



Courtesy of  
The Beck and Pitel Team

# Neighborhood News

May 2008

## Greetings,

*Please support a citizens' initiative to prevent double taxation on real estate.*

There are 36 states that currently have some form of a real estate transfer tax. It can mean an additional \$500 to \$20,000 in closing costs on the sale of a home depending on the tax rate! Many states are working to repeal or prevent a real estate transfer tax—and Arizona is one of them.

Why is it important to ban this? It's double taxation on real estate. Once a transfer tax is in place, the rate can easily be increased to meet future legislative enactments. Plus, we could eventually end up with multiple taxes at many levels—state, county and city. More information regarding this initiative is enclosed.

To get the initiative on the November ballot, 230,000 signatures need to be collected by July 3. We have petitions and will be happy to come meet you at work or your home if you would like to sign it. Or, if you would like to volunteer to help with this important initiative, visit: [www.protectourhomes.com](http://www.protectourhomes.com).

Cheers,

*Jeanie, Mike, Stephanie and Tim*

**Oh, By the Way...**...if you know of someone who would appreciate the level of service we provide, please call us with their name and business number and we will be happy to follow up and take great care of them.

## What is a short sale?

"A short sale is a sales transaction in which the seller's mortgage lender agrees to accept a payoff less than the balance due on the loan," says the California Association of REALTORS®.



Basically, the seller is upside down and can't sell their home for what they owe in their current market.

It can be used as an alternative to foreclosure, but each lender and loan is different, so there are really no cut and dry answers to determine if a short sale will work for you. It's crucial to discuss all of your options with your legal, tax, and financial advisors.

To pursue a short sale, you will likely have to "reverse qualify" and prove hardship to the lender. If the lender does agree to accept less than what is owed, the amount forgiven can be treated as income. You may end up paying income

tax on this amount even though you didn't receive the money. With foreclosures, some borrowers may face deficiency judgments.

The Mortgage Forgiveness Debt Relief Act of 2007 may help some borrowers avoid the tax consequences of a short sale, but there are many exceptions to the relief outlined in the Act.

On the buying side, short sales might be a way to purchase a home at a discounted rate. The downside is the bank(s) can be very slow in responding (several weeks or even months) to offers. You could be stuck in a holding pattern unable to lock interest rates, make moving plans, notify your landlord, etc. only to have the bank take it back at the last minute.

Please give us a call if you would like additional information about short sales.

## Upcoming Events

**May 26, 9:30 AM—12 AM**

**Memorial Day Celebration**

FREE Admission

*Pioneer and Military Memorial Park*

1317 West Jefferson Street, Phoenix  
(602) 262-5071

**May 31, 12 PM—12 AM**

**Foster Care Barbecue and  
Diamondbacks Game**

Admission: \$7.50 for baseball game  
(free for adoptive and foster-care  
families/workers)

*Historic Heritage Square*

115 North Sixth Street, Phoenix  
(602) 663-3473

**June 8, 9 AM—3 PM**

**Arizona Bridal Show**

Admission: \$10

*Phoenix Convention Center*

100 North Third Street, Phoenix  
(480) 921-7891

**June 18, 7PM—12 AM**

**2008 Arizona Comedy Experiment**

Admission: \$25

*Herberger Theater Center*

222 East Monroe Street, Phoenix  
(602) 253-8188, ext. 2

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## Team Update

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If it seems like Stephanie was out of touch for a couple of months, that is because she was busy taking the broker licensing course and studying for the state exam.

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Stephanie passed the state exam in April and is now an Associate Broker at RE/MAX Integrity REALTORS®.

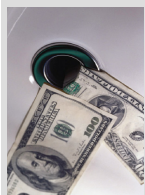
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## Tenant rights in a foreclosure

The increase in foreclosures can impact renters as well as homeowners.

If a landlord fails to make their mortgage payments for an extended period of time, the bank will start a foreclosure/trustee sale. The tenant may not be aware of this until a Notice of the sale is posted on the home. Once the home is sold at a foreclosure or trustee's sale, no one other than the bank or new owner has any legal interest in the property according to Arizona law. At that point, the lease the tenant had on the property is null and void. The new owner can give the tenant a five (5)-day notice to move. If they don't move, the tenant can be evicted.



What are the rights of the tenant in this situation? If the tenant stops making payments for fear the money will be lost in the foreclosure, they may be in breach of the lease and subject to lawsuit or eviction if the landlord pays all amounts past due and reinstates the loan before the sale date. If the tenant continues making payments, and the home goes to the foreclosure/trustee sale, they will not get credit for any deposits or payments from the new owner. The tenant is probably entitled to damages from the landlord for the breach, but they have to locate the landlord to try and collect.

If you, or someone you know is facing this situation, please give us a call so we can refer you to real estate attorneys for advice.

### Contact Information

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## History in headlines

Hindsight will be the only way we will see the bottom of the housing market. In recent months, we've been hearing about how bad the economy is and the word "recession." The reality often isn't as bad as the prediction. For instance:

- "Jobs: 'Not as bad as we thought'" (*CNNMoney.com*, May 2, 2008)
- "What Recession? First Quarter GDP Shows Modest But Better-Than-Expected Growth" (*Foxnews.com*, April 30, 2008)

Now, let's take a look at headlines over the years addressing real estate:

- "The prices of houses seem to have reached a plateau, and there is reasonable expectancy that prices will decline." (*Time*, December 1, 1947)
- "Houses cost too much for the mass market. Today's average price is around \$8,000—out of reach for two thirds of all buyers." (*Science Digest*, April 1948)
- "The goal of owning a home seems to be getting beyond the reach of more and more Americans. The typical new house today costs \$28,000." (*Business Week*, September 4, 1969)
- "The era of easy profits in real estate may be drawing to a close." (*Money*, January 1981)
- "The golden age of risk-free run-ups in home prices is gone." (*Money*, 1985)
- "In California...for example, it is not unusual to find families of average means buying \$100,000 houses...I'm confident prices have passed their peak." (John Wesley English and Gray Emerson Cardiff, *The Coming Real Estate Crash*, 1980)
- "Most economists agree...[a home] will become little more than a roof and a tax deduction, certainly not the lucrative investment it was through much of the 1980s." (*Money*, April 1986)
- "The baby boomers are all housed now. They are being followed by the baby bust. By 2005, real housing prices will sit 40 percent below where they are today." (Harvard economist Gregory Mankiw, "The Baby Boom, the Baby Bust, and the Coming Collapse of Housing Prices." *Journal of Regional Economics*, Fall 1989)
- "Financial planners agree that houses will continue to be a poor investment." (*Kiplinger's Personal Financial Magazine*, 1993)
- "A home is where the bad investment is." (*San Francisco Examiner*, November 17, 1996)



The bottom line: everyone needs a place to live. Homes have appreciated over time (**2650% since 1948!!!**). It's important to make an informed decision. But, it's also important to make sure it's a place you enjoy being while creating memories *and* making that mortgage payment every month.

### Congratulations!

## Francoise Maricle

for correctly answering that the first 1040 form appeared in 1913 after Congress levied a 1% tax on net personal incomes over \$3,000.

### Test your knowledge

#### What element has the lowest boiling point?

Call, fax, or email us with the correct answer and your name will be entered into a drawing for a \$25 gift certificate.