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Property tax appeals surge across the country

By Chris McLaughlin

As local governments grapple with the problem of dwindling revenues, they now have a new problem to confront: rise in property tax appeals. As home prices fall, homeowners and associations are appealing to the local authorities to have their property taxes revised downwards. "It's worthy of a Dickens story," said Gus Kramer, the assessor in Contra Costa County in California. "These people are desperate. They know their home's gone down in value. They've watched their neighborhoods being boarded up. They literally stand in there and say: "When can I have my refund check? I need to feed my family. I need to pay my electric bill." In some states, property tax values are falling for the first time since World War II. In Atlanta, thousands of people have made appeals for reassessment. In part of Ohio, reassessment appeals have multiplied fivefold. In suburbs of New York, tax lawyers are so busy that they have hired extra employees to go through the paperwork related to property tax reassessments. "We've been absolutely getting killed," said Robert W. Singer, the mayor of Lakewood Township in New Jersey. Singer's town expects to pay \$2 million in tax refunds to homeowners. "We've never had this before. Usually they're undervalued. Now, everyone's overvalued."

California seeks to expand its tax-credit program for home buyers

California, in its budget in February, introduced a program by which home buyers could get up to \$10,000 credit when they buy a new, previously unoccupied home. The program was aimed at boosting home sales in the state. The program funding, capped at \$100 million, was meant to run until March 2010. The response to the program was positive with the state receiving 9,800 applications seeking \$94.7 million. California Tax Board, which oversees the program implementation, announced last week that the program would be stopped once it received 12,000 applications.

"We didn't realize how successful [the tax credit program] would be," said Bob Dutton, a Republican Senator who sponsored the bill which created the program. Lawmakers in California have now introduced bills proposing the expansion of the program to at least \$200 million and extending it by at least one year. Some analysts believe the program has not been effective so far. According to Hanley Wood, a market research firm, new home sales in California in terms of both units and average prices have declined in March and April this year over the earlier year. Robert Kleinhenz, deputy chief economist for the California Association of Realtors, says the program is benefiting first-time home buyers. The impact of extending the program on the state's \$21 billion budget deficit is worrying to some lawmakers. Ira Ruskin, an Assemblyman in California, says, "We have to be very careful what we do with general-fund money" given the state's budget deficit.

Court approves GM asset sale

In a 95-page ruling, Judge Robert Gerber, of Federal Bankruptcy Court in Manhattan, consented to the asset sale plan proposed by General Motors (GM). The court received over 850 objections to the restructuring plan during a 3-day hearing. Harvey Miller, GM's counsel said none of the objectors to the sale of assets had a credible plan as an alternative. Miller argued that liquidation would benefit no one. Judge Gerber agreed with GM that the asset sale was critical to keep the company going. "Bankruptcy courts have the power to authorize sales of assets at a time when there still is value to preserve -- to prevent the death of the

patient on the operating table," said Judge Gerber. "In the event of a liquidation, creditors now trying to increase their incremental recoveries would get nothing." Under the restructuring plan, GM's prized assets, including the Chevrolet and Cadillac brands, will be transferred to a new company which will bear the General Motors name. The majority shareholders of the new GM will include the United Automobile Workers union and the American and Canadian governments. The "old" GM, which will stay in the bankruptcy court for liquidation, stands to receive \$1.175 billion, by way of loan from the government, for winding down the estate and settling claims.

Is wage seizure leading to more bankruptcies?

According to research carried out by the Associated Press, states that allow wage seizure by creditors by way of the so-called garnishment laws have much higher individual bankruptcy rates than states that do not. States such as North Carolina, Pennsylvania, South Carolina, Florida and Texas, which prohibit or limit wage seizures, have much lower rates of bankruptcy than their neighbors where economic conditions are similar but do not limit or prohibit wage seizure. The nationwide bankruptcy rate is 42% higher than the rate in those 5 states. When wage seizures happen, collection companies may seize up to 25% of the disposable income of borrowers. The mere threat of wage seizure can force borrowers to file for bankruptcy. David Cherner, a director at ACA International, which represents debt collection agencies, says wage seizure is typically looked at the last resort by collection agencies. "The debt collection industry isn't necessarily enjoying a lot of success at this point," due to a rise in personal bankruptcies, Cherner said. "While volume (of credit collection activity) is up, consumers are hurting."

The rising mountain of debt

Currently, the national debt of the U.S. amounts to \$11.4 trillion and it is growing by over \$1 trillion each year. At about \$37,000 for each and every American, the national debt is likely to cause significant problems if it is not tackled soon. "Unless we demonstrate a strong commitment to fiscal sustainability in the longer term, we will have neither financial stability nor healthy economic growth," warned Federal Reserve Chairman Ben Bernanke recently. Interest payments amounted to \$452 billion last year.

Analysts say debt servicing is crowding out other government spending. In order to reduce debt taxes have to go up or government spending has to come down, or both. President Obama says the debt is "something that keeps me awake at night" and his administration is planning to rein in national debt to "acceptable" levels. Alexander Hamilton, the first treasury secretary of the U.S., once said: "A national debt, if not excessive, will be to us a national blessing." Not many would say that the current level of America's debt is a blessing.

Now on to our real estate investor education section...

How to Get the SBA to Finance Your Short Sales Empire

In yet another display of support for the short sales concept, the Small Business Administration recently announced breakthrough changes to the 504 Loan Program in conjunction with the American Recovery and Reinvestment Act of 2009. Small business owners (defined as those that do less than \$5 million in business each year) will be eligible to refinance existing loans that were used to buy real estate or other assets. Even better, the 504 program also provides funding to allow small business owners to purchase real estate as well as fixed assets...including short sale real estate.

This is no small boon for those short sale investors searching for a way to obtain financing in a tough market or wishing to expand their short sale empire through the acquisition of additional types of properties. Keep in mind, small business loans may be interested in acquiring many different types of properties including residential real estate, commercial real estate, retail, storage or many other forms of distressed property.

The enhancement of the 504 Loan program to include refinancing and funding for new acquisitions is especially timely for those short sale investors who have taken steps to incorporate their business or who would like to purchase short sale properties as part of their existing small business. Forming a subsidiary or acting like a holding company is one way to allow your small business to cash in on short sale profits and broaden your bottom line holdings with the bank.

In addition to expanding the scope of new and existing financing options, the program has also increased the guarantee level to 90 percent while correspondingly reducing fees and transactions costs. ARC loans have also been made available to companies facing immediate financial hardship.

Eligibility Requirements:

"Expansion" includes any project that involves the acquisition, construction or improvement of land, building or equipment for use by the small business. The following are some of the conditions under which borrowers will be eligible for refinancing:

* The debt being refinanced was incurred to acquire land, to construct a building or to purchase equipment. The assets acquired must be eligible for financing under the 504 program.

* The existing debt is collateralized by fixed assets.

* The existing debt was incurred for the benefit of the small business.

* The new financing provides a substantial benefit to the borrower when prepayment penalties, financing fees, and other financing costs are taken into account.

* The borrower has been current on all payments of existing debt for one year prior to the date of refinancing.

We hope this information has been helpful to you. Remember, always check with your financial consultant prior to making any financial decisions. By the way, if you know of someone who would appreciate our services, please call or e-mail us with their name and number and we will be happy to help them. Or, please feel free to give them our names and phone numbers or e-mail, and they can contact us. Serving Moorpark, Thousand Oaks, Simi Valley, Newbury Park, and parts of the San Fernando Valley.

Warmest Regards,

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