Send to Printer

Phil McCollum's Real Estate Articles & Advice Newsletter

Phil McCollum
REALTOR®
BRC Realty
DRE License Number: 01339323
700 S. Flower St
Los Angeles, CA 90017
562.225.5234
phil@philipmccollum.com
http://www.philipmccollum.com

Articles and Advice

Eight ways to conserve water this summer

By Michelle D. Alderson

In February of this year, the Governor of California declared a state emergency due to drought. " …California faces its third consecutive year of drought and we must prepare for the worst," Governor Arnold Schwarzenegger said. As of this writing, the state has not issued a mandatory water rationing order, but asks that the residents of California participate in a voluntary reduction. With the summer months ahead, the drought is even more cause for concern. Lawns and gardens will be watered more often, more cars will be washed; essentially the hose will replace the rain. By adjusting their lifestyle a bit, homeowners can reduce water waste -- and save a buck on the monthly water bill. Here's how:

1. "Plant" Synthetic Grass If you are thinking about planting a new lawn this year, know that AstroTurf is back. This is not the same kind of artificial turf you think of when you reminisce about the Brady Bunch's backyard. Synthetic grass actually looks like grass, and it does not need a drop of water to maintain its lush green color. An additional bonus is that you'll never have to mow the lawn again.

2. Water Efficiently Residential properties are regularly overwatered by 30 to 40 percent (http://www.stopwaste.org). Learn how to water your lawn efficiently and at the correct time of day. For example, watering your lawn either in the late evening or early morning reduces evaporation.

3. Go to a Car Wash Using a running hose to wash a car uses up to 150 gallons of water. Most car washes use about five to 10 gallons of water per car (http://www.epa.gov/). In addition, the water used to wash a car in a driveway goes from the street gutter straight to bay or rivers without being treated. Car washes must treat their water before it enters the water system. Many car washes also recycle graywater, keeping the environment clean and conserving at the same time.

4. Use a Broom Running a garden hose can waste up to 10 gallons per minute (http://conserve.sfwater.org) and is unnecessary when cleaning a driveway or sidewalk. The water from a garden hose also contributes to the pollutant waters already abundant in sewer systems.

5. Check for Leaking Sprinklers and Hoses A leaky faucet can waste 100 gallons a day (http://www.sscwd.org/), which includes outdoor systems. Check for and replace leaking hoses or sprinklers. Place automatic water shut-off nozzles on any hoses.

6. Keep a Rain Collection Barrel During a 1-inch rain, 625 gallons of water can be collected from 1,000 square feet of roof (http://www.stopwaste.org). Rainwater can be channeled through gutters and downspouts to a storage unit, which can then be used to water lawns and gardens.

7. Plant Mulch Planting a layer of mulch around trees and plants, such as chunks of bark, peat moss or gravel slows down evaporation. By doing so, 750 to 1,500 gallons of water can be saved a month (http://www.mwdh2o.com/).

8. Grow Native Plants As defined by the Environmental Protection Agency (EPA), native plants, also called indigenous plants, are plants that have evolved over thousands of years in a particular region. Native plants are drought-resistant, require fewer pesticides than lawns (another plus for the environment), and require less water to maintain their natural beauty.

If you want to find more ways to conserve water both inside and outside, check out this non-profit Web site: http://www.h2ouse.org/tour/index.cfm. It's geared for homeowners to research room by room in their home for better ways to conserve water. To read about the drought in California, visit the state government's website http://www.saveourh2o.org/ for more information.

Multiple offers making a comeback

By Dian Hymer

In the current home sale market, it might seem ludicrous to make an offer on a listing if it means competing with another buyer. However, multiple offers are on the rise in some markets. But, it doesn't always mean that you need to pay a lot more than the asking price. Sellers are ever hopeful of receiving multiple offers. These days, this is usually an unrealistic expectation. That is, unless the listing is a prime property in a high-demand neighborhood where few homes are being offered for sale.

Price is a critical part of the equation. Some sellers price their homes low because they need a quick sale. If the price is below market, multiple buyers could step forward with offers. Sometimes an overpriced listing is reduced to market price or below and results in offers from more than one buyer.

Most multiple offers today are on low-end foreclosure properties. Investors make up a large part of the buyers in this segment of the market. In some areas of California and Florida, prices have fallen 40 percent since the market peaked in 2006.

HOUSE HUNTING TIP: Don't shy away from making an offer just because there is more than one offer. In some cases, a dozen or more buyers make offers on foreclosure properties that are listed at bargain prices. But, the highest bidder is not always the winner.

Even in non-distressed-sale situations, multiple offers in today's market don't always result in an overinflated sale price. For instance, a charming older home on a sought-after street in the Crocker Highlands neighborhood of Oakland, Calif., sold after only two weeks on the market with multiple offers. The property was listed for $1.3 million, and sold for $5,000 above that price.

There are far fewer financially qualified buyers in the home-buying market today than there were two years ago due to credit tightening, more rigorous financial qualification requirements and recent stock market losses. In some areas, as many as one-third of home sale transactions fail to close, often due to the inability of buyers to obtain the financing they need.

Sellers who receive more than one offer should carefully consider all aspects of the offers, not merely the offer price. An offer from an all-cash buyer who doesn't need a mortgage to finance the purchase, and who can close quickly, should be taken seriously even if the price is lower than the other offer(s). However, some all-cash buyers -- who are fully aware of their strong position in this market -- feel they are entitled to a major price discount.

Whether or not you'll have success countering for a higher price will depend a lot on the profile of the buyer. Buyers who intend to occupy the property for the long term are more likely to pay more than will investors who base their purchase decisions on the numbers, not their emotions.

THE CLOSING: Sellers should try to keep greed out of their decision when faced with multiple offers. Today's buyers are willing to walk away from a negotiation rather than pay over market value, or it they think the sellers are unreasonable.

Dian Hymer is a nationally syndicated real estate columnist and author.

Unpaid HOA fees boost foreclosure risk

By Benny Kass

DEAR BENNY: I am three months behind in my homeowner's association payments. Can the condominium foreclose on my unit? My mortgage payments are up to date, and I called my lender who said no, they cannot foreclose. What do you say?

I wrote a letter to the board asking for a payment plan in January of this year, but no response as of yet. I know I owe the money, but I was sick for a period of time. I am planning to pay the back fees with my taxes. --P.S.

DEAR P.S.: Your lender is wrong. Review your legal documents carefully and you will see that the board has a number of remedies if an owner is delinquent in his/her condominium fees. The board can bring a lawsuit for collection; in many cases can restrict access to common areas, such as exercise rooms or swimming pools; and can ultimately, unless your state legislature has enacted restrictions, foreclose on your unit.

I am surprised that your board has ignored your request for a payment plan. Such a plan makes sense -- especially in today's economic situation. What does the board want to do: foreclose and then possibly be stuck with your unit if no one buys at the sale?

I suggest you keep pressing the board for a decision.

DEAR BENNY: After 25 years, I'm tired of being a landlord and was thinking of selling my rental house and carrying back the loan. Where can I get more information on what's involved? –Gina

DEAR GINA: When you sell property and take back financing, you are no different from any other commercial lender. You want to be as sure as possible that your buyer is financially able to make the monthly payments (which include principal, interest, taxes and insurance -- which we call "PITI"), and you also want to make sure that the loan is properly secured with the house as collateral. This means that you record the mortgage document among the land records where the property is located.

There is a lot of information on the Internet -- just type in "seller take back financing" at your favorite search engine.

However, as helpful as the Internet will be, you will need specific assistance. Your buyer/borrower will have to sign a promissory note, and a deed of trust (called a mortgage in some parts of the country). Don't rely on the buyer's attorney or title (escrow) company to assist you. Retain your own attorney to draw up all of the necessary papers and to help you determine if your potential buyer is a good candidate for a seller take-back loan.

DEAR BENNY: My friends have a home they are allowing their daughter to live in rent-free. We were discussing selling the home, which they moved out of three years ago. Since they have gone past the three-year period, what is their capital gain amount or tax liability on this home? Is the entire amount that they sell it for taxable? Or does the IRS still deduct the amount paid for the property and call that part untaxable? –Patti

DEAR PATTI: If I understand your question, your friends moved out of their principal residence three years ago, and now want to sell it to their daughter. Since there is a time limit on their right to exclude up to $500,000 of their gain if they are married and file a joint income tax return (or up to $250,000 for single filers), what are their tax consequences?

In order to take advantage of the exclusion of gain, you have to own and live in the house for two years out of the five years before the property is sold. The two years do not have to be continuous; you just have to be able to prove that you did live in the house for a total of two years.

If you fail to meet what is known as the "ownership and use" test, you have to pay capital gains tax. The tax is based only on the profit you made. Example: You bought the property for $200,000, made no improvements, and sold it for $300,000. Although you can deduct such items as closing costs and real estate commissions in determining profit, for this example you have made $100,000 and will have to pay capital gains tax. The current rate for this federal tax is 15 percent. You may also have to pay state and local income tax.

Here's a suggestion, however. If the daughter was living rent-free, it could be argued that this is an extension of the family and thus your friends may be able to tack on the daughter's use so as to permit the family to claim the exemption. I cannot provide specific legal advice and recommend that the family consult a tax attorney or accountant for more information. Clearly, any legal way that one can avoid having to pay taxes is acceptable to the IRS.

DEAR BENNY: I have an odd situation regarding the residence that I am currently leasing. I entered into a one-year lease with a very affluent couple. A few months later, the couple disappeared. More investigation on my part concluded that the husband was an owner of an investment fund and disappeared once the banking industry went awry. Millions of dollars of investors' money allegedly disappeared with the husband CEO. The wife kept in touch with me and I worked out an agreement with her, whereby she would transfer the deed over to me for a lump sum amount and I would continue payments on the home, until I am able to obtain a new loan or work out an assumption with the bank. She agreed, we noted everything in writing, and we're living in the home with our names on the deed but the mortgage in the owner's name.

What will the bank do when they find out that the owners transferred ownership? Is there anything we can do to make sure that our rights as a bona fide purchaser are protected? –Charmaine

DEAR CHARMAINE: Wow! Another fraudulent financier. When will this madness and corruption stop?

My first question is whether you really own the house. If the house originally was in the name of the husband and wife, and the missing husband did not sign the deed, you do not own the property. You must immediately retain a real estate attorney in your area to investigate.

If you do own the house, are you in a financial position where you can refinance and get a mortgage loan in your name -- and pay off the old loan? Interest rates are very low now, so you should seriously explore that option. Alternatively, come clean with the bank that holds the mortgage and I suspect that they will work with you.

But, the first question must be answered immediately: Do you really own the property?

DEAR BENNY: Condominium owners don't realize until it's too late that they are at the mercy of their boards. What can the community do when the board doesn't follow the bylaws and rules and regulations? –Del

DEAR DEL: That's a tough question. There are times when a board has to make value judgments as to whether they should follow the legal documents -- even though they realize they are legally obligated to do so.

One example that is very current deals with rentals of condominium units. Many association bylaws put restrictions on renting -- such as either no rentals allowed or only a certain percentage of units can be rented at any one time. However, in today's economy, many owners who must leave the area for whatever reason find that they are unable to sell and must rent -- despite the fact that the quota spelled out in the bylaws has been met.

What should a board do in this case? Obviously, the first choice is to try to amend the legal documents. But that's not always easy. More importantly, when the economy gets better, the association wants the leasing restrictions to remain in place.

I have told my condominium clients that the board should hold a public meeting, and advise the owners that based on the circumstances, and despite the clear language in the bylaws, the board will just not enforce the leasing restrictions for the foreseeable future.

If the members do not object, then the board can "close their eyes" to the violation. But if there are objections, the board would have to consider whether the costs involved in litigation are a worthwhile expenditure, and they still may opt not to enforce.

Don't get me wrong. I am not advocating that boards have the right to ignore the clear dictates in the legal documents. In general, they do not have this right.

What should owners do if their board is ignoring the rules? I tell everyone that they have the following options: (1) initiate a recall proceeding, so as to try to "throw the rascals" out of office (the bylaws should spell out the legal requirements for this process); (2) run for the board and try to change the system; (3) a number of unit owners should retain a lawyer who can file suit to force the board to comply with the documents; (4) accept the situation and live with it; or (5) move out of the community.

Benny L. Kass is a practicing attorney in Washington, D.C., and Maryland. No legal relationship is created by this column.

Truth about home fixture warranties

By Paul Bianchina

Warranties are something we see on a myriad of home improvement products, from roofing and siding to faucets and electrical outlets. They're intended to give the consumer some specific legal recourse should the product fail to perform properly, as well as some general psychological peace of mind.

But how valuable are warranties? Do they cover what you think they do, and can you rely on them to really protect your financial investment in the event of a problem? The truth is: probably not as much as you'd hoped.

READ, READ, READ The first thing you need to do with any warranty is to request and read a copy of it before you make your purchase. Some warranties are very simple and straightforward, and others are lengthy, convoluted and fraught with legalese. Nevertheless, you need to read it to the best of your ability.

One of the first things you will notice about virtually any warranty is that it is tied to very specific steps that must be followed by the person installing the product, whether it's you or someone you hire. Failure to follow the steps exactly will typically result in the warranty being void, and this is a common pitfall that many homeowners -- indeed, many contractors -- fail to take seriously enough. A careful examination of the warranties offered by many building material manufacturers will turn up language that states, in one form or another, that the warranty applies only to structures on which the product has been installed, finished and maintained in accordance with the manufacturer's specific instructions, and that deviation from those installation, finishing and maintenance instructions will render the warranty null and void.

Some of the things you need to be very aware of that can void a warranty include:

Inadequate protection during storage, which includes how the product is protected from ground moisture, dirt and dust, weather, impact, and other specifics.

Improper spacing. This would apply to products such as siding or shingles, where you have left gaps that are consistently too large or too small.

Improper fastening, which includes the gauge, length and style of the fasteners you use, the depth of their penetration into the wood, the spacing between the fasteners, and even the amount of air pressure used with air-driven fasteners.

Finishing. In the case of siding and some other materials, it must be finished (painted, stained or otherwise protected from the elements) within a certain time frame, using approved materials and approved application methods.

Maintenance. Many products also tell you what steps you need to take to maintain them properly, and failure to follow those steps can also void the warranty.

WHAT DO WARRANTIES COVER? What a specific warranty covers varies from manufacturer to manufacturer, and can even vary within the product lines offered by the same manufacturer. Some of the more important things to be aware of are:

What is the term of the warranty? Some warranties last only 30 or 60 days, while others are for the expected life of the product, which might be 50 years or more.

Is there depreciation? Longer-term warranties, such as those on roofing, are typically depreciated based on the product's expected life span. For example, if you have a composition shingle with a 30-year warranty and it fails after 15 years on the roof, it's common that the replacement value will be depreciated by 50 percent.

Does it cover labor? Many warranties will cover the cost of the product itself, but not the cost of the labor to remove and dispose of the failed material and install the replacement. Some will cover removal but not replacement, or vice versa.

What steps are required? If that new faucet fails as soon as you install it, can you take it back to the store for an immediate replacement, or does the manufacturer insist that it be sent back to their facility for possible repair?

With any warranty, do your homework. Obtain and read a copy, and if you have questions about it you need to discuss it with your dealer or your contractor. If they are vague or unsure about answering your questions, ask for the phone number of the manufacturer, and call them directly.

Buying house? Think long term

By Dian Hymer

Now would seem like a rotten time to sell. The economy is in recession and many housing markets around the country have suffered serious downturns.

However, if you're a seller who will also be a buyer in a market where prices have declined, it could be a good time to both sell your current home and buy a new one. You sell for less than you would have in 2004, but you also pay less than you would have then.

To be successful selling in this market, your home needs to be in good condition. Most buyers are bidding on a home they can move into without having to do a lot of work. Also, your home must be priced for the market.

If you've been transferred and need to relocate, there are a couple of options. One is to sell your current home and buy in the new location. Some employers offer relocation assistance that covers many of the selling and moving expenses.

Another option is to rent your current home to a tenant and rent another one in the new location. There are benefits to renting in a new area before buying. It gives you an opportunity to learn about the neighborhoods before committing to a long-term investment.

Transferees who think they could return to their current location within a year or two might be better off renting their current home. However, renting your home can have its drawbacks. Tenants usually won't care for your home the way you would.

Set aside a fund for making improvements after the tenant leaves. Also, retain a gardener to care for the landscaping and make sure you have a property manager or handyman locally who can take care of problems when they arise.

HOUSE HUNTING TIP: Buyers are at an advantage in many marketplaces today. Generally, prices are lower than they were several years ago. And, interest rates are low. Jumbo financing is pricier. Five-year fixed-rate jumbo mortgages cost less. At some point interest rates will go up, particularly if inflation takes hold following the recession. If you buy using short-term fixed-rate financing, look for a good time to refinance before interest rates go up.

It's not a good time to buy if you think you might be transferred or if your marriage is on the rocks. Buying a new house usually won't solve marital problems unless you're living in a house that's much too small to provide suitable living space.

The unknown factor that keeps many buyers on the sidelines is that prices could drop further before they stabilize or turnaround. So, the house or condo you buy today could be worth less in six months. But, it could be worth more in a few years. However, if you had to sell between now and then, you'd take a loss.

It's impossible to time the market. You'll either buy before or after the market bottoms out. Some people get lucky and buy at the bottom. But, you'll know that only through hindsight. If you buy after the market hits bottom, you'll be faced with more competition from other buyers and probably pay more.

Don't buy unless you know you won't have to move again soon. This includes making sure you buy a home that will accommodate your needs for years to come. Home buying always involves compromises. It's better to buy a home that's too big than one that's too small.

THE CLOSING: Buy for the long term.

Dian Hymer is a nationally syndicated real estate columnist and author.

Features

Asphalt driveway has odd problem

By Paul Bianchina

Q: I am having a problem with my blacktop driveway. I have lived in my townhome for seven years, and I have always had it seal-coated every year. The townhome is approximately 20 years old. Last year I noticed that the driveway seemed to be cracking and splitting. I had the seal-coating done and the cracks filled. The gentleman who did the job said that the driveway was heaving due to pipes that ran from the house to the street. I called our public works department and they said that could not be the case because we would notice water in the grass or street area. I called our architectural committee and the gentleman from there said it was simply settling. My neighbors' driveways do not seem to be having the same problem or seem to be settling.

I live in a cold part of Illinois, and would like to repair the drive or perhaps put in pavers, but am not sure of what to do. I am a widow and do not have any close males in the family. I really do not understand some of these household problems. Could you recommend someone who could properly advise me in this matter?

A: Asphalt is typically laid over a subbase of compacted gravel, and it's relatively stable unless something happens to the gravel underneath it. Given the fact that the driveway is 20 years old, and has been OK up to this point, I doubt it has suddenly started to "settle." My suspicion is that there may be a water leak of some sort that's happening under the driveway and causing the gravel to move. If there are indeed water lines running under the driveway and one of them is leaking, you would not necessarily see water in the street or lawn -- it could be a slow leak that is going straight down.

You are going to need to have a paving contractor come out and take a look. Your homeowner's insurance agent should be able to make a recommendation for a trustworthy local contractor, or you could ask your architectural committee or the person who did the recent sealing. The contractor will need to come out and examine the situation, and perhaps remove a small section of the driveway to determine what is going on underneath.

If there is a leak or some other source of groundwater that is causing the problem, then it will need to be repaired before you either repave or install pavers (the pavers would probably be the better choice). You will also need to determine who is responsible for the repairs: you, the city, or the condo association. Unfortunately, you may need the assistance of an attorney for that one.

If the problem is not a leak, then the contractor should be able to grade and compact the gravel again, and then pave or do the pavers for you.

Q: I have a home that was built in 1969 and have a real insulation problem. The home is brick on the outside, has 2x4s with that pink 1/2 insulation, then drywall on the inside. I live in the Midwest and of course most of my problems are from the house situation with north exposure. I have thought about building a second interior wall, but unfortunately all the cabinets in my kitchen would have to be removed and installed elsewhere. When I open the cabinets on a breezy 10-degree day, I literally can feel the cold. Are there any other options such as a spray-in-type insulation that can be done from the inside of the house that would seal it better?

A: If you have a house that already has insulation in the walls, there's nothing you can add to those cavities for more insulating value unless you tear into them. Since you mention particularly noticing the cold on a breezy day, I would look at air leakage as being the primary culprit. With brick siding, there are dozens of areas around windows, doors and other penetrations where gaps exist, and by sealing those with a good-quality clear silicone sealant you should see a definite difference. In other areas that you have access to, such as the attic or crawl space, use an expandable foam sealant in a can to seal plumbing and wiring penetrations where they enter the walls. It's a small thing, but you also can stop interior air leaks by adding foam gaskets to all your outlets and switches.

Finally, make sure that you upgrade the insulation in those areas that you have access to, like the attic and the floor above crawl spaces and unheated basements. Helping those spaces to better retain heat will make the entire house feel warmer, and will have a positive effect on your comfort and your energy bills. Also, while you're up in the attic or under the floor, be sure that all ventilation fans as well as your clothes dryer are vented all the way to the outside of the house. This will help prevent unwanted moisture, and will also help from pressurizing the house and forcing cold air into cavities where it can eventually get into the house.

Cancel impound account? There's a fee

By Benny Kass

DEAR BENNY: Can you explain how a bank can legally charge a quarter of a point of the loan to opt out of an impound account? We have always paid our property taxes twice a year and always on time and have excellent credit. It feels like extortion to me. –Jerry

DEAR JERRY: It may not be legal extortion, but it's close. For years, lenders argued that it was necessary to collect escrows for taxes and insurance (also called "impound accounts") in order to make sure that the real estate taxes and insurance policies would be paid and kept current.

This argument persuaded the feds to allow mortgage lenders this right. When Congress enacted the Real Estate Settlement Procedures Act (RESPA) back in the 1970s, it put a limit on the cushion that lenders could take from homeowners. If the lender is covered under RESPA -- i.e. is a federally related or insured lender -- it can not take more than approximately two months of additional escrows per year.

Some states also limit the amount of escrows that can be taken by mortgage lenders, and indeed it is my understanding that a few states actually require lenders to pay interest on the moneys they are holding in escrow.

But the basic argument that lenders make still remains: We want to make sure that our borrowers keep their real estate taxes and insurance current. So if that's their position, then why will they allow borrowers to pay their own taxes if they pay a little extra interest on their loan?

There is only one answer: Lenders use these escrowed accounts to their advantage. They get interest on these funds -- which for many lenders can be a lot of money -- or they use the funds as compensating balances to satisfy regulators' requirements.

Many lenders will let you pay your own taxes and insurance and will not demand the escrow or a higher interest rate. My suggestion to my readers: Negotiate hard with your prospective lender and see if they will allow you the right to pay these expenses on your own. After all, no one wants to lose their house at a tax sale.

DEAR BENNY: What is your opinion of reverse mortgages? We have a home assessed at $157,000. Our nest egg is being eaten away and I was wondering about the benefits and pitfalls of a reverse mortgage. –Richard

DEAR RICHARD: Recently Congress put some restrictions on the costs that lenders can charge for reverse mortgages, so it is too soon to learn the results of that legislation.

A reverse mortgage is an interesting concept. You can tap the equity in your home and take out your money in three different ways. You can get a lump sum; you can get monthly or quarterly annuities; or you can use the mortgage as a line of credit, writing checks when you need the money.

But there are a number of negatives. While you do not have to pay any money to the lender, the interest will accrue on a monthly basis. That means that over the years, the equity in your home will disappear. When you die or decide to sell, the lender will be paid off in full. Because the lender runs the risk that at that later date, there may not be enough equity to be paid off in full, the charges are higher than if you obtained a conventional mortgage.

I suggest you do your homework first. There is a lot of good material on the Internet (just type in "reverse mortgage" at your favorite search engine). I recommend going to the AARP Web site because they are continuously examining these types of loans, and they are not lenders and thus try to be completely objective.

DEAR BENNY: Our neighbor has planted some fast-growing bushes on her land, close to the boundary between our lots in order to provide some privacy between our swimming pools. These bushes grow upwards and outwards, overhanging our land, which we do not like. She sometimes has them trimmed back, but they very quickly grow again and, as we do not like to keep asking her to have them trimmed again, we do the work ourselves. She objects to that and suggests that we are not allowed to trim her overhanging bushes. What's the legal position? –Richard

DEAR RICHARD: It is my understanding that in all 50 states, homeowners have the absolute right to trim overhanging branches and bushes, and to cut off roots that trespass on your property. Whether you can force your neighbor to trim her own shrubbery depends on your specific state law.

You may also have the right to file a lawsuit against your "neighbor" based on a private nuisance theory. You would have to explore this concept with your own attorney.

DEAR BENNY: Several years ago we purchased a house, and the seller provided financing. We now plan to refinance the loan with a third party. The seller/lender is named on all of the legal documents (i.e. deed of trust, insurance, etc.). What documents do we need to use to remove the lender's lien position? Do we bring the documents to the county recorder's office? Basically we want to get the official records to indicate there is no longer a lien holder. –Kim

DEAR KIM: You have to get a payoff statement from your current lender, and make arrangements with him that you will exchange your check in the amount of the full payoff with a release of your present deed of trust (in some states it is called a mortgage). You should also contact your insurance company and change the name of the "beneficiary" from the current lender to your new one.

But let me make a suggestion. Your new lender -- whether it is a private person or a commercial company -- will want its loan to be documented properly. The lender will also require a title search, to assure it that it will be in first place position, with no earlier liens ahead of it.

So your best approach is to retain a local real estate attorney who should be able to assist you throughout the entire process.

Benny L. Kass is a practicing attorney in Washington, D.C., and Maryland. No legal relationship is created by this column.

Best fix for a cracked patio

By Paul Bianchina

Q: I enjoy your column and have a question for you. We built a home last year and have a concrete patio at the rear. It already has a crack in it (not very large) and it's starting to stain. I would like to improve the appearance. What would be the best choice? Paint it, carpet it (I do not like the look of the turf-like outdoor carpeting), lay down a stone covering over it, or something else? It is fully exposed, and we live where the winters are not very cold but the summers can get very hot. There are few trees around it, so leaf stains are not really an issue. We keep our grill, a few chairs, and a patio table on it. It gets direct sun about half the day. Suggestions?

A: If the patio is low enough in relation to any doors so that adding a layer on top won't cause any height issues, my recommendation would be to add a new decorative layer of masonry on top of the concrete. This will add resale value, and also be easy to maintain. Depending on your preferences and what would go well with the house, you might consider bricks, tile (look for exterior floor tiles, also called paver tiles), flagstones, or other materials. Lighter colors will reflect the sun to some degree, but be aware that any masonry surface will absorb heat, about to the same degree as the original concrete patio.

Again depending on the height in relation to doors, another thing to consider would be a layer of stamped, colored concrete on top of the old patio. A good concrete-stamping contractor can offer an amazing selection of colors and patterns that look great and hold up very well.

BUY NEW OR IMPROVE?

Q: With so much inventory in the housing market for sale, is it better to build new, or buy and improve?

A: When you have a down market like this one, in my opinion it's the best time to buy and improve. You have a better chance of finding a good bargain on a fixer-upper, perhaps even a foreclosure, and with sweat equity you have a good chance of making a nice profit when it comes time to resell the house when the market picks up again.

If you decide to go this route, concentrate your remodeling efforts on rooms such as the kitchen and bathrooms, stay neutral with your color choices, and also look at the curb appeal aspects of the landscaping and exterior. I like to use a philosophy of quality over quantity: do good work; use good materials; always get the necessary building permits; and don't cut corners like you see on too many television "house flipping" programs.

DO I NEED AN AIR COMPRESSOR?

Q: I was told that the only way to remove ceramic tile from our floor is with an air compressor. I've been doing it manually because I'm not in a hurry, but the mud is a pain to remove. Should I consider an air compressor? I would be using it only for this task and then see no other application for it. So I hate to spend the money if there is an alternative that I can use over time.

Thanks in advance for your advice!

A: First of all, it's important to understand that all an air compressor does is compress air so that it achieves a high-enough pressure to be able to power different tools, such as air guns. The only way I can think of that an air compressor would help you out with your tile-removal task is if you also purchased some type of air-powered chisel to chip up the mud -- which would definitely be faster and easier than chipping it all up by hand.

As far as other applications, an air compressor is actually a very useful piece of equipment to have if you do much home improvement work. It will power a wide variety of nailers, from large framing nailers to smaller finish nailers and staplers, as well as paint-spraying equipment and inflation accessories. There are currently a number of air compressor/nailer combinations available at many home centers and hardware stores that offer you a good opportunity to get a top-quality, name-brand compressor with one or two nailers and even a hose, all for a very good price. You could then also purchase a basic air chisel for less than $50 to help with your tile removal. With any of these applications, always remember to wear both eye and hearing protection.

If you don't think you'll have any future use for the air compressor and you don't want to buy one, you can always rent one at any rental yard, along with the air chisel.

Is 80-10-10 financing dead?

By Dian Hymer

One of the few certainties in the real estate business is that it's always changing. At this point, the financing end of the business changes daily. A lender may approve a loan one day and decide just before closing that it no longer offers that type of financing. Then, weeks later, they are back in the game.

It's widely known that the easy-qualifier loans that got so many homeowners into trouble recently are no longer available. Most conventional lenders want the borrower to put cash into the deal, have very good credit scores, and be able to verify employment. Mortgage lenders are in a very cautious mode.

The 80-10-10 financing, a popular financing vehicle for qualified, low-cash-down buyers, has virtually disappeared. With 80-10-10 financing, the buyer makes a 10 percent cash down payment. A conventional lender gives the buyer a mortgage for 80 percent of the purchase price, and the borrower takes out a second mortgage against the property for the remaining 10 percent.

When buyers put less than 20 percent down on a home purchase, the mortgage lender usually charges private mortgage insurance, or PMI. This insurance protects the lender in the event that the buyer defaults on the loan. PMI adds to the cost of the monthly mortgage payment.

In time, if the buyer can substantiate that there is 20 percent equity in the property, the PMI can be eliminated. But, it doesn't happen automatically. It requires a verification process.

HOUSE HUNTING TIP: Buyers who can't get financing without PMI should be prepared to pay PMI for the foreseeable future. Home prices may not have bottomed out yet. No one knows when we'll enter the next cycle of home-price appreciation. The future appreciation rate is uncertain. However, you can build equity, without depending on appreciation, if you pay down the amount owed until the mortgage equals 80 percent or less of the property value.

It's precisely because of the declining market that lenders are gun-shy about 80-10-10 financing. There are few, if any, lenders who do 10 percent second mortgages for home purchases. If the value of the property were to drop 10 percent, the property would be 100 percent financed. Should values drop further, and the borrower stopped making payments, the lender could lose out completely if the property couldn't sell for enough to repay the second mortgage.

Recently, however, buyers were able to purchase their first home in Montclair, a popular neighborhood in the hills of Oakland, Calif., using 80-10-10 financing. They were very well qualified financially, but they wisely decided to preserve some of their cash for home maintenance and improvements.

Their mortgage broker arranged a 90 percent mortgage for them -- one that required PMI. The buyers shopped around and were able to find an 80 percent first mortgage with a lower interest rate. They got a private second mortgage for 10 percent of the purchase price, so they didn't have to pay PMI. This alone saved them $150 per month. The first mortgage lender approved this financing arrangement.

Most lenders, at this point in time, won't permit buyers to obtain secondary financing. But, there are lenders that will allow this sort of financing. If you don't have access to a private-money second, see if the seller might be willing to carry back 10 percent. If you have 15 percent to put down, perhaps the seller would agree to a second mortgage for 5 percent of the purchase price. And, don't be bashful about asking your parents for an early inheritance.

THE CLOSING: Many parents are pitching in so that their children and grandchildren can settle in a good long-term home in a desirable location.

Dian Hymer is a nationally syndicated real estate columnist and author.

Phil McCollum
REALTOR®
BRC Realty
700 S. Flower St
Los Angeles, CA 90017
562.225.5234
phil@philipmccollum.com
http://www.philipmccollum.com