

Traverse Area Title Service, Inc.

Fall Issue 2009



With the change of season's among us and winter around the corner. Traverse Area Title would like to take this time to wish everyone a safe and Happy Holiday season.

“Use Mike”

As a Reference.

A quarterly column

Questions? Use Mike as a reference. No, he doesn't know everything, but he does have a lot of experience. He may have done what you are trying to do or he may know someone who has.

Who do I call?

How do you _____?

Can this be done?



Should the First-Time homebuyers tax credit be extended?

Should the tax credit be extended past November 30th? Should the credit be more or less? Currently there is over two dozen bills with bi-partisan support that seek to keep it going in one form or another. Senate Majority leader Harry Reid (D-Nev.) wants to extend the \$8,000 credit for another 4 months, then lower the credit \$2,000 every 3 months until its gone. Senators Christopher Dodd (D-Conn.) and Johnny Isakson (R-Ga.) not only want to extend the credit to June 30, but they want the income levels raised to \$150,000.00 for a single person and \$300,000.00 for a couple. Which double current levels. Cost for the increase is about \$16.7 billion in lost tax revenues. Opposition is lead by HUD and the IRS. Shawn Donovan, secretary of the Department of Housing and Urban Development has testified before the Senate that even though the tax credit has benefited the housing market, he questions whether the cost is worth it. Donovan also told the Senate he does not expect to see a “catastrophic decline” in home sales if the tax credit expires on Nov 30, but does think an expiration could have some “negative implication” for the market. The IRS’s beef is the fraud. They testified before the House Ways and Means Committee that:

- ❑ 19,300 people claimed the credit on their 2008 tax returns before they had purchased a home, for a total of \$139 million;
- ❑ 74,000 buyers, including some IRS employees, claimed \$500 million even though they had owned a home before; and
- ❑ 580 taxpayers under age 18, including some as young as 4 years old, claimed the credit, resulting in another \$4 million in fraudulent claims. The IRS suspects some parents used their children to dodge income limitations.

In total, the IRS has identified 160 potential schemes relating to the first-time homebuyers tax credit that could result in criminal investigations, and has targeted 107,000 claims for reexamination, some of which have been frozen. The problems occurred because the tax credit program began before fraud monitors were put in place.

Remember these points when considering the First-Time Homebuyers credit:

- ❑ The credit is 10 percent of the purchase price of the home, with a maximum available credit of \$8,000 for either a single taxpayer or a married couple filing jointly. The limit is \$4,000 for a married person filing a separate return. In most cases, the full credit will be available for homes costing \$80,000 or more.
- ❑ The credit reduces the taxpayer’s tax bill or increases his or her refund, dollar for dollar. Unlike most tax credits, the First-Time Homebuyer credit is fully refundable. This means that the credit will be paid to eligible taxpayers, even if they owe no tax or the credit is more that the tax owed.
- ❑ Only the purchase of a main home located in the United States qualifies. Vacation homes and rental properties are not eligible.
- ❑ A home constructed by the taxpayer only qualifies for the credit if the taxpayer occupies it before Dec. 1, 2009.
- ❑ The credit is reduced or eliminated for higher-income taxpayers. The credit is phased out based on the taxpayer’s modified adjusted gross income (MAGI). MAGI is adjusted gross income plus various amounts excluded from income—for example, certain foreign income. For a married couple filing a joint return, the phase-out range is \$150,000 to \$170,000. For other taxpayers, the range is \$75,000 to \$95,000. This means the full credit is available for married couples filing a joint return whose MAGI is \$150,000 or less and for other taxpayers whose MAGI is \$75,000 or less.
- ❑ The credit must be repaid if, within three years of purchase, the home ceases to be the taxpayer’s main home. For example, a taxpayer who claims the credit based on a qualifying purchase on Sept. 1, 2009, must repay the full credit if he or she sells the home or converts it to business or rental use at any time before Sept. 1, 2012.

Con’t on page 3.

Taxpayers cannot take the credit even if they buy a main home before Dec. 1 if:

- ❑ The taxpayer's income is too large. This means joint filers with MAGI of \$170,000 and above and other taxpayers with MAGI of \$95,000 and above.
- ❑ The taxpayer buys a home from a close relative. This includes a home purchased from the taxpayer's spouse, parent, child or grandchild.
- ❑ The taxpayer owned another main home at any time during the three years prior to the date of purchase. For a married couple filing a joint return, this requirement applies to both spouses. For example, if the taxpayer bought a home on Sept. 1, 2009, the taxpayer cannot take the credit for that home if he or she owned, or had an ownership interest in, another main home at any time from Sept. 2, 2006, through Sept. 1, 2009.
- ❑ The taxpayer is a nonresident alien.

For details on claiming the credit, see Form 5405, First-time Homebuyer Credit. <http://www.irs.gov/pub/irs-pdf/f5405.pdf>

The Birthday Corner

9-7 Pam Benjamin from Leibenguth
Boos & Associates

9-17 Bob Reamer from IRR
Residential Veri-Tech Appraisal

10-12 Dean Baker from Re/Max
Bayshore Properties LTD

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Mortgage Company

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City State Bank

11-9 Kathy Nagy from Northwestern
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Huntington National Bank

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Remerica

Wetlands Program stays in Michigan

On October 1, 2009 by an overwhelming vote of 106-2 in the House and 34-0 in the Senate, the Michigan Legislature approved keeping the state's wetland protection program in state hands rather than turn it over to the U.S.. Army Corps of Engineers. The Michigan Association of Home Builders, The Michigan Association of Realtors, the Michigan Farm Bureau, the Michigan Chamber of Commerce, the Tip of the Mitt Watershed Council and the Michigan Environmental Council helped to rewrite the state's wetlands statute resulting in a large number of major reforms to the program.

Do I always pay transfer tax?

Maybe not, take a look at this new exemption taken from the State Real Estate Transfer Tax Act (Excerpt) Act 330 of 1993.

207.526 Written instruments and transfers of property exempt from tax.

Sec.6 (u) A written instrument conveying an interest in property for which an exemption is claimed under 7cc of the general property tax act, 1893 PA 206, MCL 211.7cc, if the state equalized valuation of that property is equal to or lesser than the state equalized valuation on the date of purchase or on the date of acquisition by the seller or transferor for that same interest in property. If after an exemption is claimed under this subsection, the sale or transfer of property is found by the treasurer to be at a value other than the true cash value, then a penalty equal to 20% of the tax shall be assessed in addition to the tax due under this act to the seller or transferor.

Respa rules changing January 1, 2010

January 1, 2010 will bring a lot of changes to the way we all do things on a daily basis. The new Respa changes go into effect that day and it looks like there will be no more extensions coming either. Communication will be a key issue for all parties concerned to make this transition easier for everyone. Traverse Area Title has upgraded our software to comply with the Respa changes and we are looking at the new rules and regulations to help us better understand our role in this transition. Give us a call if you have any questions and we will see if we can help.



Do you need to get your clients in and out? We can do that. Just let us know in advance and we can have 2 closing agents available, one to sign with the buyer and the other to sign with the seller. We know about that busy schedule and we are here to help you in any way possible, just ask.

Serving the community since 1992, our dedicated staff has over 100 years combined experience in the Title Insurance field. Attorney-owned, we are prepared to assist you with any type of title concern you may have.

Customer satisfaction is top priority with Traverse Area Title Service, Inc. If you or your clients have a special need or a unique title or closing issue, please let us know so we can discuss helpful options with you.

Changes to Michigan's Residential Foreclosure Laws

The following is taken from an article in the Gallagher Law Firm Newsletter by Peter C. Brown.

Peter C. Brown represents a number of banks in litigation throughout Michigan. Brown advises that recently Governor Granholm signed into law new procedures that must be followed when a borrower's principal residence is foreclosed.

Now, before foreclosure may begin, the foreclosing party must both mail and publish a notice to the borrower that informs the borrower of rights and responsibilities. This notice must contain specific information, including the designation of a contact person from the foreclosing party. The published notice must contain similar, but less specific information.

A 14-day period begins to run for the borrower on the day the notice is mailed within which the borrower may request a meeting with the lender by contacting a housing counselor from a list that must be submitted to the borrower with the notice. Within 10 days of being contacted by the borrower, the housing counselor must contact the lender and arrange a meeting between the borrower and the lender. The borrower may request that the housing counselor attend the meeting. If the lender is contacted by the housing counselor to arrange a meeting with the borrower, the foreclosure process cannot begin until 90 days from the date of notice. If 24 days pass from the date of the notice (the sum of the 14-day and 10-day periods) and the lender has not been contacted to arrange a meeting, then the foreclosure by advertisement process may proceed.

The borrower is eligible for a loan modification if a combination of adjustments to the interest rate and/or loan term, a deferral of some portion of the principal, or a reduction or elimination of late fees can lower the borrower's housing-related debt to 38% of the borrower's gross income. The borrower is entitled to receive a copy of the calculations used to determine their eligibility and upon request, a copy of the program, process, or guidelines that were used.

For more information on foreclosures please contact Peter C Brown at 517-853-1518 or by email at pcb@thegallagherlawfirm.com.



Traverse Area Title Service Inc., is online go to <http://www.traverseareatitle.com/> To view our website

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