

Foreclosures that didn't have to happen

I was looking at the properties on Foreclosure Radar that are in default, checking on some properties that have been recently listed as short sales. I recognized an address I had visited several years ago to discuss selling it. At that time, the owner could have sold it easily and made a bit of money, but it wasn't enough for her to do what she thought she wanted. We have talked about once every couple of years since then, but the last time I spoke with her, I had to tell her she wouldn't make enough to pay off what she owes. Today, I

saw that the property is in preforeclosure, scheduled for a possible sale at the end of the year. She may be able to drag the process out for several more months, maybe even years, but it doesn't look like she's going to be able to sell it "when the market recovers," because she will owe too much in back payments, penalties and interest.

Once you fall behind, it can be very difficult to catch up. I can tell you several sad stories from the past few years. Each time, the owner could have sold it for

enough to pay off the loans with a little bit left over to move and rent a place. But they "had" to have more. They "had" to be able to buy another house, or pay off all their debts, or something. But things didn't go as planned, they slipped further and further behind, and lost it all—with the added bonus of having trashed their credit and made their lives even more difficult.

It is hard to face the reality of a bad financial situation. And the minute you fall behind in your **(Foreclosure cont. on pg. 3)**

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Views of Eagle Rock, Northeast Los Angeles, and nearby neighborhoods
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September 2010

Dear Tracy: What is Fannie Mae Homepath?

A question from one of our readers:

Dear Tracy,

Every now and then when perusing the homes for sale in the area I'd like to live in, I see a description that states it is a Fannie Mae HomePath property.

What exactly does this mean? Does it make the buying process any different?

*Thanks,
Home buyer*

When a property is labeled a HomePath property it means that it is (a) a bank-owned home owned by Fannie Mae, and, (b) the buyer of the property is

eligible for the Fannie Mae HomePath mortgage program.

As you may know, Fannie Mae is the largest lender in the United States. Fannie Mae currently has thousands and thousands of homes on their books due to the large number of recent foreclosures. In an effort to help banks liquidate their Fannie Mae REO inventory, Fannie Mae came up with the HomePath program.

The HomePath program gives lenders and buyers less stringent finance requirements, which is great because more buyers can actually qualify for a loan. Another great thing – you can get a HomePath mortgage for owner-occupied OR investment properties.

Fannie Mae also has a HomePath renovation financing program for those distressed properties that need a little help before they're ready to be lived in.

Going the HomePath route makes the home buying process different for a few reasons:

1. No appraisal is required.
2. You can make a down payment of as little as 3% of the purchase price.
3. No mortgage insurance is required (therefore, less up-front cash from buyers and lower monthly payments).
4. Credit score requirements are more flexible.

So, the million dollar question – why would a lender agree to such a loan?

Well, Fannie Mae is offering a couple of incentives to lenders who process these loans. First, loans can be sold back to Fannie Mae, so lenders aren't holding the loans in their own portfolios. Second, the more loans a lender makes, the more fees it generates for originating and servicing the loans.

I know what your next question will be – with all the cash investors snatching up distressed properties in the area, is it even possible to get one of these properties with a HomePath loan?

(Fannie Mae cont. on pg.3)

The Joys of Home Ownership: Termite Edition

We try to be responsible home owners, but we lead busy lives and all of a sudden, ten years have passed since we bought our current home and had it fumigated for termites. When our painter said she couldn't paint the trim on a window because the wood was too termite-damaged, we realized we had to deal with it, and now.

An inspection from my trusty termite expert revealed the worst: a complete fumigation for house and carport was required.

Rule #1: have a termite inspection at least once every 2 years. Most fumigations come with a 2-year guarantee—just do it. No fumigation will prevent a re-infestation. Be vigilant.

Rule #2: don't be a pack rat, especially about food. Any food

or drink that is still factory packed or sealed is ok, but think about all your spices, condiments, flours and sugars. You will have to either remove them or double bag them in special plastic bags the termite company will give you. Everything in your freezer and refrigerator that has been opened has to be bagged also. All your pet food. As my husband was clearing out our pantry, he held up one plastic bag filled with old boxes of tea. Who knew all that was in there?

Then there are medications and vitamins. I think we could open a health food store with what we found.

Basically, anything you ingest needs to be sealed, bagged, or removed.

All plants must be removed from inside. All vegetation near the house must be cut back or removed. If not, water it really well and hope for the best. Most established plants will come back even after turning brown.

All animals, including fish and birds, must be removed. Do you have a fishpond nearby? If the tent is going over it, you'll have to remove the fish or they will die. That was fun to do at 8 o'clock the morning before the fumigation.

Which brings us to Rule #3: Make sure you talk to the termite company in detail about what you need to do to prepare. Ask if you need to meet with the fumigator—because most termite companies subcontract the actual fumigation. My

termite guy (whom I've worked with for many years, remember) said he told the fumigator to check out the property and to let him/us know what was needed since we have a hillside house and it probably needed extra staff and tenting.

According to all the literature, Vikane (sulfuryl fluoride, the poison used to kill the termites) leaves no toxic residue and once the gas is gone, the house is safe to re-enter. I spoke with a client who wondered if the teargas (chloropicrin) they mix with the Vikane has a damaging effect on anything. I haven't found any literature on that yet. He removed all his computers and other electronics when he was fumigated. I decided to take my chances with that.

(Termite cont. on page 3)

What is a strategic default?

From www.YouWalkAway.com: Strategic default, also known as voluntary foreclosure is when the borrower decides to stop paying a mortgage even though they can still afford the payment. For many people who are upside down on their mortgage, the decision to strategically default is one that is difficult, but often times is the first step to financial freedom.

Wikipedia has an interesting discussion of the ethical issues at play. One notation from an ethicist states that the economy is essentially amoral.

<http://www.city-journal.org/2010/forum0427.html>. A really well-considered discussion with good ideas about how the banking industry could take some responsibility for helping to fix the problem: "Zingales and Posner propose that lenders be required to give underwater

homeowners the option of resetting their mortgages to the current value of their houses in exchange for giving the lender 50 percent of the house's future appreciation. Enough with guilt-tripping underwater homeowners into holding on to their homes. Instead, let's focus on equitable and practical solutions to the negative-equity crisis. The Zingales/Posner proposal would be a great start."

My thoughts: The question "can they afford to make their payment?" is key. For example, it would obviously be a strategic default if you bought a house with 20% down, a good 30 year fixed loan at say, 5.5% interest, and you still have the same job, your family is fine, you have \$20,000 in savings and nothing has changed except your \$500,000 house is now worth maybe

\$400,000. You may not like that fact that your house is now worth less, but you can clearly continue to pay for it.

But say the same situation has one change: you were laid off from your job and the best new job you could find pays 60% what your last one did. You are spending some of your savings—not a lot, every month just to pay the bills. You could change your spending habits and squeak by. Do you bail?

Or try this: Same issue with your job, but you could take on an extra job and be fine, or save

yourself the time and trouble and walk away.

Think about these scenarios within this same situation:

There are 5 other families on your street that are experiencing similar issues.

There are 3 foreclosures on your block that are boarded up and overgrown with weeds.

At what point do you draw the line?

Visit my blog for complete links to these resources at www.tracysLArealstate.com

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(Termite cont. from pg.2)

Back home after 3 days. As we expected, a few plants were browned. The fish were okay, even the one that eluded our efforts to remove it from the pond. All the electronics were fine. Much as we would have wished differently, the ants were unaffected as well.

Is this the only way to get rid of termites? No. However, the only other method recognized by the California Department of Consumer Affairs for a complete fumigation is the heat method, where your home is heated to 150 degrees, so the wood core will reach 130 degrees. According to a paper published in 2002 by the University of California Integrated Pest Management Program the only negative side effect of the heat system is the

possibility of damage to the roof when walked upon, and to some heat-sensitive furnishings. What might those be? This could be small items—plastics, cable wiring, computers and CDs, obviously candles and chocolate. Also, consider antique furniture with old fragile glue or varnish. The plusses are that you don't have to move out or bag your food, and the process takes one day instead of 3. And there are no poisonous gasses.

When we first bought this house, we had the place tented with the heat method. We had it redone within the first year under their guarantee. I didn't like the company we used and they were the only ones who did the work in Southern California at the time, so I

conveniently forgot about keeping up on the termite inspections. Also, it seemed like it would be about the same amount of trouble to remove all the meltable items as it would be to bag the food. And I started hearing more about the things that could melt at temperatures of 150 degrees.

Another method is the orange oil treatment. Basically, the orange oil treatment people themselves say that they are best for local treatment.

Another good source for good information about termite work is at the website for the Los Angeles County Agricultural Commissioner.

Visit my blog for all links to resources mentioned at www.tracysLArealestate.com

(Foreclosure cont. from pg. 1)

payments, every scheme suddenly seems realistic. It's a trick your mind can play on you, and it is made worse by every grifter who sees a chance to make some money off of your troubles. It is difficult to know who to trust. Since the notice of default is a public record, unsavory characters have an easy time finding people in trouble. Here is the advice you should heed: don't ever pay anyone a fee upfront before they deliver on their promise of a loan modification or a short sale. It's actually against the law for someone to accept such a fee.

But I also have some success stories to tell you. I helped several homeowners sell and move on before they fell behind in their payments, and a couple whom we managed to help right before the auction gavel came down. They didn't get as much as they wanted to get. Some of them barely managed to pay off all their loans. But they are done and moved on. They may have regrets over what might have been or what they should have done earlier, but they don't have that big "foreclosed" sign stamped in their memory to seal in the misery. And certainly, if they fell behind in their payments their credit suffered, but not nearly like it would have if they had lost their house in foreclosure.

If you find yourself in a situation where you need to change your real estate position, don't let your emotions get in the way of what you know in your brain you need to do.

If you have any questions don't hesitate to give me a call. I have many resources available to help!

Fundraiser for the Animals

Our fundraiser for the animals was a huge success!

Hosted at Colorado Wine Company on August 19, we had a great crowd and raised over \$1000! Proceeds are being split between the Pasadena Humane Society and the North Central LA Animal Shelter. A flight of interesting wines, a cheese platter from Auntie Em's, a sandwich platter donated by Dave's Chillin'n'Grillin', people who care about animals—it all contributed to a really nice event. We raffled off gift certificates donated by several local businesses as well. The Pasadena Humane Society sent a couple of volunteers to assist, and they were a great help with the raffle.

Thank you, all of you:

Nicole and Courtney from the Pasadena Humane Society

Mia Sushi

Pollen

Oinkster

Auntie Em's

Dave's Chillin'n'Grillin'

Amazon Drops

Four Café

Pollen Botanicals

Colorado Wine Company

And of course, everyone who came to the event!

Both the Pasadena Humane Society and the North Central LA Animal Shelter do such important work—not just to provide care for lost and abandoned animals, but they work on eliminating the causes of unwanted animals with their educational programs, training for both volunteers and animals, emergency medical care, low-cost and free vaccinations and spay-neuter clinics.

Did you know that both Pasadena and Los Angeles have a goal of not euthanizing any animals? The more money we can raise for their programs, the fewer animals will need our help in the future.

(Fannie Mae cont. from pg.1)

I'm not going to tell you that it will be easy, a lot of the time if a bank can get cash, they'll take it. But! We are actually in escrow on a HomePath property and, except for a delay in opening escrow because it has to go through the Fannie Mae channels, everything is going smoothly so far (knock on wood).

My big advice for going into escrow on HomePath properties is to fully exercise your due diligence – get that property inspected thoroughly! These banks don't know a lot of the details on the condition of the property, and they rarely will do repairs before the close of escrow. So do your homework and really understand what you're getting into.

For more information and a database of HomePath eligible homes, visit www.homepath.com.



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Councilmember Jose Huizar and the Center for the Arts present the 12th Annual Eagle Rock Music Festival!

October 2, 4:00-11:00pm

\$5 suggested donation*

Located on Colorado Blvd. between Eagle Rock Blvd. and Argus Drive
Shuttle service from the Eagle Rock Plaza

For more info, including bands and set times visit [http://www.centerartseaglerock.org/index.php/
music_festival/](http://www.centerartseaglerock.org/index.php/music_festival/)

*(no one will be turned away due to lack of funds)

My Recent Activity (Since July 1, 2010) See www.TracyKing.com for details and latest updates.

Active:

6220 Hillandale Avenue, Highland Park. \$549,000. Beautiful renovated Craftsman with 3 bedrooms, 2 baths and a ton of bonus space.

4901 El Canto Drive, Eagle Rock. \$549,000. Very cool mid-century modern with gorgeous views. 3 bedrooms, 2 baths on a secluded lot. 1327

1327 Neola, Eagle Rock. \$369,000. Unique home next to Rockdale Elementary with 2 bedrooms, 1 bath and a den. Street-to-street lot.

5312 Sierra Villa Drive, Eagle Rock. \$549,000. Craftsman cottage with 2 bedrooms, 1 bath, full attic and guest house. (S)

2168 Estes Rd, Eagle Rock. \$1,100,000. Newer Mediterranean w/4 bedrooms, 3.5 baths, gourmet kitchen, huge 25,000 sqft lot. (S)

1007 Cresthaven Drive, Highland Park. \$429,000. Mid-century modern with 2 bedrooms, 1.5 baths. Short sale. (S)

(B) I represented Buyer

In Escrow:

(S) I represented Seller

4946 Wiota Street, Eagle Rock. \$429,000. Cosmetic fixer with 3 bedrooms, 2 baths, Palos Verdes fireplace. Great value, you just have to have vision! (S)

Sold (since the last newsletter):

4918 Rangeview Avenue, Highland Park. LP \$399,000/SP \$433,900. Great location next to Occidental College, plus a pool! (S)

841 Ganymede Drive, Mount Washington. LP \$399,000/SP \$399,000. Rustic Big Sur-style house plus 2 lots. Major fixer. Really cool (S)

4876 Argus Drive, Eagle Rock. LP \$449,000/SP \$485,000. Updated Spanish with 2 bedrooms, 1 bath, and full basement. (S)

4958 Vincent Avenue, Eagle Rock. LP \$479,000/SP \$490,300. 3 bed., 2 baths w/lots of original charm, on a cul-de-sac. (S)

1132 Wotkyns Drive, Pasadena. LP \$1,095,000/SP \$1,030,000. 1925 Mediterranean on street-to-street by the Rose Bowl. (S)

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