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# Phil McCollum's Real Estate Articles & Advice Newsletter

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# Articles and Advice

## Energy upgrades can yield tax credits

By Elyse Umlauf-Garneau

If you've been putting off energy-efficient home upgrades, now may be the time to take on some home improvement projects. Thanks to the American Recovery and Reinvestment Act of 2009, signed by President Barack Obama on Feb. 17, there are new incentives for consumers to eliminate outdated, inefficient building systems that affect residents' comfort and pocketbooks.

The stimulus bill expanded and extended the tax credits for the home improvements that had expired in 2007. That means through 2010, consumers can claim a 30 percent tax credit for costs of buying things like new windows, furnaces and insulation. The lifetime cap is $1,500. Before, consumers only could claim 10 percent of the costs and the cap was $500.

Among the common home projects covered are:

-Exterior windows, including skylights and storm windows; -Insulation, exterior doors and roofs, including sealants to minimize air infiltration (caulk, weather stripping and sealants), and storm doors; and -Central air conditioning; heat pumps; furnaces and boilers; and water heaters.

Because there are certain quirks and deadlines associated with what does and doesn't meet the guidelines. You have to be careful looking at what exactly qualifies. You have to have the right windows, for example. Similarly, for roofs and insulation projects, those placed in service between January 1 and Feb. 17, 2009, must meet certain requirements and those placed in service between Feb.18, 2009, and Dec. 31, 2010, must meet slightly different criteria.

Homeowners able to make more significant investments may want to consider some longer-term energy solutions, such as geothermal heat pumps, solar photovoltaic cells, solar water heaters, and fuel cells, because the tax credits also were changed for such systems. They're eligible for the 30 percent tax credit and there's no maximum cost. Again, it's important to understand all the criteria to receive full tax benefits.

Resources:

- Alliance to Save Energy (www.ase.org/taxcredits ) offers an easy-to-follow guide on the available tax credits.

-Energy Star: http://www.energystar.gov/index.cfm?c=products.pr_tax_credits#c6 offers information and a Q&A about the Federal tax credits.

-Flex Your Power— http://www.fypower.org/res/tools/rgl.html lets you search by zip code for energy-efficient rebates and incentives in California.

-The Database of State Incentives for Renewables & Efficiency is another source for information on California-specific financial incentives for energy upgrades. http://www.dsireusa.org/library/includes/map2.cfm?CurrentPageID=1&State=CA&RE=1&EE=1

## Failed flip flirts with foreclosure

By Benny Kass

*DEAR BENNY: I am retired. About 18 months ago (before the economic crash), I bought a fixer-upper and renovated it, but have been unable to sell it. If I let the property go into foreclosure, can/will the bank that gave me the mortgage try to get at my other assets (equity in my home, stocks, etc.)? –Irvine*

DEAR IRVINE: You are asking about a legal concept known as a "deficiency judgment." Let's take this example: You owe the bank $200,000 when you go into default. The bank -- after trying to work something out with you -- forecloses on the property. At the sale, the property is sold for $150,000. The difference -- $50,000 -- is the deficiency.

Your state law will provide the answer as to whether your bank can seek a judgment against you in a court of law. Recently, the National Consumer Law Center, located in Boston, Mass., issued a comprehensive report entitled "Foreclosing a Dream." According to this report, "in 36 states and the District of Columbia, mortgage holders can pursue so-called 'deficiency judgment' claims against homeowners even after the foreclosed home has been sold at auction."

This report analyzes the foreclosure laws in all 50 states. It is available on the Web at www.consumerlaw.org.

However, even in those states that prohibit (or restrict) deficiency judgments, those laws apply to consumers but not investors. So in your case, it is possible that you are not protected. If you let your property go to a foreclosure sale, not only will your credit be ruined for a number of years, but you may be sued by your lender for any deficiency.

Please talk with both your lender and an attorney before you take any drastic actions.

*DEAR BENNY: I have a family member living in a condo that my family paid off years ago. The only commitment to living in the property was to pay the condominium fees. If the payments stop, can my property be subject to foreclosure. What can they do to me? –Kim*

DEAR KIM: My first question: Is someone paying the real estate tax to the state or county? If not, the property can be sold at a tax sale. If the condo fees are not paid, yes, the condo association has a number of alternative remedies. They can sue the property owner for the amount owed, or they can foreclose on the property.

While I know that times are tough, if community association homeowners do not pay their assessments, that will seriously impact all association homeowners. The association does not have enough money to properly maintain the property, and property values will continue to decrease, making it more difficult to sell.

I strongly urge all community association homeowners to make their assessment payments timely. It's your property; don't let it go to waste.

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

## Pros and cons of linoleum flooring

By Paul Bianchina

*Q: Could you please tell me how linoleum scores in the same categories: virtues, detractions, and resale?*

A: You ask a great question, and one that is very relevant to the current trends of environmental responsibility. Linoleum has been around since about the time of the Civil War. It was very popular for flooring in this country up until the 1950s, when it began to be replaced by other hard-surface flooring such as sheet vinyl (made from PVC). It has seen a resurgence of popularity in recent years, due in large part to the renewable materials used in its manufacture.

Linoleum is primarily a combination of linseed oil, wood flour, cork powder, resins and ground limestone mixed with mineral pigments to provide color. In fact, the name comes from the Latin words "linum" (linseed) and "oleum" (oil). Linoleum is an extremely durable material, with a long-proven track record of reliability. It is very well suited for high-traffic areas, does not show nearly as many scratches or impact marks as most vinyl flooring, and is highly water-resistant.

It's a particularly good choice for kitchens, bathrooms, entries, laundry areas, and any other room subject to moisture and wear. Because of the nature of its blend of materials, linoleum also can be a very good choice for homes occupied by people with allergies. And as it gains again in popularity, you will find an increasing number of choices in colors and patterns.

On the downside, linoleum is a relatively hard and inflexible material in comparison to some types of sheet vinyl, and it is best suited to professional installation. For the do-it-yourselfer, there are linoleum tiles available that are easier to work with. There also can be some color variations, known as "blooming," in areas where the linoleum is covered and blocked from light, which is something worth checking with your dealer or installer about.

As far as resale value is concerned, it would have some of the same disadvantages as vinyl when comparing it to materials such as ceramic tile or hardwood. However, in my opinion it has a greater value than standard sheet vinyl, due to its "green" composition and hypoallergenic properties.

*Q: I am getting ready to replace a Kenmore gas drop-in range with a Kenmore gas slide-in range. We kicked out the little strip of paneling or cabinet and had been told that the drop-in sits on a pedestal in the space, but when we removed that strip and could see under the range we could see that there is no pedestal and I have NO idea how the range is being held in that position. We are trying to prepare for when the installers come and aren't quite sure what to do now.*

*Can I tell whether the range is hardwired or not, before they come and pull the old one out? If I lift up the top of the stove I can see a plug of some sort back there, but I was not sure whether this is what everyone is referring to on the Web when they talk about the hard wire or plug. Is this even something that I need to worry about if I am replacing with another gas range?*

A: A drop-in range is typically supported by a lip at the top of the range that rests on the countertop, and on a strip of wood at the bottom that extends between the two adjacent cabinets. Some types also have a pedestal or other support structure under the bottom as well, but that's not all that common. A slide-in range, on the other hand, sits on feet on the floor, and is adjusted so that the upper lip rests on or flush with the countertops.

A fully gas-powered range -- one that uses gas for both the cooktop and the oven -- will have a 120-volt plug that powers such things as the clock and any electronics. This will be a standard plug, and will not be hardwired in place (hardwired means it goes into a junction box and is connected with wire nuts inside the box, as opposed to having a plug).

Removing a drop-in range is mostly a matter of muscle power. Remove the oven door if possible (this makes the range a little lighter and a little easier to grip). Lift the range up and forward several inches, until you can reach the plug and the gas shutoff valve. Shut the gas, unplug the cord, and then lift the range the rest of the way out of the opening. This is definitely a two-person job, and you'll want to have something on the floor in front of the range to set it down on so you don't scratch the floor.

To replace the drop-in with a slide-in, you will need to remove the lower wooden support -- carefully so as not to damage the cabinets. Remove any other supports you might encounter. From there, it will be up to the installers to make sure that the gas line and electrical plug are in the right place for the new range, and to do any minor trimming and fitting if needed.

## Delay move until deal is done

By Dian Hymer

Sellers should start packing as soon as they think they might want to put their home on the market. That is, they should start weeding out all the personal property they no longer want or need. It makes no sense to spend time and money packing and moving these things.

Most homes need decluttering before they're sold. This is so they show at their best, which usually results in a faster sale at a higher price. Cluttered homes look smaller than they are. And, an unkempt look puts buyers off. Clearing out the clutter early is a good idea even if you aren't sure when you'll be moving.

Deciding when to pack the things you're keeping should be carefully considered due to changes in the home sale market over the past few years. Sellers used to start packing as soon as the buyers removed all contingencies from the contract. It was usually smooth sailing from then to closing.

Now, there are some sale transactions that don't close on time because lenders take longer to approve loans, often asking for an additional appraisal or more documentation from the buyers before they'll deliver the funds. Occasionally, a transaction doesn't close at the last minute. The lender might cease offering a certain loan program, change the terms of a loan, or run out of money.

HOUSE HUNTING TIP: Sellers who are living in their homes during the marketing period shouldn't move their furnishings out until they are sure the transaction is closing. Otherwise, they could have to move back in again if the deal falls apart at the last minute.

An East Coast seller moved out and then heard that the closing was delayed. Her furniture was already on its way to the West Coast, so she couldn't move back in. Luckily, the sale closed three weeks later.

To avoid moving out before you know the sale is closing, build a few extra days into the purchase contract at the time you negotiate the sale with the buyers. For example, you could ask to vacate the property within two or three days after closing. This way, if the closing is delayed, you have time to reschedule your move, and to move out and clean the house before the buyers take possession.

Movers, particularly the larger moving companies, can be flexible regarding your move date. It's best to schedule the move in advance for the date you'd like to move. If the closing is delayed, you can reschedule the move date accordingly.

It can be difficult to sell a vacant house. Most buyers don't have the ability to imagine how a house would look furnished. It's hard to gauge the size of a room that's void of furnishings. For example, most people can't visualize how a king-size bed would look in the master bedroom unless it's already furnished with a king- or queen-size bed.

Some sellers hire a professional decorator to stage their home for sale to enhance its appeal. This could be a partial staging, incorporating some of the seller's possessions, or a complete staging with all the furnishings provided by the staging company. In either case, it's best to leave the staging in place until you're sure the sale is closing to avoid the cost of having to re-stage the house if the deal falls apart at the last minute.

THE CLOSING: Buyers who are currently renting should have assurances from their lender that the sale will go through before giving notice to their landlord, unless they have a place to stay temporarily if the closing is delayed.

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

## Resale value high on buyers' minds

By Dian Hymer

There's not much you can do about keeping a down market from having some impact on the value of your home. But, you can carefully choose the home you buy so that you end up with a property that holds its value well, even in a slow market.

Gerry and Patty Montmorency have lived in their Oakland, Calif., home for 11 years. Prior to this relatively long period of ownership, at least for them, they bought and sold seven homes in six different cities. It took them between 12 hours and two weeks to sell the last six homes, even one they owned in Nashville, Tenn., for less than four months.

What is the secret to their success? Location is at the top of the list of features to look for. A convenient location with good public or private schools, public transportation and a commercial district close by are a plus. But, being too close to a school or commercial zone can detract from value, particularly in a buyer's market.

HOUSE HUNTING TIP: To make sure they don't end up buying in the wrong neighborhood, the Montmorencys walk the neighborhood on different days and at various times. They are on the lookout for a pride of ownership that is reflected in good care and maintenance of the homes and yards. They also check for loud neighbors and noisy pets.

Patty and Gerry steer clear of buying the smallest or largest home in the neighborhood. Both of these can be tough sells in a slow market, and you can't always time your move to sell when the market is hot. In a hot market, buyers tend to overlook defects because they're so intent on buying when home prices are appreciating.

Other features on the Montmorency's list are: at least a two-car garage, ideally with inside access to the house; at least 2,000 square feet of living space; three bedrooms and two and one-half bathrooms; wood and tile floors throughout; a newer kitchen and bathrooms, or ones that can be updated; and no aluminum windows or siding.

They also prefer to live on a cul-de-sac, if possible. But, if not, there should be no double yellow line in the street in front of the house. They always buy single-family homes -- never split-level homes or condos. For decades, single-family homes outpaced condos in terms of appreciation rate. However, that turned around at the beginning of this decade.

Many things can be improved in a house, such as the color scheme or lighting fixtures. However, some qualities are difficult or impossible to correct. For example, good natural light is appealing to most homebuyers. You might be able bring more light into a house by adding skylights or enlarging windows. But, some homes are oriented in such a way that they will never have good natural light.

Other incurable defects that you might want to avoid are a lot of steps leading to the front door; a house with living space on more than three levels; a location near a noisy freeway, under the flight path of a local airport or on a busy street; a choppy floor plan that doesn't flow easily; lack of a bathroom on each level; and limited storage space.

Buying a home involves making compromises. The perfect house doesn't exist and probably can't be built. However, you can and should avoid buying a house with incurable defects like a bad floor plan that can't be fixed without rebuilding the house.

THE CLOSING: Resale value shouldn't be the only reason you buy a home. But, it should be seriously considered.

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

# Features

## Tips on buying home through relo company

By Dian Hymer

Approximately 1.5 million sellers per year take advantage of an employer-assisted relocation, according to the Employee Relocation Council. Buying one of these listings involves a different procedure than you'd ordinarily expect.

One of the hardest parts of making an offer on a relocation listing is that it can take three to five business days to get a response to your offer from the relocation company. The sale procedure differs from one relocation company to the next. But, generally, the process goes like this:

If the relocation company has a commitment to buy the seller's property, the buyer's offer is made to the relocation company, not to the owners who may still be living in the house. The relocation company could be located out of state.

In some cases, the offer is negotiated verbally between the owner -- assuming the relocation company hasn't already purchased the property -- and the buyer. Verbal contracts to sell real estate aren't binding until they are signed by all parties.

The contract and any counteroffers are then sent to the relocation coordinator, either by overnight mail or via e-mail. The contract is then reviewed to make sure that it's acceptable and that no signatures or initials are missing.

If the relocation company hasn't already bought the property from the owner, the company draws up a contract mirroring the terms and conditions of the contract verbally negotiated between the buyer and owner.

After that has been signed by the owner and relocation representative, the relocation rep signs the buyer's purchase contract and sends it back to the listing agent. The time it takes for a buyer to receive the contract signed by the relocation company depends on how complete the contract is when it's sent for review and signing.

HOUSE HUNTING TIP: Until the contract is signed by the relocation company and delivered to the buyer's agent, the property is still for sale. Another buyer can make an offer. A listing agent is required to present any and all offers to the seller. So, it's important to do everything you can to expedite the process by providing as complete a contract as possible to the listing agent so that it can be forwarded to the relocation company.

Make sure that your agent calls the relocation company's listing agent to find out what relocation company requirements must be complied with before an offer can be accepted. For instance, the relo company might have a multipage addendum that needs to be a part of the contract and signed by the buyer.

The relo company might not accept an offer unless it's accompanied by a preapproval letter from a lender or mortgage broker. The preapproval letter might need to include that a loan application has been submitted by the buyer, that the buyer's funds needed to close have been verified, that the buyer's income and credit have been checked and the that buyer doesn't need to sell another property to close the sale.

Relocation companies often won't accept offers made contingent on the sale of another property. But, they might consider an offer made contingent on the close of the buyer's property sale if an offer has already been accepted and all the contingencies removed. In this case, the relo company will need copies of the complete contract that confirms the sale of the buyer's property.

At the closing of a relocation listing sale, the relocation company signs the seller's closing documents, including the deed transferring title to the buyer. Usually, there is no warranty regarding condition of the property. The relo company may or may not provide inspection reports at or before an offer is accepted.

THE CLOSING: Regardless, buyers should include an inspection contingency in their contract.

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

## Retirement requires smart tax move

By Benny Kass

*DEAR BENNY: My aunt is 76 years old and lives in her home. She also owns a detached rental property nearby. Her primary residence has been the same property for more than 10 years. She would like to move into a retirement community this year, but to afford this new lifestyle she would have to sell one of her properties soon. Would it be more cost-effective from a tax perspective to sell her primary residence or her rental property? Are there any tax benefits to selling rental property vs. one's primary residence?*

*I have heard about a one-time tax exemption on the proceeds of selling one's primary residence, but I do not understand the rules of this exemption. I was thinking it would be better to sell the rental property first to avoid inconveniencing my aunt's daily routines, and later convert the primary residence into rental property after she moves. She could wait to sell one of the houses until the housing market improves. However, I would not want her to lose a tax exemption or tax benefit by making the wrong decision. –Arlene*

DEAR ARLENE: If you aunt is married and files a joint tax return with her spouse, she can exclude up to $500,000 of any gain (profit) that she will make in the house. If she is not married -- or files a separate tax return -- she can exclude only up to $250,000 of gain.

In order to take advantage of this gain exclusion, there are two tests: (1) ownership -- you must be on title; and (2) use -- you have to have lived in (used) the property for two out of the five years before it is sold.

In your aunt's case, she currently meets both tests: She owns the property and has lived there for a long time. However, if she rents it out and cannot sell within three years from the date she moved out, she will lose that tax benefit.

You (or your aunt) should consult a tax advisor, who will prepare an analysis of the pros and cons of selling each house. Everyone's financial situation is different, so I can provide only general advice.

I suspect that your aunt has an accountant who has been preparing her tax returns each and every year. He/she should be able to quickly project the tax consequences regarding each house.

*DEAR BENNY: My husband and I refinanced our condo in December 2007 with the existing mortgage company. In addition to the refinance, the lender opened a $250,000 home equity line of credit for us, although we never requested this, were not aware of it, and certainly never signed documents agreeing to it.*

*We are planning to refinance another property this month and are concerned about the impact that a $250K line of credit (although not at all used) may have on our credit reports. I have contacted the lender three times over the last 30 days to close this account, since we never signed papers for it, but am running into a wall, with someone always acknowledging that they don't have signed documents and promising that they'll "research it" and asking me to call back in seven days.*

*What is my recourse if the lender will not resolve this and close the account? Isn't it illegal for them to open this account without our agreement? –Angelique*

DEAR ANGELIQUE: I am at a loss to understand how the lender put a HELOC loan ("home equity line of credit") on your home without your knowledge. I suspect that when you went to closing (escrow) you signed a bunch of papers, and one of them may have been that HELOC. While you may not have been advised of this, if you look at all of the loan documents, you will probably see the HELOC papers.

Regardless, have you confirmed with the second refinance lender that the HELOC will, in fact, be a problem regarding your credit standing? Although lenders are much more strict and conservative nowadays, if you explain that you did not ask or want that HELOC -- and that you have not used it -- your new lender may be willing to make you that refinance loan. The

HELOC lender will have to subordinate to the new first trust.

If not, I suggest you contact your local consumer affairs office, as well as the banking commissioner in your state. You may also consider sending a complaint to the Federal Reserve Board in Washington, D.C. Send your lender copies of all your correspondence. That often gets their attention.

*DEAR BENNY: My wife and I purchased a home in July 2005. We paid 10 percent down, have an interest-only adjustable-rate mortgage, along with a 10 percent piggyback HELOC. The first mortgage can change every six months, and the second mortgage can vary monthly.*

*Currently the first is at 4.75 percent, down from an initial 6.75 percent. The HELOC is down to 3.75 percent, from a high of 8.75 percent. Our home is "underwater," as we paid $546,500 and it may now be worth only $375,000 to $400,000. We have enough income to make the interest-only payments, but in July 2015 the "balloon" will hit us. At that point we will not be able to make the payments. We had planned on selling and moving before then, but probably won't be able to refinance.*

*It doesn't seem like any of the new plans to help people are applicable to us and doesn't seem likely that our home value will increase to what we paid for it by 2015. Is our only viable option to ride it out until 2015 and see what happens? We have good credit and don't want to lose that. –Keith*

DEAR KEITH: You should be thankful that you can still afford the monthly payments. Too many homeowners have lost their job and have been foreclosed upon.

I remain optimistic that the market will rebound. When? I don't know, but 2015 is a long time from now and hopefully with all of the "fixes" and "bailouts" currently in process, we can only hope that by that time your house will no longer be underwater.

So I would just wait it out. I believe (but obviously cannot guarantee) that rates will stay low for some period of time. But here's a suggestion: If you are financially able to do so, I would try to pay down your HELOC as quickly as possible. Make sure that there are no prepayment penalties associated with making larger monthly payments. You will be surprised how quickly you can reduce that loan if you can add a little extra to your payments. Make sure, however, that you advise the lender of these payments by adding "extra principal of XXX" on your check (if you pay by check) as well as on any coupon that you send in with your payment.

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

## Don't cry over spilt motor oil

By Paul Bianchina

*Q: I have a spot on my flagstone patio that was caused by spilled motor oil. Any idea how I can clean it? --Scot C.*

A: You can typically remove oil from stone by making a poultice to draw the oil out. First, clean the spot thoroughly with hot water and a strong soap such as Spic and Span, using a nylon-bristle brush on the spot. This will remove as much of the residual oil as possible.

Next, you'll need to purchase some fuller's earth. This is a clay product that is used in things like kitty litter, but also is very effective in the absorption and removal of oil. It comes in powdered form, and is available from some cosmetic and chemical retailers, or online. Mix the fuller's earth with hot water to form a paste about the consistency of peanut butter, and spread it over the stain. Cover this with a piece of plastic sheeting that has some holes poked in it so the poultice can dry, and leave it on the stain overnight. Scrape up the residue the next day with a plastic scraper, then rinse with clear water. You may need to do this more than once.

Keep the poultice isolated to just the stained area, keeping it off the surrounding stone as much as possible. I would also try this on a piece of scrap stone or in an unobtrusive corner to make sure of how the stone will react before doing it in the middle of your patio.

**ALTERNATIVE CABLE DECK RAILINGS**

*Q: I would like to use cable railings on my deck -- except for the high price. Do you think it would be possible to substitute a thick, strong wire instead of the cable? These wires keep in huge farm animals ... so their strength is comparable to cable ... well over 1,000 pounds in breaking strength.*

A: You can actually construct a deck railing out of any materials that comply with the requirements of whatever building codes are in effect in your area. I have seen some very nice railings made from square-grid and rectangular-grid wire livestock fencing set into wood frames, as well as wood dowels, metal conduit, and other materials.

Whatever you choose needs to be strong enough and secured tightly enough to meet the building codes, and also has to be spaced closely enough together -- most codes require a spacing of no greater than four inches. You also want to avoid materials with sharp edges or ends, as well as materials that won't weather well. Finally, you want to select a material and an installation method that is safe, pleasing to your eye, coordinates well with your home's style, and maintains your resale value.

**MY ELECTRIC FURNACE DIMS THE LIGHTS**

*Q: About a year ago, we moved into a home with electric forced-air heat. In the winter, every time the furnace kicks on, the lights in the house dim for a nanosecond. Is this something that can be addressed or fixed?*

*Before we moved in we had to replace the electrical panel (it was made by a company that went out of business years ago because their panels were known to start fires) and I'm wondering if there is something associated with that we can correct.*

A: The dimming of the lights is caused by a voltage drop that occurs during the startup phase of the furnace. When your thermostat calls for heat, the electric elements in the furnace begin to heat up before the furnace motor kicks on -- this is called "heat anticipation" -- and it is set up that way so that the furnace fan doesn't blow cold air before the furnace itself heats up. So when you hear the furnace kick on, that's actually the sound of the fan motor starting up and activating the fan itself.

A couple of possible problems that come to mind: The wires leading to the furnace may be too small, or you may have a loose or corroded connection. There should be two circuit breakers on the furnace itself, and they may be loose or faulty. It's also possible that the furnace motor is going bad, or that you have some problems with the fan, the belts or other internal furnace parts that are requiring an excessive amount of electricity in order to get turning.

Given the fact that the panel was replaced recently, you definitely want to have an electrician come out and inspect everything -- the new panel, the circuit breakers, wire sizes, connections (including the connection to the utility company wires), grounding, etc. All this should be covered under the one-year warranty from the electrical contractor who did the work. I would also strongly recommend that you have the furnace checked and serviced by a heating company that deals with your particular brand of furnace.

One other thing: Since the electrical panel was replaced recently, your local building department will have a record of the permit. I would suggest that you obtain a copy of that, and make sure that the installation was inspected and approved and that the inspector didn't note any problems. If the work was done without a permit, then you may have some legal action worth pursuing against the seller of the home and whoever did the electrical work.

## Check permits before purchase

By Dian Hymer

It can be a hassle to go through your local building department permit procedure when you make changes to your home. You or your contractor must apply for permits, pay fees, and meet building inspectors to approve the work in progress. Sometimes there are complicating factors.

Recently, sellers of a home in the Oakland Hills, Calif., decided to have wood-destroying pest work done before their home went on the market to make the property more appealing. The contractor applied for a permit and the plan for the repair work was approved by the city. City inspectors inspected the job twice while the work was being done. When a different inspector came out to give final approval, he refused to do so and required that more work be done.

Why should homeowners go through this aggravation and expense when they can do the work more quickly and save money by skipping permits? Even though the permit process doesn't always work efficiently, there are good reasons to apply for permits for work that requires permits, and to actually obtain those permits.

There is no guarantee that permitted work was done correctly. Inspectors are human and can make mistakes. A certain amount of subjectivity is involved. Two inspectors could have different opinions about how something should be done, as in the case above. However, permitted work is more likely to meet building code requirements than is work done without permits.

A possible repercussion from unpermitted work is that the next time you or a future owner applies for a permit, the building department might require that unpermitted work be permitted retroactively.

This could result in penalty fees in addition to the permit fee. For example, if an inspector were to notice a new bathroom in an old house, he might require that the bathroom be put through the permit approval process before approving the permit on the current work being done. This could involve opening walls so that the plumbing can be inspected.

Permits that are applied for but never receive the final approval can be problematic. In this case, the next time someone applies for a permit on the property, the building department might deny the application until the open permit receives final approval. If the work wasn't done correctly, it would need to be corrected to receive final approval.

HOUSE HUNTING TIP: It's a good idea for buyers to check the permit record on a home they're buying before making an offer or at least during the inspection-contingency time period. Make sure there aren't any outstanding permits that need final approval. This way, you have the opportunity to request that the owner get final approval, if this is an issue for you.

Also make sure that there are permits on record for substantial renovations. Lenders have tightened up on all aspects of their underwriting. Recently, they have cracked down on appraisals. As of May 1, 2009, many appraisers won't give value for additions that add square footage but were done without permits.

It would make a huge difference in the appraised value of a home if 1,000 square feet was added without permits. The appraised value could be substantially lower than the price the buyer agreed to pay. This could jeopardize the sale.

Sometimes the square footage represented in the public record is not accurate. Sellers should check into this before putting their home on the market. If the public record doesn't reflect additions that were done with permit, do what's required to have the missing square feet added to the public record.

THE CLOSING: Sometimes all it takes is filling out a form, or having a building inspector measure the house for livable square feet.

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