

# The Select Report Newsletter

Summer Issue 2009

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## The First Time Homebuyer \$8,000 Tax Credit: The Deadline is Fast Approaching – Don't Miss Out!

By Kelly Lynch, Broker/Loan Specialist, KPL Select Mortgage, Inc.



As we discussed in our last newsletter, on February 17, 2009, President Obama signed a stimulus bill (The American Recovery and Reinvestment Act of 2009) that included a federal tax credit of up to \$8,000 for first time homebuyers as part of the effort to stimulate the real estate market. **That tax credit is good only for homes purchased during this year and before December 1, 2009.**

While it is possible that the December 1 deadline will be extended, as of the date of this writing, we have not received any information about an extension. **Accordingly, to be eligible, first time homebuyers should be in escrow on their first home at least during September to ensure a closing before the December 1 deadline.**

### In addition to the December 1 deadline, to be eligible for the credit:

- **The buyer must be a first time home buyer.** The plan defines a "first time home buyer" as a "buyer who has not owned a principal residence during the three-year period prior to the purchase."
- **The buyer's modified adjusted gross income (MAGI) is less than \$95,000 for an individual or \$170,000 for a married couple filing a joint return.** Up to a modified adjusted gross income of \$75,000 for individuals and \$150,000 for joint filers, home buyers are eligible for the maximum tax credit. As income rises from there, however, the amount of available credit declines until the buyer's MAGI reaches \$95,000, at which point the buyer is no longer eligible for credit.

(Continued on page 3)

## A Mortgage – In Reverse

By Sonny Oh, Loan Processor, KPL Select Mortgage, Inc.



Dwindling retirement funds, rising health care costs and changes in pension plans are some of the reasons that the reverse mortgage has become increasingly popular. More retirees are utilizing this finance option to increase their cash flow.

So, what exactly is a reverse mortgage? First and foremost, as the term indicates, it's a mortgage like any other. It's appropriately named a "reverse" mortgage as the payment stream is reversed. Instead of making monthly payments to the lender, as with a traditional mortgage, the lender makes payments to you. It's unique in that it enables senior homeowners (62+ years old) to convert a portion of the equity in their homes without selling the home, giving up title or taking on a monthly mortgage payment.

Various lending institutions offer the reverse mortgage, including those approved by the U.S. Department of Housing and Urban Development (HUD). These HUD-approved programs are known as "Home Equity Conversion Mortgages" (HECM). HECMs are insured and regulated by the Federal Housing Administration. The net result being one of the safest finance options available to seniors and one of the most popular.

A second type of reverse mortgage is known as a "Cash Account" or a "Jumbo." Cash Accounts are not insured by the U.S. Government but are a proprietary product of the lender. These programs are designed for homes that are higher in value and often exceeding a million dollars.

**What are the qualifications?** As with any mortgage, a reverse mortgage consists of many components and facets. But a reverse mortgage is much simpler and easier to qualify for than a regular mortgage. You and any co-borrower(s) must each be 62 years of age or older, own the home, and occupy the home as the principal residence. Income and credit rating does not come into play in qualifying. You can even qualify if you've declared bankruptcy, as long as the bankruptcy has been discharged.

(Continued on page 2)

## A Mortgage – In Reverse (cont'd from page 1)

**How much do you qualify for?** For a reverse mortgage loan there is not a pre-set loan-to-value ratio or a percentage that is used across the board for all borrowers to determine the amount of cash available. Instead, there is a sophisticated mathematical formula used that is based on the life expectancy of the youngest borrower, the appraised value of the home and current interest rates.

**How do you access the proceeds from a reverse mortgage?** The first option is in the form of monthly payments that are guaranteed as long as the borrower lives in the home. Another option is a lump-sum payout, giving access to the entire amount of the proceeds. The third, and most popular, is a line of credit. Finally, you can also choose a combination of the three options.

**What can you use the money for?** The funds from a reverse mortgage can be used for any purpose. There are no restrictions on how the funds are used.

**Common misconceptions.** Many seniors do not consider a reverse mortgage as an option because they are under the misconception that they will no longer own their home if they get a reverse mortgage. The truth is the home must be and remain in the name of the borrowers only.

Additionally, the proceeds from a reverse are not taxable as it's considered a loan, not income. Further, the borrower's Social Security and Medicare benefits will not be affected by a reverse mortgage.

**If you or someone you know is interested in learning more about reverse mortgages, call Kelly Lynch or Sonny Oh at (818) 907-5757. You may also want to attend our workshop on August 29. See page 4 of this newsletter for more information.**

## Landlords: Is Your Investment Property Adequately Insured?

By Tanya Kaplan, Property Manager, KPL Select Property Management, LLC



KPL Select Property Management often gets inquires from landlords regarding whether their investment property carries sufficient insurance. Below is information to assist in answering some of the insurance coverage questions we get and you may have.

### Single Family Residences

If you own a single family home or condo in which you live, and also own additional, single family homes or condominiums as rental properties, it is very simple to obtain the additional coverage you need. Most carriers will allow you to extend your homeowner's liability coverage to several rental properties. It is inexpensive and, if you have a personal umbrella policy, coverage also may be extended under that policy as well.

### Multi-Unit Buildings

Any rental building with five or more units is considered an apartment building by most insurance carriers. A commercial insurance policy will be needed to properly protect these investment properties.

The commercial insurance policy you purchase may be through a carrier that is admitted in California or a non-admitted carrier. An admitted carrier in California must follow guidelines set forth by the California Department of Insurance. These carriers also are also a part of the California Insurance Guarantee Association, which provides protection for policyholders should their carrier be declared insolvent. But admitted carriers often do not meet all the needs of insurance buyers. Specialty risks such as earthquake coverage are among those that are often not written by admitted carriers.

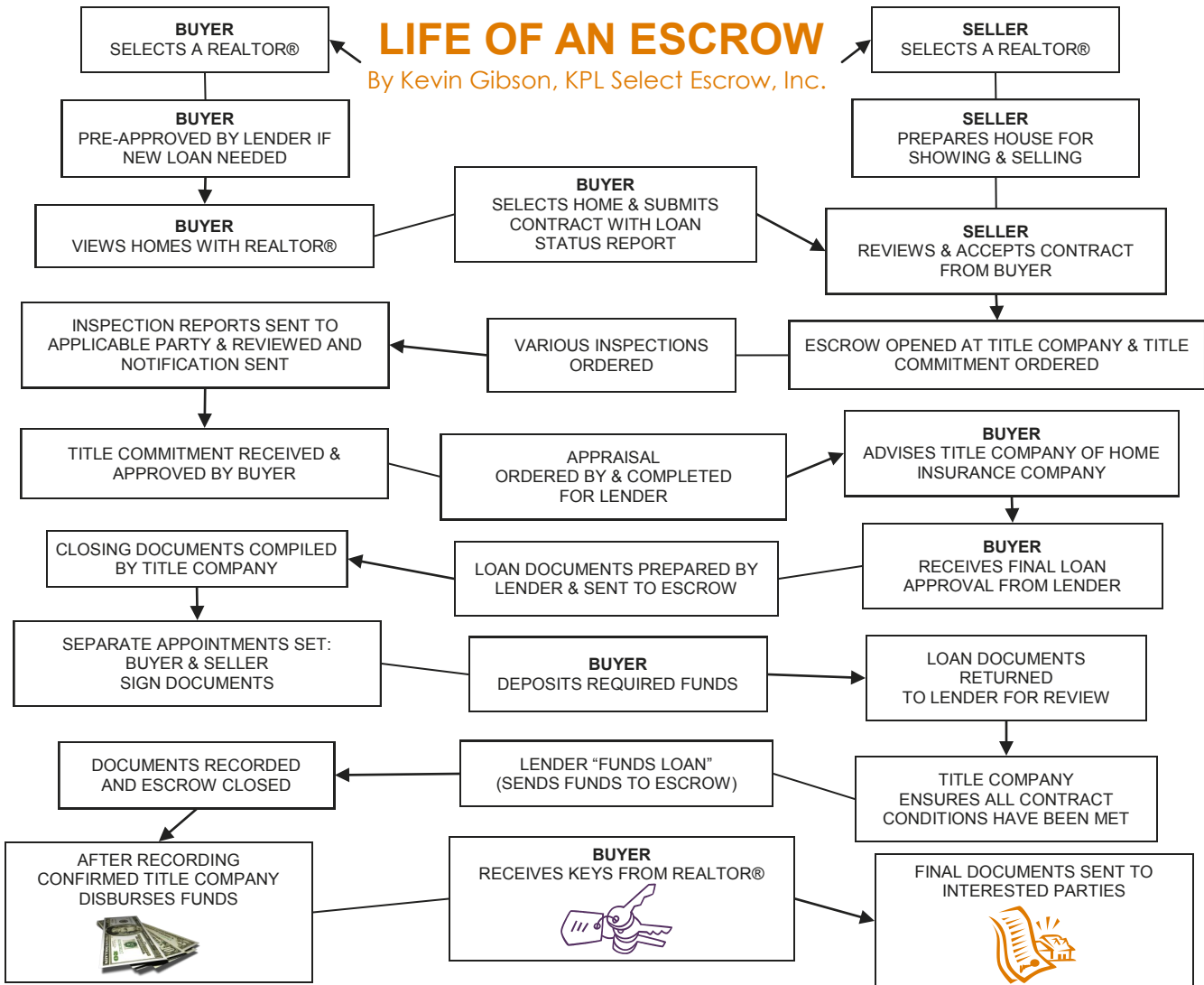
While the term "non-admitted" may sound like you're using a lesser carrier, that's not the case. Non-admitted carriers are often U.S.-based companies that have chosen not to become an admitted carrier in California. Some of the largest insurance companies in the world have non-admitted companies they use for specialty risks. Regardless of whether a carrier is admitted or non-admitted, the best gauge for determining the security of one's policy is to check the financial rating of the company.

**If you own an investment property please contact us for a free non-obligatory evaluation and quote: Sherman Oaks Office (818) 907-5757 – Tanya Kaplan • Palm Springs Office (760) 327-9700 – Bonnie Loza.**

To receive your KPL Newsletter via email, please email us at [info@kplselect.com](mailto:info@kplselect.com) and type "Newsletter" in the subject line of your message. To receive useful articles and updates about what's happening in the mortgage market from us, please type "Updates" in the subject line of your email. We look forward to keeping in touch with you in whichever way is most convenient!

# LIFE OF AN ESCROW

By Kevin Gibson, KPL Select Escrow, Inc.



## First Time Homebuyer Tax Credit (cont'd from page 1)

- **The house you purchase must be your "main" home.** For any multiple home owners or potential multiple home owners out there, the new tax credit will not count toward non-primary homes. "Main" home is defined by the plan as "any home that will be used as principle residence," and includes "single-family detached homes, attached homes like townhouses and condominiums, manufactured homes (also known as mobile homes) and houseboats."
- **The buyer must live in the home for at least three years after the purchase date.** Home purchasers cannot move, sell or otherwise leave the home they purchase for at least three years to retain eligibility to receive the tax credit.
- **The cost of the home is \$80,000 or more.** The credit is for \$8,000 or 10% of the home's value, whichever is less. While this is usually not an issue in California, according to the way the plan is written, the home buyer receives 10 percent of the home purchase price – meaning, to receive the maximum available \$8,000 credit, the home must be bought for \$80,000 or more. Also, married couples filing separately can receive a maximum of \$4,000.

Don't miss out on this great benefit! If you are thinking of buying your first home or know someone who is, KPL Select Mortgage, Inc. is here to help. You also may be interested in our First Time Homebuyer Workshop on August 29. See page 4 for details.



Thanksgiving is just around the corner and that means it's time for the annual KPL Bake Off! Stay tuned for details.



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BECAUSE MORTGAGE  
LOANS ARE UNIQUELY  
INDIVIDUAL, WE  
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RANGE OF LOAN  
PROGRAMS  
TAILORED TO YOUR  
SPECIFIC NEEDS.

- ❑ Low Fixed Rate Loans
- ❑ First Time Home Buyer Programs
- ❑ FHA 3% Down
- ❑ FHA 203K Streamline
- ❑ VA 100% Financing
- ❑ USDA 100% Financing
- ❑ CalSTRS
- ❑ Reverse Mortgages
- ❑ Bridge Loans
- ❑ Commercial Loans

## The Select Report Newsletter

### Sonny Oh Joins the KPL Select Mortgage Team



KPL Select Mortgage, Inc. is pleased to announce the addition of Sonny Oh to our mortgage team.

Sonny comes to us with over 16 years of experience in the mortgage and banking industry. He has worked as a loan officer and processor in past years. Reverse mortgages have been his main focus recently, as he firmly believes it is a great financial tool available to seniors. While often misunderstood, reverse mortgages have gained ground and acceptance. Sonny believes reverse mortgages will help more seniors to achieve their financial goals in the coming years.

Sonny Oh can be reached in KPL's Sherman Oaks office at 818-907-5757 or [soh@kplselect.com](mailto:soh@kplselect.com).



### UPCOMING WORKSHOPS

**ARE YOU STILL RENTING?**  
First Time Homebuyers Take  
Advantage of Today's Low Prices

**FIRST TIME HOMEBUYER WORKSHOP**  
Saturday, August 29, at 10 to 11:30 AM  
at The Village at Ed Gould Plaza

**Find Out:**

- ❑ How much you can afford?
- ❑ What loan program is right for you?
- ❑ About FHA vs. FNMA Loan Options
- ❑ About Closing Costs Sellers Can Pay
- ❑ About the \$8,000 First Time Homebuyer Tax Credit — Available Only Through November 30, 2009!

**ARE YOU 62 OR OLDER?**  
Find Out If a Reverse  
Mortgage is Right for You

**REVERSE MORTGAGE WORKSHOP**  
Saturday, August 29, at 12 to 1:30 PM  
at The Village at Ed Gould Plaza

**Find Out:**

- ❑ How to Keep Your Home in Retirement and Eliminate Mortgage Payments
- ❑ How to Safeguard Against Rising Costs of Living
- ❑ How to Tap Into Your Home Equity to Generate "Tax-Free" Cash
- ❑ How to Qualify for a Reverse Mortgage
- ❑ Who Insures & Backs Today's Reverse Mortgages

Call Kelly Lynch or Amy Dantzler today to reserve your spot at our workshops! (818) 907-5757 or [info@kplselect.com](mailto:info@kplselect.com)