



## *Real Estate News & Information*

**Richland Properties**  
**Richland Home Mortgage Co.**

### **Market Update**

With winter fast approaching, there is a chill in the air and a chill in most of the Bay Area real estate markets. Properties currently for sale that are competitively priced are receiving fewer offers and properties for sale that are not priced competitively are staying on the market longer leading to reductions in the seller's asking price. One estimate is that the value of homes in several San Francisco neighborhoods have come down anywhere from 3 to 8 percent from the market highs reached in May and June of 2005. Real estate agents in other cities around the Bay Area have also reported that sales have softened. Whether the softening continues into 2006 is anyone's guess. However, if interest rates continue their upward course into 2006 which many people predict will happen, then the real estate market could soften in 2006 and there will be continued downward pressure on prices.

### **Is the Home Mortgage Interest Deduction in Jeopardy?**

A recent presidential advisory panel was given the task of coming up with suggestions to improve and simplify the Federal Income Tax system. This group recently published its recommendations which can be found at [www.taxreformpanel.gov](http://www.taxreformpanel.gov). The group's report contains some very provocative suggestions for possible future changes to the Federal Income Tax code. One of the most controversial suggestions is to do away with the mortgage interest deduction. In its place would be a tax credit equal to 15% of the amount of interest paid on qualifying mortgage debt. Unfortunately, the proposal only allows interest on a mortgage of up to \$412,000 to qualify for this income tax credit. The actual qualifying mortgage would be based on the average home prices in a given area but could not exceed \$412,000. This means that in the Bay Area only \$412,000 of qualifying home mortgage debt could generate home mortgage interest that would qualify for the new 15% credit. Needless to say, this proposal would cause serious harm to real estate markets such as California and the Bay Area in particular where the average buyer may have taken out anywhere from \$500,000 to \$800,000 in mortgage debt to purchase or improve their home. Many real estate and building industry groups have already come out against this report so it doesn't seem likely that it will ever make it into law in its current form. Additionally, if Congress ever passed a law that reduced or eliminated the home mortgage interest deduction, it is likely that there would be some kind of provision that would grandfather existing qualified mortgage debt as of the date of the new law. That is what happened in the late 1980s when Congress passed the existing law that generally limits the deductibility of interest on qualifying home mortgages of up to \$1 million plus \$100,000 of home equity debt.

### **Staging a Property for Sale**

If you are thinking of selling your home and would you like to increase the value of your home by thousands of dollars, then you will want to consider staging your home when it comes time to sell it. Staging a home for sale can involve various levels of preparation. The most basic level of staging a home for sale consists of steps such as cleaning, removing extra furniture, de-cluttering, and applying touch-up paint where necessary around the house. Most homeowners willingly perform this basic level of staging and the cost usually doesn't amount to more than a few hundred dollars. The next level of staging involves hiring a professional stager. A professional stager will usually have a background as an interior designer, space planner, landscaping designer, and may have feng shui training. There are generally 3 levels of service that a stager offers. The three levels of service are (1) hourly consultation, (2) consultation & limited furniture staging and (3) full staging of a client's vacant house. The stager's first level of service consists of 4 to 6 worth of consultation time hours (approx. cost \$450). The stager would usually spend a half a day or so helping the owner re-arrange furniture and belongings and will provide guidance as to how the seller can de-clutter and enliven their property. The goal is to make the property look its best using the seller's existing furniture and belongings. The second level of service that a stager offers is when the stager is allowed to take more control over the presentation of the owner's furniture, etc. and is asked to add/subtract decorative art items from the stager's inventory to augment what the owner currently owns. The stager would add vases, art objects, wall pictures, fresh flower arrangements, small furniture pieces, and might plant annual flowers around the home's entry way. This service might cost approximately \$1,500 to \$2,000 for a small house to \$3,000 to \$4,000 for a large house. The last and highest level of service a stager offers is when the stager takes complete control over the presentation of a vacant property and brings in all necessary furniture and accessories to present the home as an attractive, ready to move-in home. The charge for this service usually starts at \$5,000 for a smaller home and runs to \$8,000 for a larger home. When a home that is going to be sold is vacant, a seller also may want to consider performing useful property improvements. These improvements might consist of refinishing and re-staining older hardwood floors and painting the interior and exterior of the property if it is warranted. For most sellers, the return on their investment on the cost of staging and preparing a home for sale can be two to three times the money spent. More importantly, if the real estate market continues to soften, staging a home may make the difference between selling a property quickly for a good price and not selling a property until the seller has been forced to make several price reductions during a prolonged sale and marketing period.

## **60 Day Notice to Terminate Tenancy Reduced to 30 days**

As of January 1, 2006, owners of rental property located in non rent-controlled cities will be able to terminate a month-to-month tenancy with a 30 day notice regardless of how long a tenant has been occupying the property. The current law which is set to expire 12/31/05, requires owners, who wish to end a month-to-month tenancy, to give a 60 day notice to tenants who have been occupying a property for more one year.

## **Mortgage Update**

Fannie Mae and Freddie Mac should be raising the conforming loan limits later this month for residential loans effective for loans closed after 1/1/2006. The new loan limit for a single family loan should be increased to somewhere between \$380,000 and \$400,000. Call us for the exact amount.

Listed below are some examples of current fixed mortgage interest rates for loans secured by single family, owner-occupied residences. The rates assume that a borrower has a FICO score above 720 and pays a loan origination fee or point of approximately 1 percent of the loan balance and customary closing costs (escrow fees, title insurance, lender underwriting charges, appraisal, approx-\$2,400 (conforming loans), \$2,800 (jumbo loans)) As a rule of thumb, loans with no loan origination fee, the so-called "no point" loan have an interest rate of approximately .25% higher those listed below.

### ***Conforming Loans (loans up to \$359,650)***

30 year fixed, minimum of 20% home equity, loan of \$350,000, **rate is 6.0% and 6.107% APR**  
15 year fixed, minimum of 20% home equity, loan of \$350,000, **rate is 5.75% and 5.948% APR**

### ***Jumbo Loans (loans over \$359,650)***

30 year fixed, minimum of 20% home equity, loan of \$500,000, **rate is 6.375% and 6.47% APR**  
15 year fixed, minimum of 20% home equity, loan of \$500,000, **rate is 6.0% and 6.155% APR**

The rates listed above are as of November 4, 2005. Interest rates change daily without prior notice so please call if you would like a current quote. Additionally, the interest rate market has been and will continue to be quite volatile and large daily interest rate movements are not uncommon. It is now more important than ever to properly lock your loan rate and process your loan in a timely manner. (Richland Home Mortgage Co. is licensed under the CA. Dept. of Real Estate license No. 01163509)

## **Website update**

At [www.richlandproperties.net](http://www.richlandproperties.net) you will find copies of prior newsletters, real estate resource material and useful links to real estate related sites.

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