

# **President's Letter, September 2010**

## **Increased Insurance Costs**

### **Flood Plains**

Did you know the flood plain maps have been redrawn and some houses that were previously not in a flood plain are now? If you had a sloping lot and the low portion was adjacent to a river or creek but the house was higher and not in the flood plain you did not pay extra for flood insurance. Guess what, the new regulations say that if any part of the parcel is the flood plain the whole parcel is in the flood plain. What does this mean to you? If you have a mortgage it means higher costs, sometimes much higher costs. Your lender will require you to maintain flood insurance. You could see your monthly insurance cost go from \$40-50/month to \$150-200/month. Do I have your attention now? This is a local problem if you happen to own a property in a flood plain, but at least you can get insurance from a private company.

The National Flood Insurance Program was designed to be self sustaining, but it is \$19 billion in the hole. The Congressional Budget Office says the program will add \$900 million a year to our nation's debt load. The worst areas for flooding are along the East and Gulf Coasts. Parts of Long Island, NY, Hilton Head, SC, Longboat Key, Naples and Sanibel Island in Florida. What do these and other areas have in common? They are resort areas and home to multi-million dollar McMansions. Our government has been lenient in allowing flooded home owners to rebuild over and over again in the worst flood plains.

Some claimants have received more than 10 times the value of their homes. For instance, the owner of a home on Mobile Bay in Alabama has received \$2.3 million in claims to repair a \$153,000 home. The owner of a \$116,000 Houston home as received \$1.6 million. What is wrong with this picture? With global warming and rising sea levels these homes will continue to be at risk. Hey, here is an idea. Instead of paying over and over again why doesn't the government use Eminent Domain to buy the houses and tear them down so they can't be rebuilt again. At the very least they should require them to raise the house when they are rebuilt.

### **Vacant and Unoccupied Homes**

As the housing market struggles to rebound, many homeowners are stuck with hard-to-sell properties. Many people have inherited a home or had to move for different reasons and no one is living in the house. A vacant home is one the resident has moved out of and taken their belongings and the house is empty. An unoccupied home is one where the resident is not staying at the home but their furniture and other personal belongings remain.

Vacant and unoccupied homes pose a higher risk for damage than occupied homes. Insurance companies insure these properties differently and usually at a higher price. These risks include:

- Break Ins: When a home has been unoccupied for awhile it can show signs that nobody is around - overgrown grass, full mailbox, no lights, etc. these can tip off burglars to an easy target. Many homes are broken into simply to steal the copper pipe for scrap. Some investors in Canton are spray painting the copper fluorescent yellow or orange to indicate to scrap dealers

it was stolen. Investors working with Canton Police set up a sting operation to catch crooked scrap dealers to take away the market for thieves.

If you are working on or rehabbing a vacant house you probably will be leaving tools and material in the house. Thieves can and will break in and steal these items.

- No emergency response: Without anyone home to call 911 or respond to emergencies a manageable problem can turn into a much larger more costly disaster.

- Water leaks can turn into major damage with flooded basements, ruined furnaces, hot water tanks and if the leak occurred on the second floor it will cascade to the first floor and ruin carpet, cabinets, flooring, etc. I have seen beautiful hardwood floors buckle and have to be completely replaced.

Before you decide to leave a house vacant or unoccupied for a long period of time, talk to your insurance agent. Be honest about your situation. Policies can be bought for short periods or extended periods. The point is if something happens and you file a claim and then the insurance company finds out the house was vacant your claim could be denied and some people have been prosecuted for insurance fraud.

Housing remains a drag on the economy. This week's Time Magazine cover story is "Rethinking Home Ownership. Why owning a home may no longer make economic sense". They make a whole case about when plants close and people loose their jobs they cannot move to a new location for a new job until they sell their house. If they cannot sell they just walk away and let it foreclose. They say we need a mobile work force that can easily re-locate to meet changing market and labor conditions. If the workers are do not own a home than they have to rent, good for landlords.

I had a short sale listing in Lake Mohawk. I had not heard from the sellers for awhile who had left the property unoccupied (refer to the definition earlier). I called to touch base with them and they informed me their house was foreclosed the week before. Of course they never told me. Apparently they also never mentioned they were in foreclosure last year and had a loan modification that stopped the foreclosure but when they defaulted again the foreclosure proceeded more quickly. Short sales are much better for your credit rating than a foreclosure. They told me no big deal. They heard since there are so many foreclosures that they will be treated like bankruptcies, in a couple of years they will be able to buy another house. I did not know what to think about that mentality. Right now the banks are making it tough on "strategic defaults". This is when owners have the financial means to make their mortgage payments but decide to walk away because they bought the house with nothing down and the house is now worth less than they paid for it. It's a crazy world right now.

### **Some stats**

More than 2 million homes have been foreclosed since the recession began.

31% of all residential properties sold in the first quarter on 2010 were foreclosure properties.

Foreclosure activity in July was 4% higher than in June but 10% less than July 2009.

Ohio is **not** in the top 10 in foreclosures, 5 states account for more than 50% of the national total: California, Nevada, Arizona, Florida and Illinois.

The average sale price in Ohio is \$137,000.

Jack Lewis, 2009-2010 President



July 2010 Secretary Minutes...

07/08/2010: WOW!!! If you missed July’s meeting at the Geib Center in Dover you missed a great meeting. If you have never heard the term Death bag, (which could kill whomever handles it) or knew that Crack Cocaine can be made in a two liter bottle or that a Crack Lab could be setup in your rental property you missed a wealth of information at our July meeting. Cost of a proper cleanup could cost thousands and keep your property empty for a year or more and could make your property uninsurable for years.

Because of the importance of this information the officers and board opened this meeting to the general public and boy did we get a response from Non-members. We had police officers, fire fighters and home owners who live next to rental properties. Sadly visitors out numbered members by about three to one which is somewhat surprising due to the importance of this timely issue and the fact that makers of Crack seem to prefer rental units they can move from quickly with little to no vested interest. One lab has been found in Holmes county and one in New Philadelphia so far this year. We can no longer bury our head in the sand and say this would never happen here. We may invite back our speaker at a later date, we suggest you join us the next time.

08/12/2010: The officers & advisors held the Advisory Board Meeting at Shoney’s in Dover. Shoney’s is one of our new sponsors. A discussion was held concerning the lack of attendance at the general meetings. TuscREIA may have to increase yearly membership fees due to raising costs & the lack of participation. >A speaker from the Society for Equal Access has contacted us asking to be invited to explain a new program they are in charge of. They would also like to speak to us on the need in our county concerning housing. >A call to Tuscarawas Cty. Commissioners was made to invite one or all to speak and we are waiting for a response on a date. >At a time in the future, we have asked a local attorney to join us and discuss 3 day notices, 30 day notices, evictions & the process, garnishments & the process and different type of ways to hold property other then in the landlords name.

Our 13<sup>th</sup> Annual TuscREIA Holiday Dinner is scheduled for November 4<sup>th</sup> @ Dutch Valley Restaurant. Watch your email & the web site for further details. There will be a pre-paid cost & a at the door cost for the dinner as in years past.

Jack Jones, 2010 Secretary

