



Next Monthly Meeting

Date: Thursday, February 11, 2010

Time: 6:30 p.m. - 8:30 p.m.

Place: M-TEC building, SC4 campus

Guest: Evergreen Appraisals

Topic: Tax Appeals

Inside this issue:	page
From The President	2
Should You Buy a Foreclosure?	4
5 Things to Know About Renter's Insurance	8
7 Steps to Follow with New Tenants	9
FHA Permanent Financing for Apartments	10

Notice

- If you wish to see an article pertaining to a certain subject or if you would like to publish one, please contact Julia at the main office.
- In attempt to decrease costs and paper waste, we will now send your newsletter to your email if we have your address on file. If you need to update your address or wish to continue receiving a paper copy of the newsletter, please let us know as soon as possible. jtyrrell@innovativehousing.org

From The President - Dresser Drawer Deeds - Dangerous Documents

By Matthew M. Wallace, CPA, JD

"I don't have to worry about probate because I have a quit claim deed." You have probably heard this statement from family or friends or have said it yourself.

You may attempt to do your own mini estate plan by having a quit claim deed of your home or other real estate from yourself to your children or others with instructions to record the deed after your death. This deed could have been drafted ten, twenty or more years ago. Very often this deed is kept in your dresser drawer so that it could be easily found after your death. If you did not seek counseling from a knowledgeable estate planning professional before your deed was prepared, you may not accomplish your wishes.

Unfortunately, these deeds often never get recorded. A deed can be lost or mislaid or never found. Often times it is suspected that a family member who had access to the house and who would have received a smaller share of your estate if a deed was recorded, entered your home and destroyed the deed. If a deed cannot be found, what you want to happen does not happen and your real estate ends up going through probate anyway.

Your beneficiary could also find a deed and record it before your death so that they would still get your home if you changed your mind. You would have to sue your child to void the deed after it has been recorded.

You may have given your intended beneficiary a copy of your unrecorded deed. If you change your mind or have a falling out with your beneficiary, you would destroy the original deed so that the real estate could go in accordance with your will. If your beneficiary has a copy of the deed, they could record the copy of the deed with an affidavit stating that the deed was lost and could still end up owning your real estate.

Also, if you use a quit claim deed to transfer property to family members, you void any title insurance protection that you may have had when you purchased the real estate. If in the future, a defect on the title to the property is discovered, your family may have to file a quiet title lawsuit at their own expense to clear the title to your property.

Next is the question about the validity of undelivered deeds after your death. Deeds are generally considered effective upon delivery to the person receiving the property or upon recording at the register of deeds office. If a deed is not

Continued on pg 3

Dangerous Documents - continued from pg 2

delivered to the person receiving the property nor recorded before your death, there is an argument that that deed expired with you and is no longer effective to transfer the property after your death.

In order to avoid this situation, you may have delivered the deed during your lifetime to a third party trustee who holds the deed with instructions to record the deed after your death. This could be a problem for several reasons. Sometimes the family does not know about the deed and does not inform the trustee of your death, then your deed never gets recorded. The deed also may get lost, destroyed or mislaid when it is being held by this third party. Sometimes the trustee may have died and his or her files could be put in storage or get destroyed.

There are several ways to avoid the pitfalls of the dresser drawer deed. Firstly, just don't do it! Keep your real estate in your own name. Have detailed instructions in your will and probate your real estate in accordance with those instructions. Although you would have probate fees, your property would be distributed in accordance with your instructions and probate can generally be concluded within a year.

Secondly, if you wanted to avoid probate and have beneficiary protection from divorces, remarriage and other creditors, you could have a revocable living trust into which you deed your property. The trust would have specific instructions as to how you want your property distributed after you are gone.

One more method to avoid the pitfalls of the dresser drawer deed and avoid probate is to record a transfer-on-death deed. Using the same statute as payable or transfer on death designations of your bank accounts, a transfer-on-death deed is simply a revocable beneficiary designation for your property. Since the transfer is effective at death, it is not considered a current transfer of any interest in your real estate. Therefore the transfer-on-death deed does not uncap the property for property tax purposes. If the property is your home, it is still an exempt asset for Medicaid, is still your homestead for homestead property tax exemption and is still your principal residence for federal income tax capital gains exemption. Since the beneficiary designation is revocable, you can change your mind and change the deed.

Matthew M. Wallace is an attorney and CPA with the law firm of Matthew M. Wallace, PC in Port Huron and can be reached at 810-985-4320 or at

The ideas presented herein are for discussion and educational purposes only and not intended to be relied upon. For specific information regarding your needs, concerns and plan, you must consult with your tax advisor, financial planner and estate planning attorney to discuss your situation and obtain advice. To comply with U.S. Treasury regulations, we advise you that any discussion of Federal tax issues in this article was not intended or written to be used, and cannot be used, by any person (i) for the purpose of avoiding penalties that may be imposed by the Internal Revenue Service, or (ii) to promote, market or recommend to another party any matter addressed herein. © 2009

Make \$500,000 in one year! Buy houses for pennies on the dollar! The business of buying foreclosures and pre-foreclosures has never been hotter. The experts will guide you every step of the way to help you get rich quick. Just take a seminar or buy a book and you'll be on easy street in no time.

With foreclosure filings reported on 291,000 U.S. properties in February, up 30% from a year ago, it's easy to entertain visions of buying cheap houses and flipping them for quick profits.

The only trouble is, it's not so simple. New realities are changing the foreclosure business, and the unwary investor can be left in the lurch.

Here's what's changed and what you might want to watch out for:

There may be little or no equity on the table.

Dana Mackey used to send 100 letters at a pop to distressed homeowners in the Agoura Hills, CA area. He would typically get about a 10% response. Of those, he would be able to work with several families either by carrying paper so they could stay in their homes or by purchasing the homes for them, and he'd make a good profit.

That doesn't work anymore. Most of the houses in trouble in his area are now "underwater" -- people owe more on their homes than the homes are worth. Many homes have \$950,000 mortgages but are worth only \$700,000 in today's market.

"Before, I was able to help them," says Mackey. "Now, they're so far gone that

there's nothing you can do. The banks don't want to take the \$250,000 hit right now either. And the market keeps dropping." Mackey has stopped sending the letters.

Foreclosures are becoming more emotionally and politically charged.

Groups such as the Moratorium Now! Coalition are working to stop foreclosures and evictions nationwide. Frustrated with rising unemployment and foreclosures, the coalition's motto is "Bail out the people -- not the banks." Reading a few stories of families sleeping in trucks after being foreclosed on could make Ebenezer Scrooge cry. Few topics raise people's emotions as quickly as a classic battle between the haves and the have-nots.

You, as a buyer, may be an innocent bystander in this drama, but that might not keep you from having trouble taking possession of a home -- or keeping it. A sheriff in Chicago, for example, has told his deputies to stop evicting people from foreclosed properties because he believes some people, especially renters, have been evicted without proper notice. In February, the Association of Community Organizations for Reform Now, also known as ACORN, announced a campaign of civil disobedience designed to help families resist eviction and remain in their homes after foreclosure.

The homeowners likely won't make it easy on buyers either. "What people don't count on is the high emotional stakes

Continued on pg. 5

involved with someone who is in the process of losing their home," says Craig Venezia, the author of "Buying a Second Home." They may have been fending off pre-foreclosure buyers, feel they were pushed into a loan or be emotionally drained by the prospect of losing so much. They don't exactly welcome your contract; sometimes, they're hostile.



You've got more competition than ever.

Once a homeowner receives notice of default, the foreclosure process is public. Some homeowners report being contacted by as many as 65 people offering to "help" during the pre-foreclosure period. At an auction, it's no better. You register and get a bidder's card or paddle, but so do as many as 2,000 other people. "People think, 'If I get a foreclosure, I'll be the only one,'" says Larry Loftis, the author of "Successful Real Estate Investing in a Boom or Bust Market." You could skip auctions and look for REOs, or real-estate-owned properties, where the bank has already foreclosed and owns the home. But those put on the Multiple Listing Service roll along with every other property. There's really no way to get around the competition.

Even before the current foreclosure boom and its fallout, buying foreclosure had major downsides. Here are nine good reasons you may want to steer clear in any market:

Some pre-foreclosure tactics are sleazy.

There's a whole seminar market that teaches you how to find people who are about to lose their homes and pretend to be their white knight. The seminars teach you to pitch that, yes, Aunt Martha will lose the property, but she'll save her credit. You use complicated contracts and high-pressure and scare tactics, and misrepresent what the homes are worth. What you're hoping is that Aunt Martha has about 60 grand in equity. You take over her property, her loan -- and her equity. Loftis says, "It's deceitful and unethical, but that's what they teach."

You can pay too much.

Auctions are designed to create a buying frenzy. It's easy to get caught up and spend more than you'd planned. "People should not be misguided into thinking that the lenders just take a loss. Sometimes they do," says Venezia. "What I've seen is that more short-selling is happening, but it's still more of the exception than the rule." Remember, when a house sells for far less than both the market price and the mortgage, it makes the news exactly because that's not how it usually works.

You don't get much time to do your research.

Foreclosure auctions are a quick process, so when you find out a property is coming up for auction, you don't have much time to research it. If a property sells at auction, all liens are wiped clean, but you are liable for any property taxes. That could wipe

Continued on pg. 6

out any savings. "You're going to know less about the property," says Venezia. There's no home inspection. Some of the house are sold sight unseen. And if you're the winning bidder, it's yours -- there's no going back.

Your profit can disappear in the time it takes to rehab and sell a home.

Even if you get a property at what you think is a good value, you to factor in all your costs. It's not just labor and materials. It's the time you hold the property. It could take months to fix up on e property and find a buyer for it, and all that time you're paying mortgage interest, utilities, property tax, insurance and more. You really have to do the math.

Say you manage to pay \$200,000 for a house worth \$250,000. You plan to put in \$10,000 worth of carpet and paint before clearing a nice profit. Not so fast. There's always more that needs to be done than you had expected, so say the rehab actually costs you \$15,000. Closing costs add \$12,500. Then, say it takes you six months to fix the house and find a buyer -- and each month you're paying \$3,000 in expenses.

That's a pretty slim profit margin -- one that's completely wiped out if the previous owners trash the place. Or if there are any unknown major defects, such as a leaking roof, a severely cracked

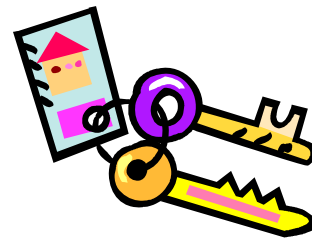
foundation or mold. Or if it takes longer than you think you to rehab the house in your free time. Or if selling the house takes longer than you anticipated. Not to mention that it could take two to three times longer to complete than a traditional sale, tying up your time and money.

That's a lot of risk, and it could turn out even worse. There are other ways to invest in real estate without exposing yourself to so much risk.

The owners or tenants may still live there. If you buy property at a foreclosure auction, you may have to be the one to evict the tenants. Do you have the stomach for that?

Vacant properties are a huge financial drain.

Most foreclosures involve single-family homes. These homes feel like safer buys because they're what we know. But you're better off buying multi-family homes, with renters to cover the mortgage payments, taxes and utilities. "If you buy a quad, even if someone moves out, the other tenants cover your expenses," author Loftis says. "You rehab one unit at a time. You never have a property sitting empty that eats your lunch."



Continued on pg 10

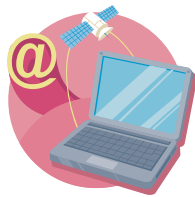
www.emrha.org

Links

- Michigan Housing Locator
- St. Clair County Parcel Search
- Eastern District of Michigan Bankruptcy Court
- Detroit Federal Court
- Sex Offender Registry
- Michigan State Corrections
- Federal Offenders List
- St. Clair County District & Circuit Court Case Records

Forms

- Rental Application
- Commercial / Residential Leases
- Pet Agreement
- ... and more!



PLEASE NOTE!!

- **Our Monthly Newsletter is now available online!** Also, if we have an email address for you on file, your newsletter will automatically be sent to your email. Please contact our office if you have a new address or wish to receive your issue via postal mail.
- **VACANCY LISTINGS** - *The office often receives calls from renters looking for rental units.* These prospective renters are directed to our website. Be sure to utilize the property list feature or the Michigan Housing Locator link to advertise your available units **FOR FREE!!**
- **CREDIT REPORTS** - If you are interested in conducting your own credit reports, contact our office to receive a step by step guide for setting up your own account. Or, the office can conduct the report for you at the cost of \$20 per report.

It is, unfortunately, an all-too-familiar news image: An apartment building smolders in the hours after a major fire. The traumatized residents have gone off to put their lives back in order. In all likelihood, they've lost most of their possessions. Some of those tenants will find financial support for their losses through renters' insurance policies. However, a majority of renters probably don't have coverage, either because they believe they can't afford it or because they don't even know such a thing exists. "The average renters' insurance in the U.S. is about \$200 annually," according to Loretta Worters, a spokeswoman for the Insurance Information Institute, a trade group in New York. "A lot of people don't think about purchasing it because they think their landlord is responsible, but in reality, it's the tenant that's responsible for their own belongings," Worters said. And the value of those belongings can add up, even in the households of many young adults just starting out on their own: Computers, stereos, plasma-screen televisions, etc., are a major part of many urban lifestyles these days. Insurers say that beyond personal property, renters may need to consider another possession - protection from liability lawsuits in this litigious age.

Here are five things renters should know about insurance:

1. **What's the real cost?** That \$200 annual cost is a generalization, though it's generally regarded as a reliable one.

"It depends on where you live and how much property you're insuring," said Janet Patrick, a spokesperson for the Illinois

Insurance Association in Springfield, which runs a hot line (800-444-3338) for consumer questions. "It also depends on the size of the deductible and other coverage."

Patrick said a \$250 deductible (an amount the insured party pays out-of-pocket before coverage kicks in on a claim) is probably most commonly found in the standard wording of renters' policies. "But you should take the highest deductible you can afford because it's going to lower your premium cost," she said.

2. **Two forms of coverage.** Policies usually cover property in one of two ways, providing either the "actual cash value" or the "replacement value" of the household objects in paying out a claim.

Actual cash value policies pay what a possession is deemed to be worth at the time of the loss. In other words, if your laptop cost you \$800 a few years ago, its value would be less today, an amount the insurer would calculate in determining how much to pay you for the loss.

Replacement-cost coverage is just what it sounds like - it pays out the equivalent cost if you were to go out and get a similar laptop today. Such coverage, because of their higher payout, carries a higher premium.

3. **Beyond property.** Policies cover more than lost property. For example, they also provide payment for living expenses if you're displaced from the unit for covered events, such as fire.

Continued on pg 9

INSURANCE - continued from pg 8

Generally, policies include up to \$100,000 liability coverage, according to Worters. "However, experts recommend that you purchase at least \$300,000 of protection," she said.

4. **Talking about catastrophes.** The list of catastrophes and circumstances that are likely to be covered by renters' insurance is a long one, ranging from "typical" events such as fire, vandalism or theft to things such as damage from frozen pipes or even riots. What often isn't included is damage from flooding, and insurance experts suggest that if you live in a flood-prone area, you'll need separate insurance.

5. **Other things affecting costs.** There may be ways to keep your premium costs down. Or drive them up. Some policies, for example, may give you a discount if your building has a security system - especially if you have it connected to a central station alarm.

And then, there's lifestyle consideration, that might make your coverage pricier - that is, having a dog. "Some companies are concerned because of the additional liability of certain dogs that are aggressive in nature," Patrick said.

Additional dog-related insurance costs and whether you get coverage or not depend on the company. Says Patrick: "Some won't write a policy if you have a certain type of dog; others will take a look at the risk and evaluate it differently."

From The Voice, September 2009

Before Handing Over Keys to New Tenant, Follow These 7 Steps

- 1) Take several pictures of your property with a digital camera. Pictures are free unless you print them. Only print the ones you actually use or need.
- 2) Verify everything, no matter how nice the potential tenant(s) may seem.
- 3) Don't ever allow a tenant to move in before the unit has been cleaned - even if the new tenant offers to clean it.
- 4) Never leave utilities in your name unless you absolutely have to.
- 5) On lease signing day, give your tenants 12 months worth of stamped and addressed envelopes for rent payment.
- 6) In case residents lose your self-addressed envelopes, slap an address label on the side of a wall mounted kitchen cabinet. The address being where you want your rent mailed to... usually best in the cabinet closet to the landline phone outlet.
- 7) Tape paint chips, complete with paint name and barcode, on the inside of the light switch cover - now when you need to order more paint that's a specialty color, you know exactly you need!

From The Voice, September 2009



The neighborhood may have underlying problems. You need to ask, "Why is this house in foreclosure?" If the owner lost his job, that's one thing. But if many jobs are being lost in the area, causing a glut of homes on the market, stay away.

Financing a foreclosure can be complicated. At an auction, you have to bring a cashier's check for a down payment, and then you might have 24 hours to come up with the rest of the cash. Getting a traditional mortgage on a foreclosure would be extremely difficult. You would need to have different sources -- your own cash, access to trusts or hard-money lenders (which can charge exorbitant interest rates).

You can get great deals now - without buying foreclosures. One of the best reasons not to buy foreclosures: It's a buyer's market. Loftis recommends that you look for properties that have been on the market six months or longer. You'll find sellers who are willing to give you a good price.

Still, buying a foreclosure *might* make sense.

If you're thinking of buying a foreclosure or pre-foreclosure for your own residence, it's an entirely different scenario. If you do your research, avoid occupied houses and never buy sight unseen, it could be worth the trouble. George Finder, an independent credit evaluator, bought a fixer-upper that way. He paid about half as much for his house as his neighbors had paid for theirs, and he used some of the savings to make cosmetic fixes. For Finder, the positives outweighed the negatives. He still lives there, 20 years later.

From www.MoneyCentral.MSN.com

FHA Make Permanent Financing More Available for Apartments

In a response to the freeze in the capital markets, the Federal Housing Administration (FHA) has issued temporary regulations making it easier for apartment owners to access the FHA for permanent mortgage financing. Traditionally, FHA 223(f) loans have been unavailable to properties that have been construed or rehabilitated within three years of applying for FHA insurance. Last week, the FHA said it has instituted a six-month waiver of this Three-Year Rule.

NAA/NMHC applaud this action as it will open up new lines of credit for apartment firms and provide an exit strategy for banks and other lenders that have outstanding construction debt or bridge financing on such properties.

From The Voice, April 2009

HURON

TITLE COMPANY

**330 Michigan Street
Port Huron, MI 48060**
810 / 987 - 2141
1 / 800 - 878 - 4853
Fax 810 / 987 - 1317

PLUMBING & HEATING AIR CONDITIONING

188 14th Street
Marysville, Michigan
48040

(810) 364-5211
Fax (810) 364-3020

Lou Gordon



MATTHEW M. WALLACE, P.C.

ESTATE PLANNING, BUSINESS PLANNING & REAL ESTATE

MATTHEW M. WALLACE, C.P.A., J.D.

ATTORNEY & COUNSELLOR AT LAW
701 HURON AVENUE, SUITE 102
PORT HURON, MICHIGAN 48060

www.wallaceplaw.com
matt@wallaceplaw.com

(810) 985-4320
FAX (810) 985-4108

The OPPLIGER LAW FIRM

DAVID E. OPPLIGER
ATTORNEY AND COUNSELOR

1111 PINE GROVE AVENUE
PORT HURON MI 48060
(810) 966-1881 • FAX: (810) 966-1893
OPPLIGER@SBCGLOBAL.NET

Stewart,
Beauvais
& Whipple P.C.



CERTIFIED PUBLIC ACCOUNTANTS

Providing Valued Services Since 1945

- Tax Preparation & Consulting • Business Consulting
- Estate Planning • Audits & Financial Statement Preparation
- Business Valuation • General Ledger/Payroll Services
- Personal Financial Planning

Larry J. Allen, CPA Paul L. Bailey, CPA
Michael T. Turnbull, CPA Stephen R. Zimmer, CPA

1979 Holland Ave., Port Huron, MI 48060
(810) 984-3829 • SBWCPA.COM

Advertising Price Rates

1/8 page: \$125/yr \$14/mo

1/4 page: \$165/yr \$18/mo

1/3 page: \$185/yr \$20/mo

1/2 page: \$200/yr \$22/mo

Full page: \$400/yr \$44/mo

*based on 9 issues per year

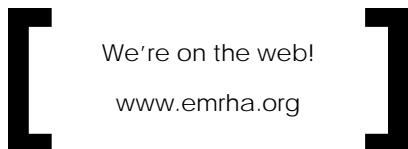
Eastern Michigan Real Estate Investment Association

3051 Commerce Dr, Ste 5
Fort Gratiot, MI 48059

Phone: (810)385-2332

Fax: (810)385-8875

Email: jtyrrell@innovativehousing.org



«First» «Last»
«Company»
«Address»
«City», «State» «Zip»

E.M.R.I.E.A. ADVISOR

Our office is located at:

3051 Commerce Dr, Ste 5
Fort Gratiot, MI 48059

Phone: (810)385-2332

Fax: (810)385-8875

www.emrha.org

Office Hours:

Monday - Thursday

8:30 a.m. - 5:00 p.m.

Friday

8:30 a.m. - 4:00 p.m.

Board of Directors

President	Matt Wallace	810-985-4320
Vice President	Judy Harris	810-385-3284
Secretary	Ken Montgomery	810-385-3150
Treasurer	Edward Schultz	810-385-2332
	David Oppliger	810-966-1881
	Renae Kiehler	810-385-2332
	Kathy Swantek	810-388-1200
	Dianna Maxwell	586-801-6068
	Virginia Irland	810-982-6239