"Ask the Pink Realtor"
Hollywood Real Estate Q&A

BY ROCHELLE LECAVALIER | Have a question about the real estate market? e-mail Ask@pinkpalm.com

Dear Pink Realtor,

Last year, the assessed value of my house was almost double what houses on my street were selling for. My taxes went up, even though the market was way down. This year, my property taxes actually went down as prices are more stable, which was a welcome relief. But this has me wondering, will we get another break in 2011? "How do they come up with the "Assessed Value" anyway and how often do they update the figure?

Sincerely,
Stressed about being assessed

Dear Stressed,

It has taken a while for the Broward County Property Appraiser (and every other property appraiser, by the way) to catch up the "assessed value" to current market conditions.

Historically, the Florida Department of Revenue (DOR) held that foreclosures should not be used as comparable sales for assessment purposes. Until very recently, property appraisers would only qualify a foreclosure sale if the property was listed for sale on the Multiple Listing Service (MLS) open market listings and the property was in normal to good physical condition, which was rare.

Tax Year 2009 was the first time in which DOR allowed foreclosure sales to be qualified in determining assessments. Many real estate professionals believe, and the DOR agrees, those MLS-listed foreclosure sales qualify as arms length "normal market condition" sales under the current recessionary economic conditions and reflect market values. Today's market includes many foreclosed properties that are in excellent condition.

If you purchase a property in a foreclosure, your actual purchase price may not reflect the market value used for determining your taxes. It may be higher or lower. Short sales are also newly being included using the same criteria as for foreclosures.

Regardless of the purchase price, assessments in Florida are done a year in arrears. This means your 2009 assessment was based on the sales in your neighborhood (excluding non-arm's length transactions and other "disqualified" transfers) between Jan. 2, 2008 and Jan. 1, 2009. Any change in sale prices between Jan. 2, 2009 – Jan. 1, 2010 is reflected on your 2010 assessment. Any drop in value after Jan. 1, 2010, will be reflected in your 2011 assessment.

Dear Pink Realtor,

The price of a house in Hollywood is finally within reach for me and my family. We are excited to be buying our first home but are also a little unsure about what kind of houses to consider. Everyone is talking about getting good deals on short sales and foreclosed houses. We think they are the same thing, but don't know if one is a better deal.

Sincerely,
Wondering: to short or not to short?

Dear Short,

A short sale is a sale of an asset (in this case a house) in which the sale proceeds fall short of the balance owed. In real estate, this usually occurs when a borrower cannot pay the mortgage loan on their property, but the lender decides that selling the property at a loss is a better bet than getting it from the borrower or foreclosing.

Both parties consent to the short sale process because it allows them to avoid foreclosure, which involves hefty fees for the bank and poorer credit report outcomes for the borrowers. This agreement, however, does not necessarily release the borrower from the obligation to pay the remaining balance of the loan, known as the deficiency.

Short sales are different from foreclosures in that a foreclosure is forced by a lender, whereas both lender and borrower consent to a short sale. However, this consent may change at any time, and negotiations may be ongoing between the lender and borrower even while the short sale is on the market. The borrower may decide to remain and refinance their house or decide not to cooperate and force the bank to foreclose. The bank may back out as well if they decide to stick with the current borrower or if they disapprove of the sale price. Any short sale contract includes a contingency where the bank must approve the sale.

The bottom line: a short sale is you (or probably your real estate agent) negotiating with the bank on a property they hold the mortgage on; a foreclosure sale is you buying a property from the bank directly which they have already taken back from a borrower.

Short sales can frequently take six to nine months or more to close and sometimes considerably longer. There is no guarantee a short sale will ever close. In the meantime (during negotiations), the earnest money deposit is tied up preventing the buyer from looking elsewhere. Short sale negotiations can go on and on only for the seller or the bank to back out at the last moment. This happens a lot. If a buyer has plenty of time to wait and wants a specific home, a short sale might be a good option.

Foreclosures, on the other hand, move very quickly in most cases. To make an offer on a foreclosed home, the buyer needs to have written approval for a loan or proof of cash funds to close and be prepared to write an offer immediately when the right home comes on to the market. Some of the best foreclosure deals are on and off the market in 10 days or fewer. Many banks have actually had to make rules that a foreclosed property must be on the market five days before offers are reviewed just to make the process fairer.

For some buyers and most sellers, short sales can be a solution to a sticky situation. There are cases in which a short sale is a miracle solution. In my opinion, for most buyers short sales are far more trouble than they are worth because of the great deals out there ready to go with no hassle. In my experience, a foreclosed house will normally sell for less than a similar short sale.

As with any home purchase, I recommend educating yourself about the market. Speak with a few qualified realtors and ask them what services they will provide to you. Ask for references and check them. When making an offer on a property, particularly a foreclosed house that may have been sitting for a long period, get a home inspection from a qualified inspector.

Buying your first home can be a rewarding experience. The more you understand about what you are doing, the more comfortable you will be with the process.

LeCavalier has an extensive background in land development, construction, mortgage banking, and real estate sales, marketing and management with more than 15 years experience in the industry. She is known as the "Pink Realtor" around South Florida where she and her team cheerfully serve the real estate needs of many clients. In addition, LeCavalier serves as Fund Manager for SISCO Limited Partners, a private equity fund that rehabilitates foreclosed properties and rents them via affordable housing programs in Broward County, and she is a licensed Real Estate Agent and an Accredited Residential Manager (IREM, ARM).

For more information, visit www.pinkpalm.com