

Al Gage Report

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Al Gage, P.C



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www.algage.com

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FHA Mortgage Insurance Premium-YUCK!

Beginning June 3, 2013, the FHA changed its long-standing Annual MIP Cancellation Policy. Certain homeowners will lose their right to cancel the annual MIP. FHA MIP will be perpetual.

Here's what's changing. In addition to the 1.75% up front insurance premium which is generally financed into the loan which still applies before and after the changes, the following applies:

Before the change, the Federal Housing Administration requires homeowners to pay annual MIP so long as their loan-to-value is greater than 78%, where "value" is equal to the last known value of the home.

In addition, if the original mortgage term is greater than 15 years, at least 60 payments must have been made on the mortgage before FHA MIP can be automatically cancelled.

Beginning in June, though, the FHA moves away from an LTV-based system. The new cancellation policy will be as follows :

- Loans beginning at 90% LTV or less will pay annual MIP for 11 years.
- Loans beginning at 90% LTV or more will pay annual MIP for the complete loan term.

This means that home buyers using the Federal Housing Administration's 3.5 percent down payment program will pay annual mortgage insurance for the loan's full 30 years, regardless of whether the home appreciates to the point of having 22 percent equity or more.

With the new FHA rules, MIP is forever. For most FHA loans (over 90% LTV and 30 year terms) the annual MIP is 1.35%. To be clear a \$200,000 mortgage will pay \$3500 up front MIP and \$2700 the first year in annual MIP in addition to principal, interest,

taxes, and insurance. **YUCK!**

To sell your home at the highest price, an effective short sale, new home representation or an investment home, Please give the **AL GAGE** team a call or email. (623)-536-8200
al@algage.com

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newsletter online at:
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**4 Sets of Free Passes This
month by random drawing.**

**Free Movie Night
Count-1527**

From 1999 to 2007 we hosted a free movie night for all of the homeowners in Rancho Santa Fe, Corte Sierra, Sage Creek, and Crystal Gardens, Las Palmeras and Wigwam Creek as well as our past clients. We would love to offer this little payback to our community again but with the price of mail going up and the cost of printing, the only way we can do that is with your help to promote the E-newsletter to the same level of readership as the mailings touched in the past.



So here is the deal, if we can get our readership up to around 3500 per month from our current level of just over 1000, the savings in mailing and preparation cost will allow us to once again rent the entire movie theatre for our neighbors and clients. To accomplish this we will need each of you to forward the email or website to friends and have them opt in for market updates and eventually the free movie passes. We will keep a running count of the opt ins and when we reach 3,500 emails currently living in the Phoenix, Avondale, Goodyear, Litchfield Park and Buckeye areas, we will fire movie night back up.

Market Slowing?

After a careful review of this months market statistics, it appears that the days of 10-15 offers on a property within a few days are over. Market times are climbing to close to 60 days on the market and there appears to be a little bit more negotiating room in most offers. There are more homes on the market to choose from and buyers are slightly less prevalent. Gone are the days when you could put a home in the computer at midnight and have 5 offers by the time you woke up (5 hours later). **I say ITS GREAT NEWS!**

You may ask why that is. The description of the market that I just described **is what a normal market looks like.** Not this aberration of markets we have endured since 2005. An average market time of 60 days (although mine remains closer to 15 days) is normal. 20 to 25,000 homes on the market in the entire Metro Phoenix areas is normal. Having to negotiate with only one buyer at a time and probably having to give just a little bit is normal.

For the past 6 years banks have dictated the way you buy a home and I don't mean how you finance it. They have made their own rules about who can submit an offer on what property and when. They have made rules about how related someone can be to the seller to constitute an arms length transaction. They have even made rules about which agents get the governments (pseudo government) business and how much they get paid based on who they represent. Does any of that sound like it has anything to do with consumer protection or looking out for the rights of the people. I am not talking about this in terms of politics

because it isn't. It is bureaucracy! FHA has a rule designed to protect the buyer from being taken advantage of by people in the business of flipping homes (buying them, fixing them and selling them for a profit). This is how this rule was recently interpreted. My seller, had recently transferred their interest from a family owned LLC into her personal name. It was well documented that no money changed hands, there was no tax advantage to the seller, and the individual seller would have received exactly the same amount of money from the sale of the home whether it had stayed in the LLC or not. This interpretation resulted in a second appraisal (\$475 which could not be paid by the buyer) and a second home inspection (\$400).

The property was never a flip, never sold for additional profit and this regulation clearly did not apply to this property. Because the lender is so afraid that they cannot sell their loans on the secondary market (this is how they replenish their funds), **additional costs of almost \$1,000 were introduced to this transaction for absolutely no reason.**

These kinds of rules create delays and expenses in transactions that are unforeseen. A prime example is a rule that requires the lender to obtain tax returns for borrower directly from the IRS rather than the old way of having them furnished from the borrower themselves. **Presumably this is to prevent fraud, but as many of these rules do, to stop the 1/10th of a percent of fraud, everybody potentially has their mortgage delayed by 5 or 6 days (when the government is working) waiting on tax returns that the borrower has in**

How much value will solar add to my home?

their possession.

Of course it is easy to complain about these incessant rules but they do add time, costs and extra work on all of the parties to a transaction. The old faithful time is of the essence clause certainly doesn't apply in today's market they way it once does. So here are my recommendations in today's market"

1. Don't expect your home to sell in 3 hours for \$20,000 more than the best comparable sale. I feel that a market time of approximately 14 days with only a single well negotiated offer probably maximize the sales price of a property. The old adage is "the first offer is usually the best offer.
2. As inventory and interest rates increase, the rise in home values will level off more than it already has (as predicted in the beginning of the summer). If you want to sell, it is about as good as it is going to get, **right now.**
3. Obtain your news about the housing market from a local real estate professional not from the media or the internet. Most trends are based on closed home sales which naturally lag actual trends by a couple of months.
4. Don't expect your home to close on time (although almost all of ours do). A closing date is a target. There are an infinite number of ways that one of the 50 people who have to approve your closing can run into a snag.
5. Don't make concrete plans based on your home closing on a specific date. Never sign a lease, buy a car or make another huge decision based on a home closing. In addition to

delays, in 25 years I have had some unexpected disasters that happen at the last minute. It's never fun to find out the buyer of your home is incarcerated.

6. A delay in closing is probably no fault of the buyer. It is virtually impossible for loan officers to foresee the needs of an underwriter on a particular file in this transitional period.

We need your home to sell!!
Our goal is:
To get the most money for your home, in the shortest amount of time with the fewest amount of problems.

Free Movie Passes Given Away

We assigned everyone that has signed up for the electronic newsletter a random number and then selected these random numbers until we select the number of people corresponding with the number of passes we are giving away this month. We have sent emails to the lucky winners and mailed their passes to them with the exception of one lucky winner who did not give us their address. As our readership increases we will give more and more passes away until we can start FREE MOVIE NIGHT again.

Want a current and local Market Update go to:

www.algage.com/October2013MarketUpdates.html



With over 1,000 homes sold just in the Avondale area since 1997, we are positioned to have several advantages over other real estate agents. We did not sell 1,000 homes by getting some big bank contract or HUD contract, we sold them one customer at a time. This leaves us with a large data-base of customer exclusively in the Avondale, Goodyear, Litchfield Park area to better sell your existing home at the highest possible price. We are experienced in short sales and regular sales and have a vested interest in keeping and maintaining the values in our neighborhood. Especially important in this market is the fact that we are experienced in the area to effectively challenge any low appraisals we may receive.

Over 1,000 homes sold in Avondale!



Featured Homes of the Month

Sold in 4 days



1) 12745 W. Granada a 1548 model in Crystal Gardens on the lake. Listed by Al Gage for \$165,000

Sold in 4 Days



2) 10791 W. Cambridge a 1493 S.F. model in upland park that backs to a greenbelt in very nice condition. Sold by Al Gage for \$142,400

Sale Pending



3) 10812 W. Palm Ln., A 2569 model (4 BR., 3BA with a pool on the lake in Crystal Gardens. Sale Pending by Al Gage for \$269,900

Just Listed



4) 12738 W. Palm Ln.. A Cottonwood model (1290 S. F.) with a Spa in Rancho Santa Fe Listed by Al Gage List Price \$152,000

Just Sold



5) 3142 N. 126th Dr. A 1641 model (4 BR, 2 BA) in Cortes Sierra SOLD by Al Gage List Price \$185,000

Just Listed



6) 11167 W. Edgemont, a Carefree model (4 BR/ 2 BA, 1957 s.f.) in Crystal Gardens on the Lake. List Price \$205,000

Other Notable Sales of Non Short Sale-Non REO Properties in Avondale

- 12741 W. Desert Flower Rd. A Cape Cod Model with a pool in Rancho Santa Fe. SOLD By Al Gage for \$165,000
- 3142 N. 126th Dr. A 1641 model (4BR/2BA) in Corte Sierra SOLD by Al Gage for \$145,000
- 12616 W. Bird Ln. A 1678 model (4BR/2BA) in Wigwam Creek South SOLD for \$175,000
- 12829 W CLARENDON AVE A 2011 model (4 BR/2BA, 3 car Garage) Sold for \$193,000

