Wisconsin Apartment Association

WAA News

Volume 34 Issue 1 • January/February 2013 • Connecting the Rental Community Right Next Door and Across the State

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THE YEAR IN REVIEW: Housing Trends in 2012 and into 2013

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2013 Roster of Events

(for a full calendar of events go to: http://www.waaonline.org)

BOARD MEETING

Saturday, January 19 • 8:00 a.m. - 5:00 p.m. (Lunch served at Noon)
Wintergreen Resort, Grand Teton Room
60 Gasser Rd, Lake Delton

Lunch choices are: a chef salad served with a roll or cheesy broccoli soup with a half roast beef and a half turkey sandwich. Cost is $12 and includes coffee, tea, or milk.
Please RSVP to Kristy at kristy@waaonline.org or 920-230-9221 no later than **Monday, January 14th.**

A limited number of rooms are available for Friday night at a rate of $79 plus taxes. Call the Wintergreen directly at (800) 648-4765 by Friday, January 4th and mention the WAA to get the special rate.

LEGISLATIVE DAY

Wednesday, March 20 • Registration10 a.m.
State Capitol, Madison
Lunch ordered upon arrival - cost is $12
4:30 – 6:30 p.m. Annual Legislative Reception & Awards Presentation
The Best Western Inn on the Park, Signature Lounge, 22 S. Carroll St.
Contact Gary Goyke to register or for more details at gary.goyke@gmail.com or 608-219-5237.

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President's Letter

Welcome to 2013 and all the New Year has to offer! Instead of suggesting different resolutions I'd like to share a number of items that we are going to be working on.

Gary Goyke, Chris Mokler, and I met in Madison on November 16, 2012 to establish a plan for legislative issues. Rob Kovach, Chief of Staff for Senator Lassee, will be working with us to promote bipartisanship on these bills.

The bills we will be working on are:

1. The Crime free addendum bill is all ready to move forward as soon as the legislature starts in the spring.

2. Municipalities bill—this will take some extended effort on our part as the municipalities are not willing partners on this bill.

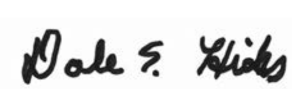
3. The stay of evictions as outlined in Statute 799.40(4). Some due process is needed here because the present law gives the tenant all the advantage. As this is already law, we will be working to bring about fairness for both landlord and tenant.

4. The lead issue cannot be ignored, as this is a huge part of what Mike Mokler fought for.

As soon as we know what committees are formed, we will start working on the bipartisanship legislative help.

As WAA has lost members the past few years, we have made a hard decision to close the WAA office Kristy has been using. Our lease runs out in April. Since Kristy has worked from home in the past and finds that a very comfortable situation, the board has authorized Kristy to do this. She has proven herself to be a very reliable and competent Administrative Assistant. Chris Mokler and I will be helping to make this move before our lease expires at the end of April.

Gary Goyke, our WAA lobbyist, will be with us for two more years. During this time, the board will be developing a transitional plan to have someone else in place before that time comes; Gary will be most helpful in helping us find the right person for the job.



Dale Hicks, WAA President

WISCONSIN'S THIRD QUARTER 2012 INSIGHT INTO THE MULTIFAMILY APPLICANT RISK INDEX REPORT

By: Jay Harris, Vice President of Business Services, CoreLogic SafeRent

The **Multifamily Applicant Risk Index (MAR Index)** Report indicates an increase in national renter credit quality and applicant pool quality for the third quarter 2012 and now includes renter trends. The third quarter MAR Index value decreased two points from the second quarter 2012 and increased two points from a year ago, indicating a modest increase in national renter credit quality and applicant pool quality.

Here is how Wisconsin performed in the third quarter compared to last year:

- Milwaukee-Waukesha-West Allis, WI: 3Q12 MAR Index = 121
- Milwaukee-Waukesha-West Allis, WI: 3Q11 MAR Index = 113
- Madison, WI: 3Q12 MAR Index = 109
- Madison, WI: 3Q11 MAR Index = 106
- Minneapolis-St. Paul-Bloomington, MN-WI: 3Q12 MAR Index = 119
- Minneapolis-St. Paul-Bloomington, MN-WI: 3Q11 MAR Index = 110

Renter trends such as applicant traffic, income trends and demographics are key metrics to evaluate performance and can vary depending on the market and property class. Renter traffic trends are developed quarterly by analyzing screening transactions from more than 6 million apartment homes and 39,000 properties. The key highlights include:

- Rent Affordability Continues to Improve
- More Applicants Age 50+
- Thin or No Credit File Applicants Increase
- Operators Are Declining Fewer Applicants

The MAR Index Report is published quarterly by CoreLogic® SafeRent® and is based exclusively on applicant traffic credit quality scores from their statistical screening lease model (Registry ScorePLUS®), the multifamily industry's only screening model that is both empirically derived and statistically validated. This quarterly report provides property owners and managers with a benchmark against which to evaluate their applicant credit quality trends against market based MAR Index trends.

Data is also available at the property and sub-market level with our analytics tools. For additional information or the full press release, visit corelogic.com.

What Is And Isn't Covered By Homeowners Insurance

By Janet Fowler

Every insurance policy is different. Properly understanding what's covered requires the homeowner to ask a lot of questions and to read the fine print on his or her insurance policy. Though there are differences between policies, there are some things that almost all insurance policies will have in common.

What's Covered?

Homeowners insurance typically covers a broad range of possible damages. You can expect that your actual dwelling is covered, as well as some other structures on your property, like a garage, fence, driveway or shed. However, if you run a business on your property that's housed in a separate structure, this is generally not covered in the typical insurance policy.

Personal Property is typically accounted for in your policy as well. This is sometimes known as contents insurance. The amount of coverage for personal property may be limited on certain types of high-value items, like jewelry or artwork, unless additional coverage is purchased for these items.

Replacement Cost Vs. Fair Market Value

Not all insurance policies offer homeowners the replacement cost of the property. Replacement cost helps to bridge the gap that can be caused by inflation. Otherwise, if a claim is made, it will be assessed at fair market value. Since some items depreciate quickly, this means that you may not get enough money from a claim to cover or replace the items that were lost or damaged. Coverage for replacement costs will ensure that you're able to replace the items that were lost, with similar items. If having this coverage is important to you, you'll want to be sure that both your home and personal property are covered for replacement cost.

Car Broken in at Home

Most homeowners insurance policies generally include coverage for personal effects and separate structures on your property, such as a garage or a workshop, but what happens if your car is broken into while it's on your property? This is where the distinction between your home and auto insurance policies can become a little blurry. Many home insurance policies will provide some insurance for personal items that are stolen from your car, but some of the more comprehensive auto insurance policies may cover this too. Insurance companies may also limit the coverage available through your policy, if the items stolen were purchased for use in the vehicle exclusively.

Natural Disaster Coverage

A wide range of natural disasters are typically covered by your homeowners insurance policy, though not all of them. If you live in some regions, you'll want to be sure to inquire about things like tornado or earthquake insurance. However, the typical inclusions for natural disaster include fire, lightning, windstorm and hail. Your policy may also include coverage for smoke damage, or damage caused by falling items. Earthquakes and other natural movements of the earth are not typically covered by insurance policies, though you can purchase separate insurance to cover these types of events.

Flooding

Flooding is much the same as earthquakes, when it comes to homeowners insurance. Flash floods and even sewer backups are not generally covered in basic homeowner insurance policies, though you can ask your insurance company about adding coverage to your policy, especially if you live in a region that is prone to flooding.

Personal Injury

Most homeowner insurance policies include coverage for injuries incurred by those on your property where you are liable. This could include something like someone slipping on a patch of ice that's on your front walk, or falling as a result of a broken step on your porch. This coverage is usually limited to a certain dollar value, so you definitely want to know how much coverage you have and exactly what's included.

Deductible

The deductible is the amount that the insured party has to pay when a claim is made. You can decrease your insurance costs by increasing the amount of your deductible, meaning you'll be required to pay more if you ever do have an incident that requires you to make a claim. Keep in mind that many mortgage providers require homeowners to carry a certain amount of insurance on their property with a deductible that's below a specified limit. Check with your mortgage provider before opting for the lowest possible rate with the highest possible

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deductible. It might be tempting to go for the lower rate, but if you ever do have to make an insurance claim, you might regret it, if you're responsible for a $10,000 deductible.

It may not seem like particularly interesting reading material, but it's a lot better to take the time to thoroughly read up on what your insurance policy covers, than to be stuck in a situation where you're not sure when you really need it. Ask your friends and family about what kind of insurance they have and what they're covered for. This might help you to determine if you really need flood or earthquake insurance, what kind of deductible is normal, or if you want to increase the amount of personal injury coverage you have. Don't forget to ask your agent whether you'll need to get additional coverage to cover your original Van Gogh painting or that giant diamond ring.

At the end of the day, doing your homework before purchasing a policy could really pay off, if you're ever stuck in an unfortunate situation when you actually need to rely on your homeowners insurance.

Landlord Quick Tip

Front and Center

When posting ads online, it's easier now, and more important than ever, to include photos.

More and more apartment seekers are looking online to enjoy all of the options the Internet provides – maps of the area, lists of nearby services like schools and bus lines, and entertainment options.

Internet listings also allow renters the opportunity to compare properties side by side without having to leave the comfort of home or a cozy coffee shop.

When posting pictures, it's important for landlords to include at least one exterior shot of the property. Prospective renters want to know what the front of the building or house looks like from the curb.

This photo will also offer clues about access and parking — both important factors to would-be renters.

http://www.american-apartment-owners-association.org/blog/2012/12/03/landlord-quick-tip-188/

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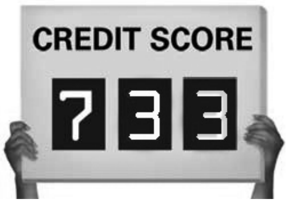
5 Uncommon Ways to Raise Your Credit Score

By Dana Dratch • Bankrate.com



Boost your credit score
When it comes to cultivating a credit score, you've probably got the good citizen routine down cold.

You pay on time, try to wipe out the entire balance every month and never close too many accounts at once.

Beyond the basics, though, many consumers are still in the dark about what makes their credit scores go up and down.

"We have had so many people over the years who don't understand what goes into a credit score," says Dave Jones, president of the Association of Independent Consumer Credit Counseling Agencies. "They just live with the old wives' tales."

Consumers understand that the credit utilization ratio -- the total amount of revolving credit someone uses in a month, compared to the amount of available credit they have -- is a major factor in calculating a score.

But did you know that it's often calculated from the total on the statement date, not the due date? So even if you pay balances in full every month, a card issuer may report a balance. And that can hurt your credit score.

Here are five ways you can use that bit of knowledge, along with some other expert know-how, to boost your credit rating.

Pay bills before the statement date
Typically, the balance as of your last statement date is the balance that will report to the bureaus, says Barry Paperno, consumer operations manager with myFICO.com, the consumer division of FICO, the company that created the FICO score. So if you pay most of the bill before the statement date, you can lower your utilization rate. And that can equal a higher credit score.

"How much you owe is 30 percent of your score -- and the utilization ratio is a large part of that," says Paperno.

If you're one of those folks who charges a balance every month but pays it off and can't understand why your score isn't higher, it could be that your utilization ratio is what's depressing your score, he says.

This might not work with every card. Some lenders don't use the balance on your statement date when they report to the bureaus. Instead, they select another day and report the card balance on that date instead.

Paperno's advice: Call your lender to ask when the balance gets reported.

Make multiple payments
Another way to lower the balance on your statement date is to make periodic payments throughout the month.

If you use your card throughout the week for everyday expenses and pay it off every Friday, you'll cut the amount of credit you're using at any one time. Check with your card issuer to learn how they handle multiple monthly payments.

"Basically, the lower the balance on your credit report, the better," says Paperno.

What you need to know: Your card could place a limit on the number of times you can pay in a month, he says. While all will take two or three payments, if you are paying weekly or more, you want to call and make sure they are set up to handle that many multiple payments.

Ask for a 'good-will deletion'
If you only have one or two bad marks on your credit record, you may be able to get them expunged, says John Ulzheimer, president of consumer education for SmartCredit.com, based in Costa Mesa, Calif.

Say you've paid late, but have an otherwise spotless credit history. You can ask your lender for a "good-will deletion," he says. "It doesn't mean it is wrong or was reported incorrectly. Essentially, what you're doing is asking the creditor to cut you some slack."

The good news: "You'll be surprised how many times they will," says Ulzheimer.

The bad news: "If you're habitually late, it won't work," he says. This is strictly for folks who err rarely.

As for whom to ask, start with customer service. But you may have to go up the ladder. And make your request as soon after the error as you can. "The sooner, the better," he says.

But it can make a difference in your credit score. "If you have two or three bad things on (your) credit report, and you get one or two removed through good-will deletion, you will be surprised how quickly your score will go up," Ulzheimer says.

Pay for removal
If you have an account that's gone into collection, sometimes collectors will agree to remove the debt from your credit report if you agree to pay if off.

"You'd be surprised how many collection agencies will stop credit reporting in exchange for payment," Ulzheimer says.

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But before you agree to or pay anything, you want the arrangement in writing. Get a letter on company letterhead that spells out they will remove the debt from all three major credit-reporting agencies.

The process is sometimes called "pay for deletion," Ulzheimer says. And "while credit bureaus frown on those arrangements, it's not their data that's being reported."

Protect yourself in a short sale

After a short sale, the mortgage lender often will report to credit bureaus that the home loan was settled for less than the full amount. In addition, it can also note the amount of the deficit as "balance owed" on the credit report, even though the obligation has been finalized and no additional money is owed.

In other words, if you have a $300,000 mortgage and sell your house for $250,000, the bank could report a balanced owed of $50,000.

While the short sale will damage your credit score dramatically (as much as a foreclosure, according to examples recently released by FICO), you can mitigate the damage slightly by arranging with the lender not to report a balance owed.

The best time to negotiate this with the lender: before or during the short sale process, says Ulzheimer. While you can attempt it after the fact, that's not as practical.

"After it's been paid, the lender starts to lose interest in speaking with a former customer."

Rental Property Tax Deductions that will Slash Your Landlord Tax

If you are a landlord or property manager, knowing your rental property tax deductions is vital for cutting your taxes to the minimum. Find out how to enjoy lower landlord taxes and boost your profit margins right now.

Rental property tax deductions are basically rental expenses that you are allowed to deduct when calculating your rental property taxes. They are crucial because they will reduce your total amount of property income that is taxable.

To cut down your landlord taxes, you can simply include every possible tax deductions that you are allowed to use. The following are the common and important deductions that a rental property owner can enjoy:

1. The Depreciation Value of Your Rental Property

When you buy a new rental property, you cannot claim the full amount that you paid for it as expenses right away. Instead your property is slowly depreciated over a long period of time.

Depending on the country that you live in, most depreciation periods for residential property range from 20 to 30 years. Home owners are usually not allowed to claim depreciation as tax deductions so you will not be able to apply this deduction to your own home.

2. Insurance Premiums Related to Your Rental Property

Being a landlord means that you will usually have to buy a series of insurance polices such as building insurance, home contents insurance and landlord liability insurance.

You will be able to treat the premiums that you fork out for all your landlord insurance policies as tax deductions. If you employ people to manage your rental property, you will be able to claim the premium for their worker insurance as a rental property tax deduction as well.

3. Interest on the Mortgage Payments for Your Rental Property

Unless you are awfully rich, you would have taken a loan like every other landlord to pay for your rental property. Fortunately the interest charged by your bank or lender is counted as rental property tax deductions as well.

4. Repair Bills for Fixing and Maintaining Your Rental Property

The money that you fork out to maintain your rental property in habitable condition is also tax deductible. This refers to any repairs or maintenance that are conducted to make sure that your rental property meets your local health and safety housing standards.

However you must know that any home improvements that you carry out for the purpose of boosting the values of your rental property cannot be considered as rental property tax deductions.

If you hire a contractor or repairman for repairs, make sure you ask them to give you a receipt with the property costs and type of repair work stated on it.

5. Traveling Costs for Managing Your Rental Property

Any traveling expenses that you rack up for rental activities, such as rent collection and property repairs, are also tax deductible. You are usually allowed to deduct both your gasoline costs and vehicle's maintenance bills.

If you own rental properties abroad and you travel overseas for real estate activities, you may even to claim your airplane tickets, hotel stays and traveling fares as rental property tax deductions.

The tax agencies in most countries will monitor your tax claims for overseas travel quite closely so be sure not to abuse the system and keep proper written records of your spending such as receipts and bills.

Teo Zhenjie has been showing landlords how to manage their tenants and rental properties effectively on Propertydo http://www.propertydo.com/

Top 5 Ways to Protect Yourself Against Problem Renters

Renting seems like the perfect way to mitigate the costs of an extra home that won't sell; the intended course of action when a property was purchased for an unbelievable price, or many of the other reasons that people become landlords. Although it seems like a fail-proof plan on the surface, becoming a landlord can be a financially and mentally rewarding experience, or it could be the source of a large-scale loss of time and money.

Like all investments, renting comes with risk, and that risk is only worth your time if the rewards are greater. Experienced landlords know that the way to mitigate the risks involved in renting, is to protect themselves against loss. This is called hedging in the investment world. Here are five ways to hedge the investment risks involved with renting your property.

Insurance

You hedge the financial risks associated with crashing your car, or injuring others, by purchasing car insurance, and as a landlord, you should do the same thing. If you are renting a single-family home, traditional homeowners insurance doesn't fully protect you against the potential losses that come with renting your home to someone else.

You need an insurance policy that not only protects the property from a large scale event, but if a tenant were to injure themselves, as a result of a problem with your property, you could face civil litigation and possibly a large payout. An insurance policy tailored for rental property has provisions insuring a landlord against these types of events.

Rental Contract

Most states allow contracts to be oral or written, but in the case of renting a written contract is essentially required. With friends or family, a written contract might seem awkward, but it is very important. States have differing laws pertaining to the rights of a tenant and a landlord. Florida, for example, requires that any notice to and from a landlord be in written form.

The written agreement should contain the rental rate, the length of the agreement, how the utility payments are split up and the many other complexities that come with renting. The more detailed you are in the agreement, the more protected you are in the event that eviction proceedings take place.

Security Deposit

Most states allow for collection of certain deposits as long as they are contained in the agreement and each party agrees. One of those deposits should be the security deposit. This money is collected to give you leverage in case the tenant decides to abruptly leave, or doesn't want to repair damage, beyond normal wear and tear, at the end of their lease.

At the end of the leasing term, state law gives you, the landlord, only a certain amount of time to examine the property before you have to return the deposit. As soon as the tenants vacate the property, inspect for any damage and immediately notify the ex-tenant in writing via certified mail. Then, follow the appropriate laws in your state regarding any disputes that may arise.

Documentation

Before a tenant moves in, document in detail the condition of the property. Using a video camera, high quality still pictures and a witness, document every part of the property including the walls, windows, appliances, floors, doors and everything else. Also, make sure that these files are in a format that allows for a time and date stamp.

For added protection, send the files to a friend or relative so you have an electronic trail proving that these files were created prior to the move-in date. If you have to go to court, there is no such thing as too much documentation.

Walk Through

You, as the landlord, have the right to do a walk through of your property; providing you give the tenant at least 24 hours notice. If you request a walk through twice throughout the rental term, tenants will usually make sure to keep the home in good repair. Most tenants want their security deposit returned to them, so it is in their best interest to keep your property well maintained. A walk through not only lets the tenant know that you're watching, and if there is a problem, you can address it before they move out and possibly become hard to find.

Renting is often rewarding, but it does come with risk. As any investor knows, risk is never removed. Instead, it can only be managed, and the best investors learn how to manage risk in a cost effective way.

By Tim Parket, www.investopedia.com

How Landlords Should Handle Press or Public Inquiries

Landlords should adopt a written policy for dealing with press or public inquiries about their properties or business.

Every landlord should be prepared to handle press or public inquiries about your rental properties or business. Without adequate preparation, unexpected inquiries, even seemingly benign ones, could cause problems for your business. Establish a policy for dealing with press or public questions, put it in writing, and make sure your employees follow it.

What Can Happen When You Aren't Prepared for Public Inquiries

Even if you don't run a large outfit, you might find yourself on the receiving end of a call asking questions about something that concerns -- or may concern -- your property. If you're caught off guard and say the wrong thing, you could leave yourself open to liability, not to mention embarrassment. Worse, an employee who you wouldn't want speaking for your company might be the one to take the call and offer his two cents.

<u>Here's how not being prepared to handle press or public inquiries can cause trouble:</u>

Example 1: A reporter for a local newspaper calls Jim, a landlord, and asks his opinion about the fact that a home for people with emotional disabilities is slated to open across the street from his building in six months. Not knowing of this news and fearing the worst, Jim replies off-the-cuff, "It is? That's -- that's horrible!" Later, Jim thinks more about the development and regrets that he misspoke. But his quote is already in the newspaper and on the Internet, and he's worried his insensitive remark may hurt his business.

Example 2: An attorney representing the family of a child who was seriously injured after falling from a second-story apartment window in Alice's building visits the building to exchange some paperwork with Alice. On his way out, the attorney spots a maintenance employee and asks her questions about the window guards in each apartment. The employee remarks that several apartments had broken or missing window guards and she had warned Alice that "it's only a matter of time until a child gets hurt." The family's attorney uses these statements to help bolster the case against Alice.

Preventing Problems: Create a Written Policy

To prevent problems, create a policy for dealing with press or public inquiries. Put your policy in writing and make sure all employees get a copy and familiarize themselves with it the day they begin working for you.

Your policy will vary depending on the size of your company, but here are some key points you should include:

Designate a Press Contact

Your press contact may be you or an employee. If it's an employee, choose someone who can speak confidently and knowledgeably to the press or public. Give the employee some guidelines about limitations on providing certain types of information and what types of questions to answer or not answer.

Identify your press contact in your policy, along with the person's e-mail address, office number, and cell phone number.

Refer Litigation Questions to Your Attorney

If the press or public inquires about a pending litigation matter, it's advisable to touch base with your attorney before offering any comments.

Tell Other Employees What to Do if Contacted

The policy should tell employees what to do if they get an inquiry from the press or public. First, point out in your policy that although the press or public would likely contact your office by phone, they could initiate contact by other means, such as visiting your property in person. If a member of the press or the public shows up at your door, employees should escort the visitor to the press contact or provide the contact's phone number.

Members of the press or public may be very hungry for information. Even after an employee directs them to your press contact, inquirers may still try to get information. Caution your employees not to give in to pressures to provide information. Remind employees that even confirming basic information about the company could prove problematic. Employees may mistakenly believe certain information is for public dissemination when it's not, or their opinions could slip in as they proceed with the conversation.

Tell your employees to be polite but firm and not be afraid to leave a persistent inquirer dissatisfied or even peeved. If pressed for more information, employees should simply repeat the direction to get in touch with your company's press contact. Provide employees with suggested phrases to use such as "Jane Smith can help you with all your questions," or "As I said, Jane Smith is the best person to talk to regarding this matter."

by: Ron Leshnower www.nolo.com

Don't Get a Clue

Robert L. Cain, RentalProp.com.

Your less-than-conscious resident paid no attention to the leaking water heater until his feet began squishing in the water soaking the carpet. Then he called you. The damage is in the neighborhood of $3500 to fix. So you called your insurance company.

Big mistake! If you call your insurance company, even if you never file a claim, you may be unable to get property insurance at any price when the current policy expires. Insurance companies talk to each other with a reporting system they call C.L.U.E., short for Comprehensive Loss Underwriting Exchange. So that call you made to your insurance company is dutifully entered into that database as something the insurance companies ought to think about.

The next time you apply for insurance on that property or maybe for any property, the company may not renew the property insurance thanks to the entry in the C.L.U.E. database.

An article in Insurance Advocate, an insurance industry publication, from March 2003 explains that loss history is important, not only for the property, but also the individual policy holder. Claims history that includes "how many claims have been reported," "how many resulted in loss payments," and "how much each loss cost" are important considerations for insurance adjusters. But the insurance adjuster will pay attention not just to a property, but an individual too. "An individual's claim history" include the number of claims a person has filed and "the circumstances of each." Too many claims (how many they don't say) or even reports of damage will result in "fewer companies" (maybe none) competing "for these types of risks." PrivacyRights.org reports "Well-intentioned consumers who call an insurer to merely inquire about coverage for water damage have been shocked to have their insurance cancelled." The Insurance Advocate confirms that. "Consumers should be aware that contacting their company or their agent to discuss an actual loss is generally considered reporting a claim. This is true even if the company does not end up making a claim payment." Several states have prohibited listing inquiries in the CLUE database. You can find out if yours is one of them by getting in touch with your state's agency. This information lurks in the database for five years, waiting to ensnare the naive property owner who thought his insurance premiums were to insure him against damage and his insurance company was actually on his side. But that's just one caveat. If you call your insurance company to inquire about water-damage coverage, never file a claim, and your inquiry ends up in the CLUE database, it could come back to bite you even if your insurance rates don't go up one penny.

The Insurance Advocate suggest that not even inquiries are important and "valid considerations" for "prospective home buyers."

Many real estate agents are now advising their buyers to have sellers provide a CLUE report. The only people who can request the report are the insured and insurance companies.

So a prospective buyer would ask to see the CLUE report as part of the offer on the property. What would you do if you were a buyer and you saw a water-damage report on a property's CLUE report?

One last warning! The water-damage restoration companies advertise such things as "insurance billing" and "insurance claim processing." One also advises "Call your insurance provider to inform them of the damage." That might make one suspicious that these companies are in the pockets of the insurance companies, mightn't it? That less than conscious resident who didn't notice the leak? Get rid of him. But eat the cost of the cleanup and repair yourself. It will be far cheaper than the property insurance you won't be able to buy on that property or maybe even other properties because of a water damage claim. Don't get a CLUE.

How To Save With Energy-Efficient Home Improvements

By Linda McMaken

Your home is your largest investment. Besides the initial cost, a home is a series of operating systems within a larger system. Those systems use more energy than your car, and if the systems weren't efficient when you built or purchased your home, or if your home is over 10 years old, then it is probably time to consider updating those systems. New generations of Energy Star appliances, heating and air systems, and environmentally friendly insulation can help make your home more energy-efficient and ultimately save you money.

Heating and Air

Heating and cooling your home takes nearly 56% of your energy budget dollars, making it the largest energy expense, according to energy.gov. Installing an updated HVAC system in a 2,000 square foot home will cost between $3,000 to $5,000 dollars, if you don't require any new electrical work or ductwork. If you do need any work besides the basic installation, the cost will increase to between $6,000 and $10,000 dollars. It will be several years before homeowners see their return on investment. If you plan to stay at your residence for five years, or if your home HVAC system is older than 10 years, then this may be an excellent investment. You will see even more savings if your current HVAC system is over 20 years old. In addition, you will significantly reduce carbon pollution and greenhouse gases with new systems.

Windows and Doors

A large portion of your energy dollars literally fly out the door. Replacing older windows can save you over $400 per year if you are replacing single pane windows. Replacement windows can cost anywhere between $200 and $400 to be installed. If you have newer windows, consider caulking them and using insulation around the frame to help increase your energy efficiency

One of the least expensive energy efficiency investments you can make is adding insulation to your home. Adding the correct amount of insulation could save roughly 20% on your heating and cooling bill. Finding the correct R-rating is crucial to knowing how much insulation you need. This is a home's insulating quality and it is determined by the weather in the area where you live. You can find an easy-to-read chart on the Energy Stars website.

Once you have insulated your home, it should last forever. This means that it is a one-time investment that keeps paying you by saving energy and lowering your cost.

Lighting

Although lighting takes the smallest portion of your energy dollars, it still accounts for approximately 25% of your energy budget. Using compact florescent light (CFL) bulbs can save you money. The initial cost of the CFL bulbs is greater than traditional lightbulbs, but they last longer, put out the same amount of light and use up to 8% less energy.

Over the life of the CFL bulb, you will save an average of eight cents per kilowatt-hour, which works out to about a $45 dollar savings over the life of the bulb. Now, multiply that by the number of lightbulbs in your home and you'll be impressed with how much you save.

Many of these energy-efficient improvements require a large initial investment. The government's Energy and Recovery Act offers tax rebates for many energy-saving home upgrades to help offset the cost. Check with your tax expert to see if the upgrades that you are considering are covered.

Improvements such as insulation and energy-saving lightbulbs will give you almost immediate savings on the investment. On more expensive upgrades, such as windows, doors and HVAC systems, the savings won't be so immediately evident. It often takes several years for the investment to recoup the price. If you plan to stay in your home for more than five years, these improvements are worth the investment. If you plan to sell your home, then you must evaluate whether those investments will improve your home's resale value.

Linda McMaken provides content and editorial services for regional and national customers, including articles, newsletters, blogs, webpage content, copy writing, press releases, press kits, and research services.

A Guide to Real Estate Derivatives

Historically, real estate has had a low correlation to stock and bond investments, but buying and selling physical property is not nearly as simple.

Enter real estate derivatives, or property derivatives. These instruments allow investors to gain exposure to the real estate asset class, without having to buy or sell properties by replacing the real property with the performance of a real estate return index. These derivatives are based on swaps, where one party swaps one exposure for another. In this way, investors can get exposures to either real estate equity or debt, without ever buying a real estate asset or lending capital with real estate as the collateral. Read on to find out how they work.

Introduction to Derivatives
The National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (NPI) is the accepted index created to provide an instrument to gauge the investment performance of the commercial real estate market. Originally developed in 1982, the unleveraged index is made up of more than 7,200 properties, worth a total of about $315 billion (as of Q3 2012) from all the U.S. regions and real estate land uses.

Although this index has been in existence for more than 20 years, it is only recently that data has become transparent enough to allow it to accurately and appropriately track the performance of equity real estate. With real estate data becoming more transparent and transaction information becoming easier and less costly to obtain, real estate indexes have become more relevant, leading to the creation of an increasingly efficient derivatives market.

Real estate derivatives are a way for investors to gain exposure to the asset class without the need to buy or sell properties by replacing the exposure of the real property to the performance of a real estate return index. This allows an investor to reduce his or her upfront capital requirement and to shelter real estate portfolios on the downside, while providing for alternative risk management strategies.

Commercial real estate investments are categorized into the following investment types:

- Private equity
- Private debt
- Public equity
- Public debt

The introduction of swaps based on the NPI was developed for the private equity sector. They were the precursor for the rest of the real estate derivatives developed to date. The derivatives offered to date on the NCREIF index are "swaps" that come in various forms, allowing investors to swap exposure on either the appreciation or total return of the index itself, or by swapping exposures from one land use to another.

One method is to "go long" (replicating the exposure of buying properties) or "go short" (replicating the exposure of selling properties). Another method is to swap the total return on the NCREIF index broken down by property sector, allowing investors to take a position in an alternate property sector in which they may not own properties, thus allowing investors to swap the returns from office related real estate for retail real estate.

The return swap allows two investors on either side of the swap to execute real estate strategies that cannot be accomplished in the private real estate market. To do so, one would have to buy or sell assets with different exposures with little chance of securing the same assets at the same investment basis to reverse the strategy. Swaps allow investors to tactically change or rebalance their portfolios for a specific period of time without having to transfer title to the assets currently on the balance sheet. Contracts for up to three years are usually managed by an investment bank, which acts as the clearing house for the funds.

In the case of an investor going long the total return of the NCREIF index, he or she would accept the total return on the NPI (paid quarterly) on a predetermined notional amount and agree to pay the LIBOR rate, plus a spread on the same notional amount. The other party to the swap would receive the same cash flows in reverse, pay the quarterly index return and receive LIBOR plus the spread.

Assuming that there are investors for both sides of the trade, two investors wishing to trade one property exposure for another could trade the return of the NPI for that particular property type for another. For example, a portfolio manager who feels that his or her fund is over-allocated to office properties and under-allocated to industrial could swap a portion of the office exposure for industrial without actually buying or selling properties.

Public Equity
Instead of the NPI, derivatives for exposure to the public equity sector of the commercial real estate market use the total return of the National Association of Real Estate Investment Trusts (NAREIT) in order to calculate the cash flows accepted (for the long investor) or paid (by the short investor).

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This index provides the performance return for the market of public securities collateralized by commercial real estate. The swap receiver pays LIBOR plus a spread to go into a one-year index swap with a $50 million dollar notional amount, and he or she would receive quarterly payments from the NAREIT index on $50 million. Once again, the investor can get a fully diversified public real estate exposure without buying a single asset.

Real Estate Debt

Due to the breadth and depth of the tranches of different risk profiles from the underlying pool of commercial real estate mortgages found on the commercial mortgage-backed securities (CMBS) market, real estate derivatives are also available on real estate debt positions. The swaps for public real estate debt are based on indexes of the CMBS market. These indexes, unlike those for equity real estate, have been around since the late 1990s.

Thanks to the breadth and depth of the data from a large number of transactions (relative to equity real estate), the CMBS indexes are a much better performance indicator for their respective markets than those for their equity counterparts. The most notable difference between the equity swaps and the debt swaps is that the receivers of the LIBOR-based payments receive LIBOR minus a spread, as opposed to the equity swaps, which are usually based on LIBOR plus a spread. This is because underlying securities are usually financed by short-term revolving repo term debt, which is usually at LIBOR minus a spread. This is the exposure that is passed on to swap counterparties.

Private real estate debt derivatives, such as credit default swaps (CDSs), are usually used to hedge credit risk. Derivatives, such as loan swaps, provide the swap party with both the interest rate and credit risk, while the asset (a commercial real estate loan) remains on the counterparty's balance sheet. Thus, a mortgage lender may hedge portions of its debt portfolio for various investment terms without having to sell the loan itself. In this way, the investor can move out of certain sectors of the real estate market when they feel the return does not commensurate with the risk, and then later regain the exposure when the market for that particular sector improves.

The Bottom Line

Because commercial real estate assets are capital intensive and relatively illiquid, real estate investors have found it hard to hedge their exposure or execute alpha strategies. Real estate characterized by high transaction costs and a market less efficient than stocks and bonds have added to the difficulty in rebalancing portfolios in response to market changes.

Real estate derivatives have changed the commercial real estate market by allowing investors to tactically change their exposures to specific risks and opportunities without the need to buy and sell assets. These derivatives allow for exposure to either a different sector of the real estate equity market or by trading a real estate exposure for a variable interest rate plus or minus a premium.

The ability to swap exposures allows the real estate investor to become more tactical when investing. They can now move in and out of all four quadrants of the real estate market, which allows for greater risk management and the potential for adding increased return to their existing real estate asset allocation on either a short-term or longer-term investment horizon.

Robert Stammers, CFA, is an independent consultant providing investment and marketing support to business owners and private investors. Previously, as a senior executive for several institutional fund managers, he was the portfolio manager for a $1 billion enhanced real estate fund, a private timber fund, and several pension fund separate accounts. Mr. Stammers holds The CFA Institute's Chartered Financial Analyst designation, a Bachelor of Arts in economics from Connecticut College, and a Master of Business Administration with honors from Emory University.

WAA Newsletter Dates & Procedures

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The Year in Review: Housing Trends in 2012 and into 2013

The past year has been good to homeowners, investors and landlords alike, with rents continuing to rise, home prices finally turning upward, and interest rates remaining low. Just how much cause for celebration is there? Where are home and rental markets headed in 2013? There are a lot of statistics and indicators out there, so here are a few of the most important ones - and what they mean.

The Rental Industry

The numbers in the rental industry are encouraging. Rents rose in 2012, although how much depends on who reports the numbers: the U.S. Census Bureau reports a sluggish .9% growth year-over-year, from $700 last year this time to $706 this year. Zillow reports 2.3% growth year-over-year, from $1,300 last year to $1,330. Reis Inc (which tracks the top 82 metropolitan areas in the U.S.) shows a whopping 8.67% growth in the asking rents in the top metro areas, rising from $1,004 in the third quarter of 2011 to $1,091 in the third quarter of 2012.

Developers have noticed the strengthening rental market as well – the U.S. Census Bureau reports that housing starts on rental dwellings have reached 105,000 in the third quarter 2012. This represents an increase of 6.1% over the second quarter (99,000), and a 19.3% increase since this time last year (88,000). Rental vacancy rates are also sharply down, dropping to 8.6% in the third quarter of 2012 from 9.8% a year earlier, according to the Census Bureau.

Home Sales & Prices

Likewise, the numbers vary depending on the source and the metrics they use, but most data sources agree that home prices have turned around and started rising in 2012. In October 2012, Zillow's median home sales price was $198,000, up 1% from September and up 14.5% from last October. The Census Bureau reports minimal growth in median home asking prices, up only $300 from $136,700 in the third quarter of 2011 to $137,000 in Q3 2021.

The homeowner housing vacancy rate declined, dropping to 1.9% in the third quarter from 2.1% in the second quarter, and down from 2.4% this time last year.

The homeownership rate is down from this time last year, however, in the third quarter of 2012, it dropped to 65.5%, down from 66.3% this time last year.

Shadow Inventory & Foreclosures

There has been plenty of talk over the last few years about "shadow inventory," or housing inventory that is not listed on the market but is in some stage of the foreclosure process and therefore very likely to end up on the market eventually. The fear among analysts is that there is a glut of supply headed for the market, fueled by the foreclosure crisis over the last four years, which depresses prices by overloading the market with cheap supply. Fortunately, the foreclosure crisis appears to be slowly winding down; according to RealtyTrac, foreclosure filings did rise by 3% in October to 186,455, but are still down 19% from this time last year, when they sat at 230,678.

Still, foreclosures remain a largely localized problem. The states that were hit hardest by the real estate bubble bursting – Florida, Nevada, Illinois, California, Ohio and Arizona – are still experiencing the highest foreclosure rates, which continue to hamper housing recoveries in these states. Many of these states initiated laws that slow the foreclosure process down, which means that these states continue to churn out foreclosures from defaults in 2011 and before.

A bright spot in the foreclosure picture is that bank repossessions are down for the 24th straight month, down by 21% since this time last year according to RealtyTrac.

While shadow inventory remains an issue in housing markets nationwide, the discussion is shifting from foreclosure-related shadow inventory to an even more difficult-to-quantify "latent inventory." Latent inventory consists of properties that owners wish to sell as soon as the market improves enough: homes that homeowners held only because they were unable to sell over the last 3-4 years, and inventory that was bought up inexpensively by investors over the last few years with the intention to sell as prices rise again. It remains to be seen how pronounced this phenomenon will prove.

Unemployment

The good news is that the unemployment rate has been gradually decreasing over the last three years, and is now hovering just under 8%. The bad news is that, at the current rate of decline, it will be 2017 before the unemployment rate finally reaches a healthy level of 5%.

The Year Ahead

So what does this all mean for 2013? Most analysts agree that increasing prices and rents are sustainable through 2013 and beyond, if the U.S. continues to see an improving household formation rate and decreasing unemployment rate, and if Washington avoids the fiscal cliff.

With prices low (but increasing), rents on the rise, and interest rates to remain low through at least mid-2015, it remains a good market to buy and hold residential real estate as rental properties. Credit markets have been loosening as well, making it easier for buyers to qualify for a mortgage loan.

But for all of the talk of prices and rents rising nationally, the true focus for investors, landlords and property managers should be local. Overall nationwide trends simply balance the strength of one local market against the weakness of another: San Jose and San Francisco saw rising rents of 8% and 7.5% respectively this year, but drive an hour east to Modesto and the story changes dramatically to one of high unemployment, high foreclosure rates, low prices, and low rents (Modesto asking rents fell 2% in the last year). All of the trends outlined above should ultimately be examined at the local level, to determine suitability of local investing.

Brian Davis is the Vice President of ezLandlordForms, a real estate investor and a landlord. *Any views, express or implied, in the above article are his and his alone, and do not represent the views of ezLandlordForms, LLC.*

Are Distressed Homes Worth Buying?

www.investopedia.com • December 3, 2012

If you are a fan of reality TV, you have probably noticed an overabundance of house-flipping shows, and each show paints a picture of a little hard work followed by nearly risk-free profit for those who endure. You may not be surprised to find out that sometimes reality TV is anything but real. Even if you are not looking to build a career as a home flipper, you might be in the market to purchase a short sale or foreclosed property. These properties are often called distressed properties.

Regardless of where you dabble in the financial marketplace, one obvious but key fact is worth noting: Financial risks that work out in your favor are sometimes handsomely rewarded, and those that do not are almost always severely punished. This begs the question: Is a distressed home a risk worth taking?

In January 2012, one out of every 624 homes was served with foreclosure paperwork. Once the federal government settled with the nation's largest banks concerning the robo-signing scandal, a new stock of foreclosed homes hit the market. By the end of the first half of 2012, foreclosure documents had been served to more than 1 million homeowners, according to RealtyTrac. Although some believe bargain basement prices for distressed properties may be ending, a large inventory still exists.

Who Should Consider Distressed Properties?

Distressed properties often come with baggage. This could be in the form of mild to severe property damage, unpaid HOA fees, taxes, second mortgages and various other liens. Distressed properties are rarely move-in ready. Significant renovation and repair costs could eliminate any potential profit. Homebuyers with the time, skill and experience to conduct large-scale renovations will find these properties a better value.

Since distressed properties are bank owned, the amount of time it takes to accept or decline an offer can sometimes be weeks or months. Approval time often lengthens with title issues or other questions of ownership. Sorting out these details is best left to experts.

It Is Not Easy Anymore

Low prices and an improving economy have caused investors to go after distressed properties. Because of this, a bidding war among aggressive investors can leave individual homebuyers on the sidelines. In cases where an individual beats the dueling investors, the price is often much less of a steal than it would have been.

According to the Wall Street Journal, experienced foreclosure buyers often bid significantly higher than the asking price. Just because it is distressed does not make it a bargain. Sometimes a traditional sale will yield a better price with faster results.

How to Purchase

Get Pre-qualified

Before wasting valuable time making offers and waiting for an answer, make sure you have the loan approved on your end.

Let a Contractor See It

If you are not doing the repairs yourself, ask a contractor to go with you. You need to know how much it will cost to renovate before you can make an offer.

Cushion Your Budget

You should have professionals take a detailed look at the home, but understand that the actual final cost of renovation will likely be higher than estimates. Add 10 to 20% to your renovation budget.

Know Your Price

Offer a realistic price that fits your budget. Those looking for the deal of the century are not going to get the property with such fierce competition.

Understand the Investing World

The real estate investing world will not always be fair. Sometimes homes are listed at lowball prices to attract sales leads while others will have a "secret" price known only to the insiders. Do not get frustrated when you encounter injustice. Simply move on to the next home.

Be Patient

Headaches, frustration and the feeling that nobody is working on your deal are all normal. On one hand, do not expect everything to happen overnight. On the other, don't be surprised if sudden decisions are called for.

The Bottom Line

Distressed homes are not the bargains they used to be, but there are still deals to be had. Work with a professional who has experience with distressed properties and above all else, know you budget. With distressed properties, the money you shell out at closing is only the start of your financial outlay. However, when you find the right property at the right price, it will all seem worthwhile.

http://www.investopedia.com/financial-edge/1212/are-distressed-homes-worth-buying.aspx#ixzz2Eo9MehRR

Will the Mortgage Interest Deduction be Cut to Avoid the Fiscal Cliff?

by Tara Steele in Economy, Real Estate & Housing News - December 11, 2012

As the fiscal cliff negotiations tighten, the mortgage interest deduction is being debated - will it stay, or will it go in an effort to slash the federal budget?

Americans prefer the mortgage interest deduction to charity

Americans would be more willing to give up the tax deduction for charitable giving than some other popular tax breaks, including the one for the interest on their home mortgages, a new Christian Science Monitor/TIPP survey reports, with details arriving as President Obama and congressional lawmakers bargain over ways to reduce future federal deficits, while avoiding a "fiscal cliff" of scheduled tax hikes that could have a massively negative impact on the economy.

The new survey results back up the National Association of Realtors' (NAR's) claims that consumers want to preserve the mortgage interest deductions, calling it "one of the middle class's key incentives for wealth-building," meanwhile the trade group acknowledges that there is a divide between homeowners and economists alongside politicians who believe the mortgage interest deduction should be cut as part of a shrunken federal budget.

NAR addressed this divide by highlighting The Diane Rehm Show on NPR which showcased various economists to examine the mortgage interest deduction in context of the fiscal cliff debate. Some economists asserted an overall cap should be implemented on itemized deductions, another said the mortgage interest deduction should be transitioned over a ten year period to a flat credit, while NAR Chief Economist Dr. Lawrence Yun said that eliminating the mortgage interest deduction "could greatly destabilize the economy."

"Some economists argue that the mortgage interest deduction is holding back economic growth," Dr. Yun said, adding, "I would argue the other way, that homeownership provides incentive for people to work hard when thinking the long-term vision."

But didn't eliminating the MID in England work?

During the radio show, England was used as an example supporting the elimination of the mortgage interest deduction, as the nation phased out their version of the deduction over several years, with little impact on home values.

Dr. Yun said that the comparison is misleading, because England had an acute shortage of market housing and values would have gone up no matter what simply on the basis of supply and demand. "Housing start activity in England was much lower in proportionately compared to the U.S.," Yun said. It "was just a supply restriction that occurred in England."

You can't just look at one side of the ledger

One man that called into the show said, that phasing out mortgage interest deductions just looks at one side of the debate budget and misses the impact it will have on the middle class. "You're doing everything right, saving for college, paying life insurance, etc., you start phasing out your tax benefits," he said. "You're absolutely killing the middle class… You can't—it just—you can't look at one side of the ledger."

On Fox Business today, Dr. Jed Kolko, Chief Economist at Trulia summarized the potential destiny of the mortgage interest deduction as all options are on the table during fiscal cliff negotiations. Dr. Kolko notes that elimination of the mortgage interest deduction would actually be most harmful to homeowners in the earlier years of their mortgage.

Wisconsin Apartment Association

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Rental Housing Certification 100 Series

The Basics, is devoted to keeping rental property owners informed and education on new laws. Comprised of seminars on basic property management aimed at the new rental property owner, property manager, leasing agent; it is also suggested as a refresher series for those who have been in the business a number of years. Classes in this module are:

* 101 The Law and the Landlord I: Wisconsin Statute Chapter 704
* 102 The Law and the Landlord II: Consumer Protection (ATCP) Chapter 134
* 103 Fair Housing Laws
* 104 Lead Paint Awareness
* 105 Credit Reports
* 106 Basic Recordkeeping
* 107 Screening Your Applicants
* 108 Screening Workshop
* 109 Nuts and Bolts of Eviction
* 110 Bonding and Garnishment

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10 things every successful landlord needs to know. Do you?

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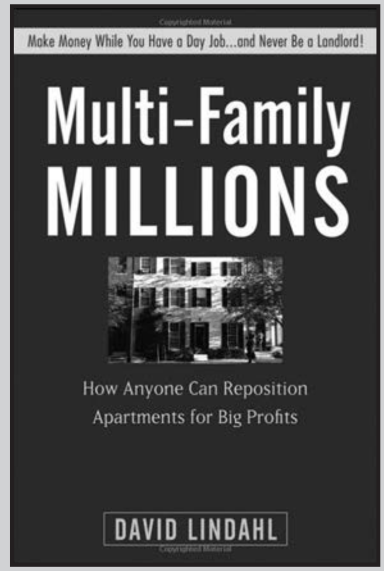
- Best rental housing management practices
- Document storage, security, and disposal
- Property marketing techniques

Multi-Family Millions: How Anyone Can Reposition Apartments for Big Profits

by David Lindahl



Overview

Multi-Family Millions offers expert advice for investors who want to make the transition from single-family homes to more profitable multi-family units. Successful real estate investor David Lindahl shows you how to find troubled properties that are ripe for quick profits, how to fix or flip those properties, and how to re-sell at maximum value. With a proven step-by-step system for managing each stage of the process, this book shows you how to get started in moneymaking multi-family units?even while you work your day job.

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