REAL ESTATE

First Property Tax Reductions Since Prop. 13 Are Coming

By Erik Derr

Amid gas prices hovering at around $3 per gallon, unemployment figures continuing to soar toward the next star system and reports a faulty home appraisal system backed by the government may actually be slowing the housing market's recovery, there's at least a little good news pretty much everyone in the Golden State can share.

The State Board of Equalization recently announced that most, if not all, California homeowners will see a slight drop in their property tax bills --- the first time such a broad scale reduction in property tax base values has happened. Tom Orbina, a grocery store security guard and father of three, says he'll happily take "any tax cuts I can get." At least "the money's going in the right direction this time," he said. "We just need to see more of that, hold onto more of what we got."

On the other hand, Juana Sklar, a nurse and mother of two, said she wasn't impressed by the announced lower tax rate. "So, what is that? About two bucks for every one-hundred thousand? In the end," she said, "what more will I be able to buy with that? Maybe a few more diapers."

Slkar, who said she and her husband recently separated because of family pressures caused by the economic downturn, asserted "more needs to be done to get things moving again and get people like my husband back to work."

Board Chair Betty T. Yee said the decline in owed taxes will amount to about $2.60 for every $100,000 in assessed property value. "This is the first time such a broad scale reduction in property tax base year values has occurred since the passage of Proposition 13," said Yee. "The inflation factor has never before been negative." Nearly all real estate in California, said Yee, is assessed under terms mandated by Proposition 13, the 1978 ballot measure that generally requires real property to be taxed on the basis of its fair market value as during its most recent change in ownership.

Once a property's base year value is determined, she continued, it must be adjusted in subsequent years by an inflation factor. But any value increases resulting from those periodic adjustments are capped at two percent per year.

In late November, the Board determined a 0.237 percent rate of negative inflation, otherwise known as deflation. That finding was based on mid-November Consumer Price Index numbers released by the U.S. Bureau of Labor Statistics.

The official inflation factor --- the California Consumer Price Index --- has yet to be released. That number is calculated by the California Department of Industrial Relations with the same data used by the Board of Equalization. As soon as the official CCPI number is announced sometime this month, the Board will direct County assessors to apply the rate to assessed property values. Yee said Board staffers expected, and announced, a possible drop in the inflation rate back in September.

The determined adjustment will show in assessments made on or after January 1, 2010. The affected tax bills will be sent out in October and due by early December and April of next year. Yee advises that even with the base year value reduction in place, some property owners may end up without a reduction in their assessed values. That could happen, she said, if the assessed value has already been reduced because of recent market declines. In that case, such property owners could possibly see an increase in the annual assessed value, not to mention the resulting tax bill. Yee notes that "while the savings for the 2010 year is minimal for most taxpayers," if the usual two-percent inflation adjustment had kicked in, "the corresponding increase to the homeowner would have been about $22 for every $100,000 in assessed value."

The Board of Equalization's annual business and property taxes hearings will be held in Sacramento and Culver City next spring, though specific dates and times for the sessions have not been announced. Anyone interested participating in one of the hearings or simply getting more information can call the Taxpayer's Rights Advocate at 888-324-2798 or visit the Board's website at www.bor.ca.gov.

Additional information about adjusting base year values is available by calling the Assessment Services Unit at 916-445-4982. •

Loan Modification-What Is It and How Does It Work?

By Steve R. Murillo

It seems like every time I turn on the radio these days, I hear an ad for "loan modification." So is this a scam or what? The simple answer is yes and no. There are many legitimate loan modification companies out there, mixed in with some less than scrupulous ones, out to get your money. Let's take a look at how the concept came about and what loan modification actually is.

I don't need to tell you that real estate prices have fallen dramatically over the past three years. In many neighborhoods, values have fallen well below the amounts people owe on their mortgages. Compound this "negative equity" with a job loss and/or a high interest rate variable rate loan, and you've got yourself a real problem. So what can a borrower do if they have no equity, no job and they are about to lose their home? The answer-MODIFY!

Essentially, a loan modification is a formal modification to the existing note (agreement to pay) between the borrower and their lender. At the lender's discretion, the terms of the note are modified so that the borrower can continue to pay. In the case where a borrower is behind on his mortgage payments and real estate taxes, these amounts can be added to the principal balance of the loan, a new interest rate assigned, and a new payment recalculated taking into account the remaining term of the loan. In other words, the payment gets reduced.

Of course, folks can attempt a modification on their own. In fact, many of the major lenders have websites dedicated to explaining how to do this. It takes time, sometimes months. The advantage of going with an outside service is that they may already know their way around and can get the job done faster, possibly with better results.

How much should you pay? Remember that you get what you pay for. If you don't have the time to handle it and trust the company you are going with, than paying $3,500 up front may be worth it if it saves you $300 or more a month and a foreclosure gets stopped in the process.

Can attorneys get the job done better than you or I? Possibly. What an attorney can do is take money up front, even if no results are obtained. This is called a retainer. Mere mortals such as real estate brokers cannot do this unless they have been expressly approved by the DRE.

If you think you need a modification, get on your lender's website and read as much as you can first. If you have the time, do it. If you don't have the time but have the money, hire a professional. But please, please, please, ask for references and follow through by calling them. Good luck!

Steve Murillo is a licensed broker who owns a boutique mortgage and real estate company in downtown Manhattan Beach. For questions regarding real estate financing, real estate, or suggestions on a topic you'd like to see here, please send an e-mail to Steve@1stmanhattan.com. •

Open House Directory

OPEN HOUSE

1. Sun 2:00-4:00	**517 1st. St., MB, 4Bd**	**$1,899,000**
Uni Mayesh	Shorewood Realty	310-310-569-6535
2. Sun 1:00-4:00	**4321 Crest Dr #A, MB 3 Bd / 2.5 Ba**	**$1,599,000**
Bill Ruane	Re/Max Beach Cities Realty	310-877-2374
3. Sun 1:00-4:00	**4323 Crest Dr #B, MB 3 Bd/2.5 Ba**	**$1,789,000**
Bill Ruane	Re/Max Beach Cities Realty	310-877-2374
4. Sun 1:00-4:00	**4320 Highland Ave #C,MB 3 Bd / 2.5 Ba**	**$1,859,000**
Bill Ruane	Re/Max Beach Cities Realty	310-877-2374
5. Sun 1:00-4:00	**312 44th St #D, MB 4 Bd / 4.5 Ba**	**$2,299,000**
Bill Ruane	Re/Max Beach Cities Realty	310-877-2374
6. Sun 1:00-4:00	**316 44th St #E, MB 4 Bd / 4.5 Ba**	**$2,299,000**
Bill Ruane	Re/Max Beach Cities Realty	310-877-2374