



## Will the Home Stimulus Package Pass?

# Breaking News: Senate Plans to Extend and Expand Tax Credit



RISMEDIA, October 30, 2009—(MCT/The Wall Street Journal)-The Senate has reached a compromise on extending and expanding the \$8,000 tax

credit for first-time home buyers, a boost the housing industry believes will help it pull out of its two-year-old downturn.

While its passage remains uncertain, the agreement would extend the existing credit for first-time homebuyers, worth up to \$8,000, while offering a new credit of up to \$6,500 for some existing homeowners, Senate aides said. The reduced credit would be available to all homebuyers who have been in their current residence for a consecutive five-year period in the past eight years. Lawmakers in Washington also raised the qualifying income limits to \$125,000 for single taxpayers and \$250,000 for joint taxpayers, from the current \$75,000 and \$150,000, housing-industry sources said. Under the Senate compromise, buyers must have sales agreements in hand by April 30, but they will have until June 30 to go to settlement, said the sources. The measure still faces votes in the full Senate and the House.

Treasury Secretary Tim Geithner and HUD Secretary Shaun Donovan are in full support of the Senate's proposal to both extend and expand the first-

time homebuyer tax credit and called on Congress to approve key housing measures that include the tax credit. "We welcome efforts taken by Congress to extend the First-Time Homebuyer Tax Credit for a limited period. This credit has brought new families into the housing market and contributed to three consecutive months of rising home prices nationwide," said Secretaries Geithner and Donovan. "In extending the credit, we urge Congress to include strict measures to combat tax fraud and protect responsible homeowners."

The current tax credit did little for the new-home market in September, the Commerce Department recently reported—news that took many industry analysts by surprise. Sales fell 3.6% from August and 7.8% from September 2008. Industry observers had expected a fifth consecutive monthly increase in new-home sales, believing that the tax incentive for qualified first-time buyers—credited with 357,000 sales of previously owned homes so far this year—would do the trick. Instead, sales of typically more expensive newly built houses slipped. "The decline in new-home sales seems to us to be more a function of the attractive pricing available on resales in the current environment than a reflection of weakening demand," said Michael Feder, president of Radar Logic in New York, which tracks the market.

"Since hitting rock bottom in March, demand is up 20 percent," said Joel L. Naroff of Naroff Economic Advisers in Holland, Pa. For Naroff, the robust rise in existing-home purchases—9.2% year over year in September—indicated that the housing market was not faltering. "Maybe the issue is supply, which fell to its lowest level in 27 years," he said. "Builders, at least those left standing, have been making sure they don't have any houses sitting around, and they have been very successful in controlling inventories."

IHS Global Insight economist Patrick Newport echoed that, noting new-home inventories "sank for the 29th straight month to their lowest level since November 1982." Naroff maintained housing has recovered enough to stand without the tax credit, but Newport said that if the credit were not extended and expanded, housing demand would take a hit, and home sales would drop.

The new provisions are aimed at broadening availability of the credit beyond first-time buyers and giving the weakened real estate market a bigger boost while preventing real estate investors from benefiting. While Senate lawmakers appear to have reached a deal on the substance of the tax credit, they are still at odds over how it would be brought to the Senate floor.

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## Word of the Month

### BUYDOWN

A financing technique used to reduce the monthly payment for the home-buying borrower during the initial years. Under some buydown plans a residential developer, builder, or the seller will make subsidy payments (in the form of points) to the lender that "buy down," or lower, the effective interest rate paid by the homebuyer, thus reducing monthly payments for a set period of time. Builders reduce their profit on the sale or by adding part of this cost of doing business to the price of the home.

The amount of the interest supplement may remain fixed for the entire buydown period, or it may be graduated, with the amount of the subsidy declining each year. Buydowns are costly: for example, with certain lenders, a three-year buydown might carry 2.7 points for each one-percentage-point drop of interest.

Fannie Mae (the Federal National Mortgage Association) has developed its own buydown program.

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## NAR Commends Congressional Action to Extend Higher Mortgage Loan Limits

Washington, October 30, 2009

The National Association of Realtors® thanked Congress for speedy action in passing a congressional resolution yesterday that would extend the current higher Fannie Mae, Freddie Mac and FHA loan limits through 2010. The present loan limits would expire at the end of 2009 and revert to previous lower limits.

"NAR commends both houses of Congress higher limits during a time for recovery in omy. The higher limits, along with the essary to keep the markets moving at this McMillan, a broker with Coldwell Banker Worth.

"Home sales have shown significant move-reduced inventory in some segments of the chases in the middle-income and higher those markets must improve before we can covey. These higher loan limits will help chase in those markets," McMillan said.



for their quick action in continuing these the housing market and national econ-home buyer tax credit extension, are nec-critical time," said NAR President Charles Residential Brokerage in Dallas-Fort

ment upwards in the past six months and housing market, but not in all. Home pur-brackets have not moved much, and experience a fully sustained housing re-motivate qualified home buyers to pur-

The resolution would extend the present loan limits for FHA, Fannie and Freddie through the 2010 calendar year at 125 percent of local median home sales prices, up to a maximum of \$729,750 in high-cost areas. The floor for FHA is \$271,050; the floor for Fannie Mae and Freddie Mac conforming loan limits is \$417,000.

The resolution now goes to President Obama, and he is expected to sign it today or Saturday to avoid a government shutdown.

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## Overall Customer Satisfaction With Home Builders and New-Home Quality Improve Significantly

By Peter Mosca, [RealtyTimes.com](http://RealtyTimes.com)

As home builders compete for a limited pool of buyers, customer satisfaction with new-home builders and new-home quality have improved notably from 2008, according to the J.D. Power and Associates 2009 U.S. New-Home Builder Customer Satisfaction Study. Overall customer satisfaction improves for a second consecutive year, averaging 811 on a 1,000-point scale in 2009, and up 32 points from 779 in 2008. In addition, overall satisfaction has increased in 22 of the 23 individual markets that were also surveyed in 2008.

"Fierce competition among home builders has led to a market where only the strongest companies have survived," said Paula Sonkin, vice president of the real estate and construction industries practice at J.D. Power and Associates. "This is great news for new-home buyers-particularly first-time buyers-since builders are offering unprecedented high levels of quality, value and service at relatively low prices." New-home quality increased notably to an average of 825 index points in 2009 from 799 in 2008. The rate of customer-reported problems has decreased in 2009 to an average of 9.55 problems per home, from 11.51 problems per home in 2008. Problem rates have declined in each of the 23 markets that were also included in the study in 2008. Overall, the most commonly reported quality problems include issues with landscaping, heating and air conditioning problems and kitchen cabinet quality and finish.



The New-Home Builder Customer Satisfaction Study, now in its 13th year, includes satisfaction rankings for builders in 24 markets. Nine factors drive overall customer satisfaction with home builders: workmanship/materials; builder's warranty/customer service staff; price/value; builder's sales staff; construction manager; home readiness; recreational facilities provided by the builder; builder's design center; and location.

The study finds that the importance of the workmanship and materials factor has increased notably from 2008. Meanwhile, the builder's sales staff, construction manager and home readiness factors have declined in importance.

"Compared with past years, fewer home buyers are spending large amounts of time working with construction managers or are concerned about home readiness, since many builders have large inventories of homes that are already complete at the point of purchase," said Sonkin. "For home owners, this can make for a smoother, turnkey ownership experience, with fewer unanticipated delays." The proportion of homes delivered both completely finished and on time has increased notably to 76 percent in 2009 from 70 percent in 2008.

"Green" Home Features Approximately 31 percent of new-home owners perceive that their home is environmentally friendly, but a majority of these owners--65 percent--say that their home builder did not identify the home as "green." "Builders that neglect to point out environmentally friendly home features to buyers are missing out on a very important opportunity," said Sonkin. "New-home buyers are increasingly seeking out green home features and the benefits they bring in terms of energy and cost savings." The top three reasons home owners give for building or buying a green home are: saving on power and heating costs; reducing water usage; and reducing their impact on the environment.

**2009 New-Home Quality Study Rankings** The New-Home Quality Study, now in its third year, measures the occurrence and impact of construction problems experienced by new-home owners in 24 markets. The study utilizes an index that takes into account the number of problems that occur, the severity of problems and size of the home, and covers 41 different problem categories for the following areas: bathroom; drywall; electrical/appliances; flooring/stairs; home exterior; interior paint; kitchen; windows/doors; and other significant problems.

*[Editor's Note: The 2009 U.S. New-Home Builder Customer Satisfaction Study is based on responses from 26,231 buyers of newly built single-family homes who provided feedback after living in their homes an average of four to 18 months. The study was fielded between March and July 2009. For more comprehensive builder rankings for all 24 U.S. markets, visit [www.jdpower.com/homes](http://www.jdpower.com/homes).]*

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## Moving Yourself

While there are many reasons to move, there are only two ways to get the job done: hire movers or do the job yourself. Unfortunately, both have some pretty noticeable drawbacks. If you have the money to hire movers for the entire process from packing to unloading, the decision is a relatively easy one; however, since many of us will find that our budgets are far more accommodating as we handle some (or all) of the moving process on our own, the following DIY moving tips are sure to come in handy whether you're moving across town or across the country!

### 5 Great DIY Moving Tips

**1. Pack Systematically:** There's no substitute for efficiency, and the most important DIY moving tips are the ones that help make your move a smooth one. Always pack one room at a time, and never leave packed boxes unlabeled. Start your packing about a month before you plan to move; this will give you plenty of time to have everything ready by moving day and separate the "must haves" from the "better off withouts!"

**2. Reserve Your Truck Early:** Truck rental companies are busy places. While you might be able to reserve your truck a week in advance, there's nothing to lose by making your reservation 3 or 4 weeks prior to moving day! No matter when you make your reservation, always make sure to contact the rental company the day before you need the truck to make sure that everything is still in order.

**3. Give Yourself Extra Time:** Moving is a huge pain, and though we would all like to get it over with as quickly as possible, there's plenty that can go wrong and make the move a little longer than planned. The farther away you are moving, the more extra time you'll need. Figure out how long your move will ideally take, and add an extra day or two to the time you'll be taking off. Even if everything goes off without a hitch, you'll appreciate the extra time you'll have to unpack and get to know your new surroundings.

**4. Leave the Piano to the Pros:** One of the best DIY moving tips is actually going to require a little professional help. While many homeowners are fine moving heavy boxes, there's a reason why certain moving companies specialize in handling pianos and pool tables. Both of these items are extremely heavy and awkward, and each can be severely damaged if handled improperly. The price of moving these items often includes set-up, and many piano moving companies keep a tuner on staff to make sure that your instrument will be ready to play when you move in.

**5. Unpack Promptly:** After a big move, it's natural to want to put off unpacking in favor of a little R&R. This, however, is a mistake. Getting everything unpacked and put in place quickly might seem like a nuisance, but in the long run, it is far more convenient. Finishing your unpacking quickly means you won't have to search through box after box for the next month or two every time you want something specific; it also means that you'll be able to truly relax in your new space faster. Additionally, because unpacked boxes sometimes end up being put in a storage area and forgotten, you'll actually have less clutter by getting everything out in the open early. Plus, you won't end up spending money to replace items that you think are lost, but are actually in a box somewhere in the attic!

### Money-Saving Moving Tips

Since the choice to move yourself rather than hire movers is typically a financial one, you'll want to spend as little as possible to make the difference count. These money-saving moving tips are good ideas for anyone looking to move as cheaply as possible without sacrificing quality or efficiency.

**1. Park Smart:** If you are moving/traveling on multiple nights, make sure to park your truck smartly. Find a wall where you can back the truck right up close, so anyone who opens the rear door will not be able to pull anything out. Think of it as a preventative measure that could save you thousands!

**2. Don't Drive at Rush Hour:** Moving trucks use a lot more gas than your average car, and the longer you are on the road, the more it will cost you. For short moves, avoid rush hour all together; on longer moves, plan meal breaks during busy traffic hours.

**3. Stop All Services Early:** Many are the homeowners who get stuck with a bill from a previous residence because they forgot to discontinue service. Cable, newspaper delivery, lawn care, and many other services can continue

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after you have left, leaving you with a bill that you can do without.

**4. Talk to Your New Neighbors:** The place you're leaving was well known to you. You knew the cheapest internet provider, the gas station with the lowest prices, and the most affordable restaurants. This new area has plenty of deals to be had, as well, and your neighbors will likely be able to set you on the right track.

**5. The Most Important Money-Saving Moving Tip: Compare Prices!** Every service you'll spend money on during your move will have a competitor or two. Some truck rental companies will have better prices than others; one carpet cleaner will have a package that better suits your needs and budget. Moving is expensive, no matter how you do it! Take the time to compare prices on every piece of equipment and every necessary service your move will require, and you may end up saving hundreds!

USA Today

## Appraisers Not Responsible for Low Appraisals

RISMEDIA, October 20, 2009—Responding to recent testimony before the House Small Business Committee, the Appraisal Institute, one of the nation's largest organizations of real estate appraisers, reminded the Committee's leaders that appraisers are not responsible for so-called low appraisals.

The Appraisal Institute joined the American Society of Appraisers, the American Society of Farm Managers and Rural Appraisers, and the National Association of Independent Fee Appraisers in a letter reacting to recent testimony by National Association of Home Builders President Joe Robson. The four appraiser organizations, representing more than 35,000 members, urged Committee Chair Nydia Velazquez, D-N.Y., and Ranking Member Sam Graves, R-Mo., not to "shoot the messenger."

"It is important for the Committee to understand that appraisers do not create value in the housing market; they report on what is occurring in the market," the letter stated. "The fact that some home sales have failed to close is largely the result of the housing market we are in today. Accordingly, we urge caution in connection with those who would prefer to 'shoot the messenger' rather than face the realities of today's distressed market."

Robson's testimony to the Committee alleged the improper use of foreclosed properties and properties from distressed sales as comparables in determining values of single family homes where no adjustment had been made to reflect the relative condition of the properties. His testimony also suggested that a high number of new home sales have fallen through because the appraisal reflects a value below the contract sales price for the property.

"Professional appraisers fully understand and agree that if foreclosure and/or distressed property sales are used as comparables, they must be treated carefully," the letter stated. "Appropriate adjustments must be made by a qualified appraiser to reflect the physical condition of such properties as compared to the subject property. This is common practice. It is the professional real estate appraiser's responsibility to be aware of these conditions and analyze the market, considering all relevant data and applying proven techniques and methods."

The letter also stated that, "Given the complexity of this issue in today's market, the competency and qualifications of the real estate appraiser is of critical importance in our system of real estate financing. Lenders or their agents—including appraisal management companies—would be well served by retaining the services of highly qualified appraisers where such conditions exist."

### The appraiser organizations recommended four specific areas of guidance to mortgage lenders and financial institutions:

- Seek out the services of highly qualified appraisers for complex appraisal assignments.
- Recognize that sales concessions are as important as the condition of a property to the credibility and reliability of the appraisal.
- Provide sufficient time for the real estate appraiser to conduct the proper analysis of the subject property and comparables used.
- Promote communication between appraisers, builders and real estate agents.



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## September Home Sale Statistics



September ended up being a pretty good market in Omaha. The numbers below indicate that we are getting closer to last years numbers. With the \$8,000 buyers tax credit, and the interest rates dropping 2009 is off to a great start!

	September 2009	September 2008
<b>Total # of Residential Listings Processed</b>	1,805	1,560
<b>Average List Price of Residential Listings Processed</b>	\$170,840	\$175,678
<b>Total # of Residential Listings Pended during month</b>	1038	750
<b>Average Market Time of Listings pended</b>	63	72
<b>Average Sales Price of Listings Closed</b>	\$159,449	\$166,547
<b>Average Sale Price Closed as % of Avg. List Price Closed</b>	97%	97%

\*Information supplied by the Omaha Area Board of Realtors statistics.