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Buyer Tip: Get Home Warranty Funded by Seller

by M. Anthony Carr

I was listening to a home warranty salesperson presentation about her product the other day and was surprised to find out that in today's market, when sellers are more than willing to pay for nearly all the closing costs, only about 20 percent of contracts actually have a home warranty in place.

There are a lot of things in real estate that aren't rocket science: buy low, sell high; low interest rates give you cheaper money; and letting someone else give you a few hundred bucks to protect your house over the next 12 months will save you money up front and down the road.

Let's think this through. You just spent thousands of dollars to get into your new home. You were able to negotiate a lower price, closing costs and a buy-down on the mortgage from the homeowner, who at this point is more than willing to hand over thousands of dollars to you to convince you to buy his house.

Then ~ against all the common sense that I can understand ~ you don't ask them to lay down \$300 - \$500 to put up a home warranty that's going to protect all your appliances, heating/air conditioning, plumbing, electrical, garage door opener, door bell, sump pump, well pump, swimming pool or spa, or washer/dryer. I think you get the picture.

Keeping in mind that a home warranty is not an insurance policy, it may not be regulated by the insurance commission in your state. Thus, the fine print of the warranty is very important to the seller or buyer before signing the bottom line. Most importantly is that it's going to cover mechanical problems in the house that your homeowners insurance may not cover, such as what I listed above.

Even with a good home inspection verifying that everything in the house is working, the warranty limits your liability in the future in case something breaks down. Your liability is usually the deductible per incident of about \$100 (again, check the fine print of your warranty).

Some of the limitations of a warranty may include:

Pre-existing defects. For instance, if you buy the house and have a home inspector tell you that there's a crack in the heat exchange and should be fixed ~ the home warranty's most likely not going to fix it when you move in just because you bought the policy. The heat exchange must be in working order before the policy goes into effect.

Some items may not be covered. While electrical items will be covered, the warranty may not cover accessory items such as a house exhaust fan, attic fan, smoke alarms and intercom or speaker systems. In the electrical area what would be covered would be your basic wiring around the house ~ your light switches, main breaker or fuse panel, box receptacles and the like. (Again, read the fine print.)

Additional systems. If you have zoned heating, the warranty may only cover one heating system, not both. There may be a limit on how many toilets it covers through the house (only three, not four). More than one appliance type ~ the fridge in the kitchen's covered, not the one in the garage. Nevertheless, many of the warranties I've seen allow for riders to cover such items.

If you decide to go with a home warranty, remember that having one in place doesn't mean you can quit taking care of the house. The warranty is covering surprises to the homeowner, not homeowner neglect.

Finally, read the fine print of several warranties before laying out cash for one. Compare the cost per year (but don't necessarily go with the cheapest); what is the deductible; what are the limitations on coverage (some may have a low deductible, but cap how much they'll put out on coverage); caps on replacement cost; etc.

Should you get a home warranty during your home purchase transaction? Let's put it this way. I've never heard about a homeowner upset for having one in place, but I've heard many complain they didn't have one when something breaks.

By the way, remember the home warranty is not just for those in the middle of a transaction. Any homeowner can put a warranty in place. For a referral for a good home warranty ask your real estate professional.

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The Buying Power of Women

by Wanda McPhaden

Women are the CPOs (Chief Buying Officers) of American households, and are rapidly gaining in gender status as the nation's top wealth holders.

According to Tom Peters and other experts monitoring the American marketplace, women now make 83 percent of all consumer buys, including 94 percent of home products, 89 percent of vacations, and 75 percent of all decisions regarding the purchase of the largest investment most of us will ever make ~ a house.

As women have increased their earnings, built their own businesses, weathered divorces, widowhood, and taken charge of family bequests, they've grown more independent and wealthy. IRS data indicates women comprise 39 percent of the top wealth holders in the U.S., a category defined as adults with total assets of \$625,000 or more. That adds up to some 2.5 million women with combined assets of \$4.2 trillion. Significantly, 42 percent of the women in this group will be single or widowed, according to the IRS, by the year 2050.

The IRS notes that this will result in the transfer of an estimated \$41 trillion from seniors to the next generation composed mainly of Baby Boomers. Since women tend to outlive men by an average of 5 to 7 years, according to the US Census Bureau, even more wealth will be concentrated in female hands.

But the newest wrinkle in female buying power is young, single women across the country who are fueling a new wave of home buying that is far ahead of their male counterparts. Evidence of this trend recently surfaced in a story in the New York Times that described a boom in the purchase of condos in Brooklyn by young, single women.

The National Association of Realtors (NAR), in a study released last month, reported that young women in the 25-34-age bracket bought 1.76 million homes in the period from July 2005 to June 2006, accounting for 22 percent of the market. That's up from 14 percent a decade ago. The number of single men buying homes stayed flat at 9 percent during the same period.

The median age of single women buying a home for the first time is 32, according to the NAR study. The median income for all single women buyers (including those who have owned before) is \$47,300. Their median age is 42, a figure pushed higher by divorcees or widows.

Reasons for this buying trend ~ according to various research experts and confirmed by my own experience in the real estate business ~ include:

Women are surpassing men in higher education degrees (According to the U.S. Department of Education, 57.4 percent of women enrolled in colleges eligible for federal student aid in 2003-4 compared to 42.6 percent of men.)

Women are already successful in their chosen careers, and their earning power is higher than it's ever been. "Among 25-34-year olds ~ key home-buying years," says Peter Francese, a demographic trends analyst for Ogilvy & Mather in New York, "these women have good jobs and they make money."

Young women are more concerned these days about building an early nest egg and becoming financially independent in the event Mr. Right doesn't come along. Equally important, in my opinion, is that women are also more willing to trust their instincts and "go for it" when they see a smart investment than they have in the past. A February 2004 study of 1,134 women by Prudential Financial reveals that one in three respondents finds herself more involved in financial decision-making than five years ago.

However, during 20 years in the real estate business, I've witnessed a behavior pattern in women that I find ironic and counterintuitive. Despite their increased education, discretionary purchasing power, and instinct for what constitutes a wise investment, many women ~ particularly those in the 34 - 45 demographic ~ feel compelled to discuss their buying decisions with men in their lives.

And women are frequently dissuaded from going ahead with what later proves to be a good investment, often to avoid bruising the ego of a spouse, Significant Other, or other influential men in their lives.

Nevertheless, I'm encouraged that women, led by their younger cohorts, are finally getting over that emotional bump in the road to profitable real estate investment and financial independence ~ needing a male opinion. This is a refreshing sign in such an active real estate market filled with rich, new opportunities.

From my perspective, I believe we are about to enter a new wealth building period in the U.S. real estate market and, armed with growing financial power and a new independence, women will lead the way.



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