Hounchell's Real Estate Skinny – June 2011

I hope this edition of The Skinny finds you doing well, and I look forward to seeing you at this year's Martinis For Moffitt.

Warm regards,

Chris Hounchell

www.hounchellrealestate.com

Do You Have Enough Homeowners Coverage?

Thousands of families in Joplin, Tuscaloosa and other tornado-stricken communities have seen their homes flattened and the contents destroyed. And sadly, many of these homeowners will soon discover that their insurance won't cover all of their rebuilding costs.

The good news is that typical homeowners insurance covers damage from tornadoes. Other natural disasters, such as floods and earthquakes, aren't covered under standard policies. But while 96 percent of homeowners have insurance, 64 percent of homes are undervalued for insurance purposes, according to a study by Marshall & Swift, a research firm. Even if you don't live in Tornado Alley, you should review your policy periodically to make sure you could recover from a catastrophe.

Typical homeowners coverage falls into three categories:
Replacement cost. This covers the cost of repairing or replacing your home, based on a set dollar limit. The problem is that it may not reflect increases in the cost of construction and labor since you took out your policy. If a disaster strikes your entire community as was the case in Joplin higher demand could push up the cost of building materials and labor.

Extended replacement cost. In this case, the insurer agrees to pay a certain percentage above the replacement cost to account for inflation. For example, if your replacement cost is $250,000, extended replacement cost coverage would pay up to 120 percent of that, or $300,000. Even with this adjustment, you could come up short, particularly if it has been a long time since you updated your coverage.

Guaranteed replacement cost. This coverage will pay the total cost of replacing your home, no matter how much prices have increased since you took out the policy. This type of coverage is more expensive and increasingly difficult to obtain because insurers want to control their costs. In addition to these levels of coverage, many policies include an "inflation guard" provision that automatically adjusts your coverage limit when you renew your policy to reflect increases in construction costs.

For more information contact Chris Hounchell at 727-642-9107.

Distressed Property Expertise Helps Homeowners

Cash strapped homeowners facing possible foreclosure, or even bankruptcy, have options to help pay off their mortgage.

Proceeds from a real estate short sale can help satisfy a home loan, and lenders are finding them increasingly acceptable as they save the institutions a great deal of time and money.

Chris Hounchell, Broker Associate of Hounchell Real Estate-RE/MAX Metro, is a Certified Distressed Property Expert (CDPE) who helps distraught homeowners by educating them about the alternatives they have to foreclosure.

Chris earned his CDPE designation from the Distressed Property Institute of Boca Raton, Florida. He has long been a specialist in foreclosed and short sale properties in the St. Petersburg, Clearwater and Tampa Bay areas, and this new designation brings to his clients important new tools to help them through these turbulent times.

Looking for options and solutions to your market hardship? Read the FAQ's about short sales.

To find out if you qualify, contact Chris Hounchell at 727-642-9107.

Mortgage Rates Drop For 7th Straight Week

Fixed mortgage rates slid for the seventh consecutive week, only 7 percent of the industry experts believe mortgage rates will rise over the next week or so; 40 percent think rates will fall; and 53 percent believe they will remain relatively unchanged.

Freddie Mac says the average rate on the 30-year loan fell to 4.55 percent from 4.60 percent. The average rate on the 15-year fixed mortgage, a popular refinance option, slipped to 3.74 percent from 3.78 percent. Both are lows for the year!

Rates tend to track the yield on the 10-year Treasury note, which has dropped over fears that higher energy prices could slow economic growth this year.

To calculate average mortgage rates, Freddie Mac collects rates from lenders across the country on Monday through Wednesday of each week. Rates often fluctuate significantly, even within a single day.

The average rate on a five-year adjustable-rate mortgage stayed flat at 3.41 percent. The five-year adjustable rate loan hit 3.25 percent in April, the lowest rate on records dating back to 2005.

The average rate on a one-year adjustable-rate loan rose slightly to 3.13 percent.

The rates do not include add-on fees, known as points. One point is equal to 1 percent of the total loan amount. The average fee for the 30-year fixed loan in Freddie Mac's survey was 0.6 and it was 0.7 for the 15-year fixed loan. The average fee for the five-year ARM and the 1-year ARM was 0.6 point.

For more information contact Chris Hounchell at 727-642-9107.

Real Estate Investors Heat Up Market

According to a Move.com survey, real estate investors will be three times more active in their local markets compared to typical homebuyers in the next 24 months; and 69 percent of investors say it'll be easier to find properties in the near future.

The Move Investor survey suggests that local markets will be heating up with renewed investor interest and activity. Compared to a year ago, 62 percent of investors are paying more attention to home values in their local markets.

Meanwhile, 22 percent of investors are bullish and expect prices to rise in the next six to 12 months, and 53.5 percent expect prices to remain relatively the same. Twenty-three percent expect prices to fall in the next six to 12 months.

The survey also found that investors are prepared to compete vigorously with traditional first-time homebuyers for hot deals. Two-thirds of investors (65.5 percent) said they expect that first-time buyers' problems getting a mortgage will make it easier for investors to compete for properties. One in five investors (18.5 percent) say they'll be cash-only buyers, a strategy that's out of reach for most first-time buyers. Eight out of 10 (80.5 percent) expect cash discounts from sellers.

For more information contact Chris Hounchell at 727-642-9107.