and the upcoming election.

According to the survey, which included about 1,500 respondents, 70 percent of non-homeowners have no plans to purchase a home in the next 12 months and nearly half in the 18 to 34 age group say the reason is because it's too costly. While those in the 35 to 44 age group are concerned that they might not be able to qualify for a home loan. The survey also found that only 12 percent of the non-homeowner respondents said they expect to buy a home in the next 12 months.

In a press statement, Pete Flint, CEO of Trulia said, "This combination of the mortgage and Wall Street crisis is tantamount to a one-two punch that has knocked the wind out of the American home buying public. The question is how quickly the American psyche will heal. Despite this short term pain, half of all Americans believe that home ownership is still the cornerstone of the American dream. It is the dream of homeownership that in the end may help the market rebound."

If you're a prospective buyer, who sees now as an opportune time to buy, then having fewer buyers to compete with puts you in a very good market position. Remember the days of bidding wars? If you're interested in purchasing a home now, especially because of fewer buyers in the market, this may be the ideal time. Working with experts in the industry to help you qualify for the best-suited loan, appropriate size house and style, in a neighborhood that shows promise of increasing value over time - may allow you to get into the perfect property.

"There are some amazing opportunities out there right now and if you are in a good financial position and you can get the

loan that you need with the banks just getting the infusion of cash this week which will hopefully be used to free up the credit market a little bit now is a great time," says Ken Shuman, head of communications for Trulia.

He points out that the fourth quarter is traditionally a slow time for buying homes but it can be a good time for serious buyers to get a head start. Shuman says getting pre-approved is critical even if you have done it in the past.

"Even if you are making the same amount of money and for instance last year you qualified for a mortgage of \$600,000, this year you might only qualify for a mortgage of \$500,000 even if your salary hasn't changed and your credit score hasn't changed," says Shuman.

Shuman also points out that even in these difficult times, the effort to get into the housing market is worth it and that's supported by the research found in their survey.

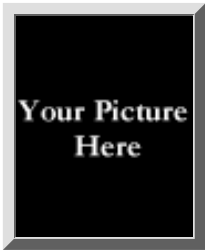
The survey found that half of the homeowner respondents believe that their home is a great long-term investment despite the turbulence in the marketplace. Some, of course, still have anxiety over the current conditions. The survey also revealed that more than half of all non-homeowners believe homeownership is a central point in achieving their own personal "American Dream".

Among prospective homebuyers the key areas of concern that influence them when deciding to purchase a home are: getting a good price (35%); crime rates (15%), making a good investment (15%).

According to the survey, featured amenities ranked higher than the quality of local school systems (14% versus 11%). Traffic commute ranked last (8%). A gender difference occurs as well. The survey found that, "Men are more concerned with the crime and sound investment factors, whereas women are more concerned with amenities and quality of schools."

As the adage goes, behind every cloud is a silver lining; so, if you're a serious buyer, this may be the market you've been waiting for.

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Credit Unions To The Rescue

By Broderick Perkins



Been down to your friendly neighborhood credit union lately?

You could find that elusive home loan you been unable to get anywhere else.

Credit unions didn't need a bail out during the Great Depression, they didn't need federal intervention during the Savings & Loan debacle and they don't need government assistance now. In fact, right now, they are rolling out the red carpet for home loan borrowers.

During the boom, credit unions avoided writing subprime home loans and other easy-money mortgages. They also shunned selling packages of mortgages to Wall Street moguls who packaged them into now low- to no-return securities. That means credit unions are relatively untainted by the credit squeeze and they have both money to burn and a sound business foundation that allows them to keep on lending.

Instead of fearing the next Great Depression, member-owned credit unions are bracing for what could be their boom time in home loans and other financial services, now that banks and mortgage lenders are crashing and burning.

Mortgage production among credit unions is small by comparison to banks and mortgage lenders, but their originations rose a whopping 10.1 percent during the first half of 2008, according to the industry's federal regulator, the National Credit Union Administration (NCUA).

The Mortgage Bankers Association recently reported bank and mortgage lender loan originations took a nose dive, falling 17 percent during the same period.

Credit unions are more willing than many lenders to make homes loans for the creditworthy, but the old fashioned way. If you go shopping for a credit union mortgage, leave your subprime attitude at the door. You won't be coddled, you can't get away with lying on your application, your creditworthiness will have to pass muster and you likely won't get more home than you can truly afford.

Credit unions are non-profits in the business to make money, but not profits. They serve members who pool their money to get a decent return, either in the form of savings

interest or competitively priced loans.

The fundamentals apply: Credit unions take in deposits. They use the money to make loans. They charge more on those loans than they pay on deposits. Voila! A thriving business.

It's the lack of the profit motive that kept credit unions out of harms way during the mortgage meltdown. They have no incentive to get involved in the subprime racket, no reason to sell and repackage loans as investments and no need to otherwise venture into untried and untrue investment schemes.

Credit unions hold most loans to maturity and return the interest to members in the form of interest-bearing checking, savings and CD accounts. The rest they invest smart so they can continue to help members. Also, because credit unions didn't hop aboard the home loan assembly line, their members aren't suffering the kind of housing hangover many home owners face today.

Less than 1 percent of all credit union mortgages are 60 days or more late, according to their Credit Union National Association (CUNA). And, along with fixed-rate 30-year mortgages they also offer conventional adjustable rate mortgages (ARM) and hybrids.

As with other financial products -- savings and CDs -- rates on loans are often better at credit unions. The spread isn't as much with mortgages as it is with credit cards and car loans, but credit unions' mortgage rates are competitive.

As of October 15 UNA reported the average rate on a 30-year fixed rate mortgage was 6.27 percent; for a 1-year ARM, 4.91 percent. Meanwhile, the MBA reported an average 6.47 percent for a 30-year loan and an average 6.67 for a 1-year ARM.

"Credit unions are the safest depository institution in the country to put your money in right now," says Dan Mica, President and CEO of CUNA.

He has room to boast. Just as the Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 in federally insured banks, credit unions are likewise regulated and federally insured by the NCUA for the same amount.

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FHA Still Going Strong

By Kenneth R. Harney



The country's top housing official has an urgent message for potential home buyers: You may have heard that the credit markets were "frozen," but FHA has been open for business throughout the credit squeeze, and so are Fannie Mae and Freddie Mac. In fact, FHA's volume has tripled and the agency is now insuring well over a hundred thousand new loans a month.

In an exclusive one-on-one interview with Realty Times, Housing and Urban Development Secretary Steve Preston said that FHA, Fannie and Freddie -- who account for a combined 90 percent plus share of the entire U.S. mortgage market -- "have kept liquidity alive" for home buyers -- and have virtually unlimited funds for new mortgages.

"There is no credit crisis" for individual home buyers who have at least three percent to put down, documentable employment, and at least a moderately good credit record, said Preston.

Business loans and various other types of credit may have been more difficult to obtain in recent weeks, Preston told Realty Times, but thanks to the government's backing of the three biggest sources of mortgages, buyers and refinancers of houses have had no unusual problems.

Preston and HUD are playing key roles in the \$700 billion financial system bailout plan now getting underway. Preston is one of just five members of the Financial Stability Oversight Board that oversees the entire effort. HUD's main task in the

weeks ahead, he said, will be to either refinance or help work out thousands of delinquent subprime and underwater homes financed by private lenders during the boom years.

The agency's new "Hope for Homeowners" program, which started October 1, allows it to cut the principal debt, monthly payments and interest rates of delinquent loans through refinancings into fixed-rate FHA mortgages.

In the interview, Preston emphasized the importance of a new, \$3.9 billion program that has received virtually no attention in the press, but which could have huge positive impacts on neighborhoods and communities struggling with large numbers of foreclosures.

Congress authorized HUD to provide funds and other assistance to local governments to buy, fix up, resell or rent out foreclosed houses that are dragging down local property values.

Known as the Neighborhood Stabilization program, it offers not only roles for local governments to fight housing blight, but also provides opportunities for alert realty agents, rehab contractors, builders and investors to be involved -- profitably -- in the turnaround efforts.

If you're interested, talk to your city or county housing and community development officials for details. Though HUD will be providing the funds, local officials will be calling the shots.

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Investor Report: Bailout to Aid Investors



By Kenneth R. Harney

A lot of people assume that the federal bailout law is all about helping banks and buying toxic mortgage portfolios. That's true, but Congress included some important tax items in the Emergency Economic Stabilization Act that could be of immediate use by owners and developers of investment real estate.

Tops on the list of winners: Anybody who builds or renovates properties using "alternative energy" features - especially solar panel applications. The bill extended a 30 percent federal tax credit for the next eight years for new commercial and residential solar installations - that means everything from multifamily rental projects to retail and commercial office buildings.

Plus the bill removed the previous \$2,000 tax credit cap for residential solar electric installations.

Beyond solar, investors who take the next step and incorporate some form of what Congress calls "small wind power" into existing or new commercial and residential investment properties can qualify for a 30 percent tax credit, up to \$4,000, for wind turbines with capacities of 100 kilowatts or less.

The federal tax credit can be in addition to any state or local credits currently available to buyers and owners of properties incorporating solar or other alternative energy features.

Federal tax credits for fuel cells and microturbines

are extended through 2016, and the fuel tax credit limit is tripled, to \$1,500 for each half kilowatt of capacity.

The new law also created a 10 percent tax credit for certain combined heat and power systems and for geothermal heat pumps.

On top of all this, the law extended the energy efficiency tax credit for commercial and residential real estate through 2013, along with credits for single family home retrofits that are installed during 2009.

If you plan to build one or more new houses, the bailout law provides generous tax credits for properties that qualify under the federal government's definitions of "energy efficient" houses. That covers everything from green building materials, lighting, heating and airconditioning, and household appliances.

To help investors and other taxpayers take maximum advantage of all the credits, the law also increases the income tax limits for the Alternative Minimum Tax (or AMT), and allows unused energy tax credits to be carried over to the property owner's next tax year.

And finally, just in case you want to drive to your energy-efficient real estate using a fuel other than gasoline, the law also provides up to a \$7,500 tax credit for plug-in hybrid vehicles!

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Don't Let Pesky Insects Hurt the Sale of Your Home

By Phoebe Chongchua



Termites can be a major concern and even stall the sale of your home if you don't inspect your home routinely for these pesky insects.

"It's really important to have regular inspections and preventative treatment measures in place so a termite problem doesn't get established," says Ron Harrison, director of technical services for Orkin.

Harrison says, without routine inspections, a termite problem can be penetrating your home without your even knowing it. He says about half to three-fourths of the United States is prone to having termite problems and just because you don't see them doesn't mean they don't exist. "Once you get a termite infestation, you probably won't know it for at least five years," says Harrison.

By that time, significant damage could have occurred and if your home is on the market, handling the infestation can slow the sale process as well as be a costly corrective-measure.

Typically, when a home is put on the market a seller will get a termite inspection but it doesn't always mean the home is termite-free.

"To buy a home, in most states, the seller only has to provide you with a letter that says 'there is no termite activity that was found'. So that doesn't mean it's not there, it's just that they couldn't find any sign of termites and usually that guarantee can be from three months to a year which would be very odd for termites to show up during that period of time anyway," explains Harrison.

He says routine inspections are really the preventative step to ensure that problems aren't developing. "You hate to put another investment on your home, but, I'll tell you, if you don't, the down side is the possibility that someone may have to open up some sheetrock in your house which will cost thousands of dollars just to get in there," says Harrison. He adds, "It would be a great prevention and long-term investment to have a termite protection plan." The plan can also be transferred to the new buyer.

Having a general understanding about termites can help you recognize when a problem is developing. Termites are most

active in moist areas, warmer temperatures (60 - 70 degrees), disturbed soil, and wherever there are objects to follow. "So if you have pipes underground or roots, they will follow those just like a highway," says Harrison. He recommends not having plants that have roots that extend to the foundation of the home.

There are at least 1,900 species of termites on earth but three are extremely prevalent throughout parts of the United States. Subterranean termites live in the ground and then come up and feed. However, their main colony is under the ground. The second type is very common in southern areas of the United States. Drywood termites do not have a connection with the ground. "They swarm into your house and establish up in rafters or furniture. They're quite slow growing and they have relatively small populations," says Harrison.

Formosan termites, originating in Asia, are the third species that Harrison talked about. "This is a much more aggressive termite. It can eat 10 times as much as the typical native subterranean termite," says Harrison.

He says it's very important to make sure you know which species of termite you are dealing with. "You may be dealing with one or two, or three of them and therefore the treatment strategy is going to be a lot different based on what species you're working with," says Harrison.

"The product to take care of termites can be quite expensive," says Harrison. You have to be sure you hire a trusted company with a solid reputation to care for your home or else you might end up with "a diluted-down product that doesn't do the work".

"It's not like changing your oil or even washing your car -- things that a lot of us have other people do but we really could do it ourselves. Termite work takes a lot of expertise and the equipment that we use isn't just like a screw driver and a wrench that you have in your garage. It's specialized equipment -- drills going through cement -- and product applications have to be just right to ensure that you have that protection," cautions Harrison.

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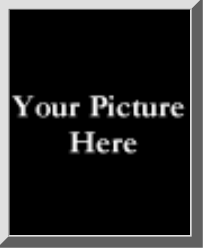
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Rates On The Move

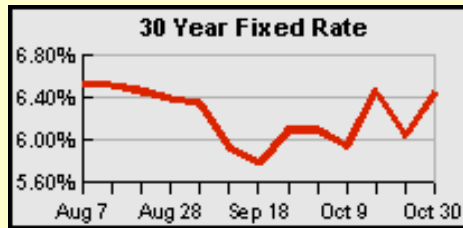
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Does Your Home have a Fiery Appeal?

Outdoor living is



becoming more popular as indoor living space is shrinking and becoming an extremely high-cost premium. But what gives your home a fiery spark to send buyers rushing to write an offer? Perhaps, bringing the comforts of indoor living outside may help.

Outdoor fireplaces create a visual focal point and are often a quality of the home that attracts buyers. "This is a great way for people to warm up and gather around. They're very well engineered," says Peter Ross, CEO of Home & Hearth, Inc.

Here are a few quick tips if you're planning to purchase an outdoor fireplace.

- Consider your space: make sure you don't go too large or too small for the area.
- Wood-burning option: not all outdoor fireplaces are set up to burn wood; some only burn gas. Be sure to check that the one you buy accommodates wood-burning.
- Location: make sure you put the outdoor fireplace in a safe spot. "You don't want to set the outdoor fireplace on a wooden deck. You don't have adequate protection around it from embers," says Ross. He also says don't put it underneath over-hanging trees or right up against your house. On a concrete patio or paving stones is a good location provided that there is lots of clear space in case sparks fly out.

Reverse Mortgages Get Boost from Uncle Sam



Starting on

November 1, 2008 - the limit on Federal Housing Authority (FHA) backed reverse mortgages, dubbed Home Equity Conversion Mortgages (HECMs), will rise to \$417,000 nationwide.

The new rules also will institute a 2-percent cap on origination fees for the first \$200,000 of the loan amount or a 1-percent ceiling for higher amounts, with a \$6,000 inflation-adjustable limit.

Additionally, seniors will be allowed to use such loans to purchase a new property and extract equity from co-operative properties, and lenders will no longer be allowed to sell annuities and other financial products along with the mortgage.

Gen Y Wants High Tech, Green Homes

Gen Y, which will



be 30 percent of homeowners by 2015, are forcing home builders to look differently at what they design, build, and sell.

The generation born between 1976 and 1982 wants high-tech convenience and communication, walkability, green building standards, and diversity. They'll sacrifice space, and some will even pay more, to incorporate those qualities into their lives, real estate experts told an audience at a recent forum on developing real estate for Gen Y, sponsored by the Urban Land Institute. Gen Y's favorite neighborhood amenity is a library, followed by a restaurant or cafe, a main street village, a recycling center, and a fitness center.

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Smaller Homeowner Relief Already In Place

By Broderick Perkins



Don't wait for home owner bailout provisions to trickle down from the \$700 billion Emergency Economic Stabilization Act of 2008," (H.R. 1424) recently rushed through Congress. When it comes to help from new federal legislation for distressed home owners, the \$300 billion "Housing and Economic Recovery Act of 2008" (H.R. 3221), signed earlier this year, can provide more *immediate relief*. The \$300 billion recovery act has both a mandated mortgage modifying provision and a voluntary "Hope For Homeowners" (H4H) refinance program, for home owners who qualify. President Bush signed the larger \$700 billion stabilization act on Oct. 3, 2008, but it is, in-part, "stay tuned" legislation. Exactly how it will be implemented to help home owners -- or the economy, for that matter -- isn't fully clear.

In part, the stabilization act calls for federal agencies holding mortgage and mortgage securities to identify loans that can be modified and work toward modifications. The stabilization act also allows the U.S. Secretary of the Treasury to use loan guarantees and credit enhancements to help home owners avoid foreclosures. And the stabilization deal calls for shoring up the H4H program. How any of those provisions will be implemented, however, is still under consideration.

Loan modifications: On the other hand, the older recovery act, signed in July came with one provision ready to go. It mandated that mortgage servicers modify loans for certain home owners to help them avoid foreclosure as long as three requirements are met:

- A default on the mortgage either has already happened or is "reasonably foreseeable."
- The home owner lives in the property as his or her primary residence.
- The lender is likely to recover more through the loan modification than by forcing the home owner into foreclosure.

It's up to the home owner to prove, in writing, his or her case to the lender. That could mean some back and forth negotiating, even legal wrangling. To that end, an accredited mortgage, banker and broker certifier, CMPS Institute, offers a sample letter (cmpsinstitute.org) containing more assistance, and tips to help home owners negotiate a loan modification.

The institute further advises:

1. Your hardship letter should demonstrate job loss, a serious health condition, an ensuing balloon payment, a coming adjustable rate reset or some other financial calamity that will preclude you from making your mortgage payments as scheduled.

2. Send the letter along with documented evidence -- your

financial statements, employment records, tax returns and bank statements and other evidence that demonstrates how you can afford a modified loan under your present financial circumstances.

3. Deal directly with a representative of the lender's "loss mitigation" or workout department -- not a broker, loan originator or other mortgage staffer.

FHA refinancing: Newly effective Oct. 1, 2008 a second provision of the recovery act allows troubled mortgage holders to avoid foreclosure by refinancing into smaller, more affordable, Federal Housing Administration (FHA)-backed mortgages, provided Uncle Sam gets a piece of the equity-growth action and provided the lender voluntarily agrees to the deal, which includes writing down or reducing loan balances. U.S. Department of Housing and Urban Affairs' (HUD) "Hope For Homeowners" fact sheets has the details.

- The refinanced, 30-year, fixed rate FHA mortgages in the H4H program are for home owner-occupants having difficulty making their payments.
- The existing mortgage must have been originated on or before January 1, 2008, and the owner must have made at least six payments.
- Banks can volunteer to write down an existing mortgage to 90 percent of the new appraised value of the home. To get the deal to fly, any holders of existing mortgage liens must release the liens and waive all prepayment penalties and late payment fees. The existing first mortgage holder has to accept the H4H loan as full settlement of all outstanding indebtedness.
- As of March 2008, the home owner's total monthly mortgage payments due must be more than 31 percent of the household's gross monthly income.
- The loan amount on the new H4H mortgage cannot exceed \$550,440. The amount can include a financed 3 percent "Upfront Mortgage Insurance Premium" and other loan costs. The home owner must also pay a 1.5 percent annual mortgage insurance premium.
- The home owner cannot take out a second mortgage for the first five years of the new loan, except under certain emergency conditions.
- The borrower must agree to share equity with the FHA, both the equity created at the beginning of the new mortgage and future appreciation in the value of the home. If the home is sold or refinanced, the homeowner will share the equity with FHA on a sliding scale ranging from a 100 percent FHA share after the first year to a minimum of 50 percent after five years.

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Improving Indoor Air Quality At Home

By Tara Darby



Over the past few years energy efficiency within homes has been greatly improved upon. The modern approach to home design goes another step further by also greatly improving indoor air quality. By following a few simple tips and guidelines, you can work to better your family's respiratory health. Here's a room-by-room checklist for homeowners looking to achieve optimal health at home.

Let's start on the lower level. Basements are prone to water leakage. Once the walls or floors have become moistened, mold can begin to grow in the drywall or carpet making you or your family sick. According to Dan Vandervort of HomeTips.com, gutters are an easy solution to routing water runoff away from the home. You can also easily regulate humidity levels with a dehumidifier or air conditioner.

In the basement you'll also find the heating system. Furnaces can easily be inspected to make sure they're not leaking dangerous gasses. And keep in mind that newer units usually have far fewer problems than older ones.

In the garage, it's essential to install a weatherproof door between the garage and the rest of the home to keep gasoline and other odors at bay. The American Lung Association (ALA) also warns that you should never leave a car or lawn mower running in an attached garage or shed.

Let's now move to the kitchen. The ALA recommends that if you have a gas range, you should fit the range with a hood fan that exhausts outdoor air. Using the fan or opening a door or window when cooking will also serve to remove gas fumes. Have all fuel burning appliances professionally inspected yearly to prevent carbon monoxide poisoning.

Throughout the home, you can encourage proper ventilation by leaving doors between rooms open most of the time for better air circulation. It's also nice to occasionally open

windows to air out and refresh the home. One of the simplest ways to ensure a safe and healthy environment for your family is by declaring your home a smoke-free zone. You can politely let your guests and family know of the new rule by purchasing signs and labels at www.no-smoke.org.

In your family and living areas, it's critical to keep clutter to a minimum. By properly storing toys, books, and other items in closets or designated storage areas, you can eliminate the amount of dust that accumulates in the home.

Next let's travel upstairs to the bedrooms and bathrooms. It should go without saying that cleaning regularly will greatly improve the air quality in your home. Dust mites and other allergens can be greatly reduced by washing bedding materials in hot water.

The Healthy House Institute (HHI) also proposes replacing carpet with area rugs that can be easily washed.

In the bathrooms, where we tend to use a lot of harsh chemicals, ventilation is key. Exhaust fans in bathrooms serve to remove moisture and chemicals from the house. And when choosing cleaning products, be sure to check them for pesticides or other toxic ingredients. You can read a review of several green bathroom cleaning products at www.grist.org.

Finally, let's head on up to the attic where the air conditioner is located. The HHI advocates inspecting the ductwork, especially if it runs through an uninsulated attic because humid air can condense causing mold and rust. The quick fix to this issue is to insulate the ductwork.

With as much time as we all spend inside our homes indoor air quality needs to be more than just an afterthought. Healthy homes make for happy homes, and these easy and cost-effective ideas should help guarantee just that.

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Good News For Qualified Buyers

By Phoebe Chongchua



A recent survey released by Trulia, a real estate search engine, community forum center, and reporter of market trends and data, found that a "crisis of confidence" exists among key groups of U.S. homebuyers.

Not surprisingly, much of the lack of confidence in the real estate market stems from the mortgage fallout, the instability of the real estate market, uncertainty of economic times, and the upcoming election.

According to the survey, which included about 1,500 respondents, 70 percent of non-homeowners have no plans to purchase a home in the next 12 months and nearly half in the 18 to 34 age group say the reason is because it's too costly. While those in the 35 to 44 age group are concerned that they might not be able to qualify for a home loan. The survey also found that only 12 percent of the non-homeowner respondents said they expect to buy a home in the next 12 months.

In a press statement, Pete Flint, CEO of Trulia said, "This combination of the mortgage and Wall Street crisis is tantamount to a one-two punch that has knocked the wind out of the American home buying public. The question is how quickly the American psyche will heal. Despite this short term pain, half of all Americans believe that home ownership is still the cornerstone of the American dream. It is the dream of homeownership that in the end may help the market rebound."

If you're a prospective buyer, who sees now as an opportune time to buy, then having fewer buyers to compete with puts you in a very good market position. Remember the days of bidding wars? If you're interested in purchasing a home now, especially because of fewer buyers in the market, this may be the ideal time. Working with experts in the industry to help you qualify for the best-suited loan, appropriate size house and style, in a neighborhood that shows promise of increasing value over time - may allow you to get into the perfect property.

"There are some amazing opportunities out there right now and if you are in a good financial position and you can get the

loan that you need with the banks just getting the infusion of cash this week which will hopefully be used to free up the credit market a little bit now is a great time," says Ken Shuman, head of communications for Trulia.

He points out that the fourth quarter is traditionally a slow time for buying homes but it can be a good time for serious buyers to get a head start. Shuman says getting pre-approved is critical even if you have done it in the past.

"Even if you are making the same amount of money and for instance last year you qualified for a mortgage of \$600,000, this year you might only qualify for a mortgage of \$500,000 even if your salary hasn't changed and your credit score hasn't changed," says Shuman.

Shuman also points out that even in these difficult times, the effort to get into the housing market is worth it and that's supported by the research found in their survey.

The survey found that half of the homeowner respondents believe that their home is a great long-term investment despite the turbulence in the marketplace. Some, of course, still have anxiety over the current conditions. The survey also revealed that more than half of all non-homeowners believe homeownership is a central point in achieving their own personal "American Dream".

Among prospective homebuyers the key areas of concern that influence them when deciding to purchase a home are: getting a good price (35%); crime rates (15%), making a good investment (15%).

According to the survey, featured amenities ranked higher than the quality of local school systems (14% versus 11%). Traffic commute ranked last (8%). A gender difference occurs as well. The survey found that, "Men are more concerned with the crime and sound investment factors, whereas women are more concerned with amenities and quality of schools."

As the adage goes, behind every cloud is a silver lining; so, if you're a serious buyer, this may be the market you've been waiting for.

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Credit Unions To The Rescue

By Broderick Perkins



Been down to your friendly neighborhood credit union lately?

You could find that elusive home loan you been unable to get anywhere else.

Credit unions didn't need a bail out during the Great Depression, they didn't need federal intervention during the Savings & Loan debacle and they don't need government assistance now. In fact, right now, they are rolling out the red carpet for home loan borrowers.

During the boom, credit unions avoided writing subprime home loans and other easy-money mortgages. They also shunned selling packages of mortgages to Wall Street moguls who packaged them into now low- to no-return securities. That means credit unions are relatively untainted by the credit squeeze and they have both money to burn and a sound business foundation that allows them to keep on lending.

Instead of fearing the next Great Depression, member-owned credit unions are bracing for what could be their boom time in home loans and other financial services, now that banks and mortgage lenders are crashing and burning.

Mortgage production among credit unions is small by comparison to banks and mortgage lenders, but their originations rose a whopping 10.1 percent during the first half of 2008, according to the industry's federal regulator, the National Credit Union Administration (NCUA).

The Mortgage Bankers Association recently reported bank and mortgage lender loan originations took a nose dive, falling 17 percent during the same period.

Credit unions are more willing than many lenders to make homes loans for the creditworthy, but the old fashioned way. If you go shopping for a credit union mortgage, leave your subprime attitude at the door. You won't be coddled, you can't get away with lying on your application, your creditworthiness will have to pass muster and you likely won't get more home than you can truly afford.

Credit unions are non-profits in the business to make money, but not profits. They serve members who pool their money to get a decent return, either in the form of savings

interest or competitively priced loans.

The fundamentals apply: Credit unions take in deposits. They use the money to make loans. They charge more on those loans than they pay on deposits. Voila! A thriving business.

It's the lack of the profit motive that kept credit unions out of harms way during the mortgage meltdown. They have no incentive to get involved in the subprime racket, no reason to sell and repackage loans as investments and no need to otherwise venture into untried and untrue investment schemes.

Credit unions hold most loans to maturity and return the interest to members in the form of interest-bearing checking, savings and CD accounts. The rest they invest smart so they can continue to help members. Also, because credit unions didn't hop aboard the home loan assembly line, their members aren't suffering the kind of housing hangover many home owners face today.

Less than 1 percent of all credit union mortgages are 60 days or more late, according to their Credit Union National Association (CUNA). And, along with fixed-rate 30-year mortgages they also offer conventional adjustable rate mortgages (ARM) and hybrids.

As with other financial products -- savings and CDs -- rates on loans are often better at credit unions. The spread isn't as much with mortgages as it is with credit cards and car loans, but credit unions' mortgage rates are competitive.

As of October 15 UNA reported the average rate on a 30-year fixed rate mortgage was 6.27 percent; for a 1-year ARM, 4.91 percent. Meanwhile, the MBA reported an average 6.47 percent for a 30-year loan and an average 6.67 for a 1-year ARM.

"Credit unions are the safest depository institution in the country to put your money in right now," says Dan Mica, President and CEO of CUNA.

He has room to boast. Just as the Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 in federally insured banks, credit unions are likewise regulated and federally insured by the NCUA for the same amount.

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FHA Still Going Strong

By Kenneth R. Harney



The country's top housing official has an urgent message for potential home buyers: You may have heard that the credit markets were "frozen," but FHA has been open for business throughout the credit squeeze, and so are Fannie Mae and Freddie Mac. In fact, FHA's volume has tripled and the agency is now insuring well over a hundred thousand new loans a month.

In an exclusive one-on-one interview with Realty Times, Housing and Urban Development Secretary Steve Preston said that FHA, Fannie and Freddie -- who account for a combined 90 percent plus share of the entire U.S. mortgage market -- "have kept liquidity alive" for home buyers -- and have virtually unlimited funds for new mortgages.

"There is no credit crisis" for individual home buyers who have at least three percent to put down, documentable employment, and at least a moderately good credit record, said Preston.

Business loans and various other types of credit may have been more difficult to obtain in recent weeks, Preston told Realty Times, but thanks to the government's backing of the three biggest sources of mortgages, buyers and refinancers of houses have had no unusual problems.

Preston and HUD are playing key roles in the \$700 billion financial system bailout plan now getting underway. Preston is one of just five members of the Financial Stability Oversight Board that oversees the entire effort. HUD's main task in the

weeks ahead, he said, will be to either refinance or help work out thousands of delinquent subprime and underwater homes financed by private lenders during the boom years.

The agency's new "Hope for Homeowners" program, which started October 1, allows it to cut the principal debt, monthly payments and interest rates of delinquent loans through refinancings into fixed-rate FHA mortgages.

In the interview, Preston emphasized the importance of a new, \$3.9 billion program that has received virtually no attention in the press, but which could have huge positive impacts on neighborhoods and communities struggling with large numbers of foreclosures.

Congress authorized HUD to provide funds and other assistance to local governments to buy, fix up, resell or rent out foreclosed houses that are dragging down local property values.

Known as the Neighborhood Stabilization program, it offers not only roles for local governments to fight housing blight, but also provides opportunities for alert realty agents, rehab contractors, builders and investors to be involved -- profitably -- in the turnaround efforts.

If you're interested, talk to your city or county housing and community development officials for details. Though HUD will be providing the funds, local officials will be calling the shots.

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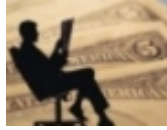
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Investor Report: Bailout to Aid Investors

By Kenneth R. Harney



A lot of people assume that the federal bailout law is all about helping banks and buying toxic mortgage portfolios. That's true, but Congress included some important tax items in the Emergency Economic Stabilization Act that could be of immediate use by owners and developers of investment real estate.

Tops on the list of winners: Anybody who builds or renovates properties using "alternative energy" features - especially solar panel applications. The bill extended a 30 percent federal tax credit for the next eight years for new commercial and residential solar installations - that means everything from multifamily rental projects to retail and commercial office buildings.

Plus the bill removed the previous \$2,000 tax credit cap for residential solar electric installations.

Beyond solar, investors who take the next step and incorporate some form of what Congress calls "small wind power" into existing or new commercial and residential investment properties can qualify for a 30 percent tax credit, up to \$4,000, for wind turbines with capacities of 100 kilowatts or less.

The federal tax credit can be in addition to any state or local credits currently available to buyers and owners of properties incorporating solar or other alternative energy features.

Federal tax credits for fuel cells and microturbines

are extended through 2016, and the fuel tax credit limit is tripled, to \$1,500 for each half kilowatt of capacity.

The new law also created a 10 percent tax credit for certain combined heat and power systems and for geothermal heat pumps.

On top of all this, the law extended the energy efficiency tax credit for commercial and residential real estate through 2013, along with credits for single family home retrofits that are installed during 2009.

If you plan to build one or more new houses, the bailout law provides generous tax credits for properties that qualify under the federal government's definitions of "energy efficient" houses. That covers everything from green building materials, lighting, heating and airconditioning, and household appliances.

To help investors and other taxpayers take maximum advantage of all the credits, the law also increases the income tax limits for the Alternative Minimum Tax (or AMT), and allows unused energy tax credits to be carried over to the property owner's next tax year.

And finally, just in case you want to drive to your energy-efficient real estate using a fuel other than gasoline, the law also provides up to a \$7,500 tax credit for plug-in hybrid vehicles!

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Don't Let Pesky Insects Hurt the Sale of Your Home

By Phoebe Chongchua



Termites can be a major concern and even stall the sale of your home if you don't inspect your home routinely for these pesky insects.

"It's really important to have regular inspections and preventative treatment measures in place so a termite problem doesn't get established," says Ron Harrison, director of technical services for Orkin.

Harrison says, without routine inspections, a termite problem can be penetrating your home without your even knowing it. He says about half to three-fourths of the United States is prone to having termite problems and just because you don't see them doesn't mean they don't exist. "Once you get a termite infestation, you probably won't know it for at least five years," says Harrison.

By that time, significant damage could have occurred and if your home is on the market, handling the infestation can slow the sale process as well as be a costly corrective-measure.

Typically, when a home is put on the market a seller will get a termite inspection but it doesn't always mean the home is termite-free.

"To buy a home, in most states, the seller only has to provide you with a letter that says 'there is no termite activity that was found'. So that doesn't mean it's not there, it's just that they couldn't find any sign of termites and usually that guarantee can be from three months to a year which would be very odd for termites to show up during that period of time anyway," explains Harrison.

He says routine inspections are really the preventative step to ensure that problems aren't developing. "You hate to put another investment on your home, but, I'll tell you, if you don't, the down side is the possibility that someone may have to open up some sheetrock in your house which will cost thousands of dollars just to get in there," says Harrison. He adds, "It would be a great prevention and long-term investment to have a termite protection plan." The plan can also be transferred to the new buyer.

Having a general understanding about termites can help you recognize when a problem is developing. Termites are most

active in moist areas, warmer temperatures (60 - 70 degrees), disturbed soil, and wherever there are objects to follow. "So if you have pipes underground or roots, they will follow those just like a highway," says Harrison. He recommends not having plants that have roots that extend to the foundation of the home.

There are at least 1,900 species of termites on earth but three are extremely prevalent throughout parts of the United States. Subterranean termites live in the ground and then come up and feed. However, their main colony is under the ground. The second type is very common in southern areas of the United States. Drywood termites do not have a connection with the ground. "They swarm into your house and establish up in rafters or furniture. They're quite slow growing and they have relatively small populations," says Harrison.

Formosan termites, originating in Asia, are the third species that Harrison talked about. "This is a much more aggressive termite. It can eat 10 times as much as the typical native subterranean termite," says Harrison.

He says it's very important to make sure you know which species of termite you are dealing with. "You may be dealing with one or two, or three of them and therefore the treatment strategy is going to be a lot different based on what species you're working with," says Harrison.

"The product to take care of termites can be quite expensive," says Harrison. You have to be sure you hire a trusted company with a solid reputation to care for your home or else you might end up with "a diluted-down product that doesn't do the work".

"It's not like changing your oil or even washing your car -- things that a lot of us have other people do but we really could do it ourselves. Termite work takes a lot of expertise and the equipment that we use isn't just like a screw driver and a wrench that you have in your garage. It's specialized equipment -- drills going through cement -- and product applications have to be just right to ensure that you have that protection," cautions Harrison.

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