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Spring 2011

Housing Happenings… in Lackawanna & Luzerne Counties

A quarterly publication produced by the Housing Task Force of The Institute for Public Policy & Economic Development

In this Issue:

LACKAWANNA COUNTY HOUSING COALITION

LUZERNE COUNTY HOUSING PARTNERSHIP

2011 Housing Symposium Scheduled for June 30th

The Housing Task Force of The Institute for Public Policy & Economic Development, in conjunction with The Luzerne County Housing Partnership (LCHP), the Building Industry Association (BIA) of Northeastern Pennsylvania and The Lackawanna Home Builders Association is busily planning the 2011 NEPA Housing Symposium.

The Symposium is scheduled for Thursday, June 30th at the Quality Inn & Suites in Wilkes-Barre. The event will commence at 8:30 p.m. and conclude at 10:30 a.m. A breakfast buffet is included.

We welcome back keynote speaker Dr. David Crowe, Chief Economist at the National Association of Home Builders. Dr. Crowe is an expert in housing and economic trend forecasting. Dr. Crowe is also a leader in local economic impact analysis as it relates to home building. Crowe's research includes home ownership trends, tax issues, demographics, government mortgage insurance, and local land use ordinance impacts of housing in local economies.

This is the third consecutive year that The Institute has sponsored this event on behalf of the Lackawanna County Housing Coalition and the Luzerne County Housing Partnership. This year is expected to be more exciting than the last.

Online registration for the symposium is available on page two of this newsletter or at The Institute's website at: at: www.institutepa.org.

The Housing Task Force is comprised of members of the Lackawanna Housing Coalition and the Luzerne County Housing Partnership

The Building Industry Association of Northeastern Pennsylvania

LACKAWANNA HBA HOME BUILDERS ASSOCIATION

The Building Industry Association of Northeastern PA in Conjunction with The Lackawanna Home Builders Association Presents: *The 2011 Northeastern Pennsylvania Housing Symposium*

Featuring Guest Speaker Dr. David Crowe, National Association of Home Builders Chief Economist

When: June 30 from 8:30 a.m. to 10:30 a.m.
at the Joint General Membership Meeting

Where: Quality Inn & Suites
880 Kidder Street
Wilkes-Barre 18702

Costs: $20 per person; includes breakfast buffet

RSVP: Shelly Harlander
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Make checks payable to:
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Sponsored by:

LUZERNE COUNTY HOUSING PARTNERSHIP

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Method of payment (circle one) check Master Card Visa Discover American Express

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Signature__________________________ *RSVP by June 25, 2011

Lackawanna & Luzerne Counties Housing Affordability Indices

The NATIONAL ASSOCIATION OF REALTORS® (NAR) affordability index measures whether or not a typical family could qualify for a mortgage loan on a typical home. A typical home is defined as the national median-priced, existing single-family home as calculated by NAR. The typical family is defined as one earning the median family income as reported by the U.S. Bureau of the Census. The prevailing mortgage interest rate is the effective rate on loans closed on existing homes from the Federal Housing Finance Board and HSH Associates, Butler, N.J. These components are used to determine if the median income family can qualify for a mortgage on a typical home.

To interpret the indices, a value of 100 means that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home. An index above 100 signifies that family earning the median income has more than enough income to qualify for a mortgage loan on a median-priced home, assuming a 20 percent down payment. For example, a composite HAI of 120.0 means a family earning the median family income has 120 percent of the income necessary to qualify for a conventional loan covering 80 percent of a median-priced existing single-family home. An increase in the HAI, then, shows that this family is more able to afford the median priced home.

Source: Realtor.org

The 2009 housing affordability data for Lackawanna and Luzerne Counties has been gathered for The Institute for Public Policy & Economic Development's annual Lackawanna & Luzerne County Indicator Report.

This information is important because it is a strong quality of life indicator. Affordable housing allows residents to own instead of rent, thereby building equity and community ties.

Housing Affordability Index: 2009

County	Median Household	Median Home Value	Minimum Yearl Income**	Housing Affordability Index
Lackawanna	$44,481	$143,800	$49,905	89.1
Luzerne	$39,945	$117,400	$44,629	89.5
Pennsylvania	$49,520	$164,700	$54,082	91.6
Source: U.S. Census Bureau				

Both Lackawanna and Luzerne County are slightly below the Commonwealth Housing Affordability Index for the year of 2009.

*The following formula was used in measuring Lackawanna and Luzerne counties' housing affordability index: (Annual Median Income /Annual Qualifying Income) x 100

**Minimum Yearly Income was determined through the use of a housing affordability calculator. The calculator used an interest rate of 5.0% and was based on a 30-year mortgage.

Five Ways to Set Yourself Up For Success With An FHA Loan Application

If the last time you applied for a mortgage loan was several years ago the experience was likely very different from what you may encounter this time around. Borrowers were often easily approved for much higher loan amounts than they were even interested in (or could reasonably afford, but that's another issue). In the past few years as the market saw a dramatic increase in loan defaults, falling home values, and a tough economy nationwide, banks and mortgage lenders have become much more picky about who they will lend money to. You might also hear this referred to as "tightening underwriting standards."

Basically there is more concern than there used to be that borrowers won't be able to pay back the loans as agreed. It's the lender's job to carefully review the application to make sure it's not an overly risky loan, and as an FHA loan applicant there's a lot you can do to help present yourself in the best possible light.

1. Build Up Your Savings. When reviewing your application the mortgage company will want to see that you have enough in savings not only to cover any down payment and up front fees you'll be responsible for, but also to pay a few months of mortgage payments in the event you unexpectedly had to go a few months without a paycheck.

2. Pay Attention Your Credit. You'll need a high credit score in order to qualify for the best mortgage rates available, but the minimum credit score has also increased over the past few years leaving fewer home loan options for those with blemished credit histories. If you expect to be applying for a mortgage in the next few months take a look at your credit report and scores so you can see if there are any mistakes being reported. It can take time to clear these up. Be sure to make all payments on time and avoid taking on any new credit.

3. Apply For A Reasonable Loan Amount. A key part of your application will be your debt to income ratio, or what percentage of your monthly income is allocated towards your debt payments. FHA guidelines require that a mortgage payment be no more than 29% of a borrower's monthly income, and that overall debt obligations (including car loans, student loans, credit card payments, etc in addition to mortgage payments) be no more than 41%. A mortgage professional can help you translate these numbers into a loan amount that works for you.

4. Provide All Requested Documentation. Start gathering the paperwork needed to document your income and assets in advance. Providing it is non-negotiable these days, and if you start compiling bank statements, W-2s, and paystubs early you'll know if you're missing something with plenty of time to track it down. Depending on your situation you may also need to provide additional documents such as tax returns, a business license, or divorce paperwork – ask your lender for a list.

5. **Be Available During The Loan Process.** You may very well be asked to provide additional information during the review of your loan application. Keep lines of communication open to help keep the process moving along quickly. Let your mortgage rep, and real estate agent in the case of a purchase transaction, know the best way to reach you during the day, in the evenings, and on the weekends. If you'll be travelling or inacessible for a period of time be sure to let everyone involved know so there are no surprises.

Source: April 27, 2011, in Mortgage Approval Process, by Anna Platz

Homeownership Can Bring Big Savings at Tax Time

As the April 18 federal income tax filing deadline approached this spring millions of Americans sat down and sorted through dozens of forms to determine how much money they owe Uncle Sam – or, how much of a refund they would receive. One of those forms, the Mortgage Interest Statement Form 1098, can mean big savings for home owners at tax time.

Form 1098, which home owners receive from their lenders, shows the total amount of home mortgage interest paid during the year. Home owners who itemize their federal income tax deductions can deduct 100 percent of their mortgage interest payments on a first or second home for up to $1 million of mortgage debt. They can also deduct the interest paid on up to $100,000 of home equity loans.

For most home owners, this means they can deduct ALL of the mortgage interest they've paid on their home each year.

The ability to deduct home mortgage and home equity loan interest isn't the only tax benefit for home owners.

The three most important sources of tax savings for home owners are:

- Deductions for mortgage interest
- Deductions for real estate taxes
- The capital gains exclusion for the sale of a principal residence

Home owners are also able to deduct the state and local real estate taxes they pay each year on an owner-occupied home.

When it is time to sell a home, in many cases home owners don't have to pay capital gains tax on the profit from the sale. Under present law, married couples who have owned and occupied their principal residence for at least two of the past five years do not have to pay any taxes on the first $500,000 in profits from the sale of their home. Single filers earn up to $250,000 tax free.

Another deduction home owners may be able to take is for mortgage insurance premiums. Generally, people who purchase a home without putting 20 percent down have to buy mortgage insurance, and those premiums can also be deducted from taxable income.

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The Housing Task Force of the Institute for Public Policy & Economic Development, in conjunction with The Lackawanna Housing Coalition and the Luzerne County Housing Partnership, provides user friendly housing resources to the residents of Lackawanna and Luzerne counties.

This publication was made possible by the Pennsylvania Department of Community and Economic Development.

www.nepahousing.org