

## GREETINGS FROM GRACE TITLE



Well, we now have completed the first month of the second quarter and the Real Estate markets still remain strong, at least here in Florida. New home sales are still strong and existing home inventory is still tight. Grace Title would like to say "Thank you" to our friends and clients for the continued support and confidence that you show us through your referrals and orders. Thanks to all of you we are having a great year!!

As many of you know, in April new legislation was passed by Congress, and the President signed into law, the "Bankruptcy Abuse Prevention and Consumer Protection Act of 2005". For our newsletter this month I decided to reprint an article published in the Realty Times for those of you who might be interested to hear how this legislation might affect the Real Estate and Banking industries. I have also included this month a table of the prices for average starter homes in select cities around the country. I hope you find this information not only interesting, but helpful.

As always, Grace Title wishes you continued success in May and we hope that we continue to be a part of that success. Thanks again to all for the support and confidence that you extend to the staff at Grace Title, Inc. – *D. Greg Gary*

### **New Bankruptcy Law Will Have Impact On Real Estate**

*by Benny L. Kass*

It will no longer be easy to erase your debts -- including your home mortgage -- as a result of the recently enacted [Bankruptcy Abuse Prevention and Consumer Protection Act of 2005](#). On Wednesday, April 20, 2005, President Bush signed into law the most significant overhaul of the Bankruptcy laws since 1978.

The law becomes effective October 17, 2005, although there are some provisions which have already taken place as of the date of enactment. It is a complex -- and controversial -- law, which will take time to study and understand.

The National Association of Realtors applauded Congress for passing several real estate provisions which are included in the new Act. On the other hand, consumer organizations -- such as Consumer's Union and the Consumer Federation of America -- are in opposition to the law, stating that "it would favor creditors at the expense of Americans who have suffered genuine financial misfortune."

Only time will tell what the real impact of this new law will be on the American consumer. In the meantime, here is a short summary of the provisions which are relevant to the American homeowner.

Perhaps the most important aspect of the Act is the "means test," which must be applied when the Bankruptcy Judge is deciding whether or not to discharge consumer debt. Oversimplified, there are two avenues that a consumer in financial trouble can take: Chapter 13 is an interest-free repayment plan, whereby all of your debts are consolidated, and the consumer makes payment on this debt over a three to five year period. While the consumer is in such a Chapter 13 debt plan, his creditors cannot collect directly from the consumer, and creditors are legally obligated to honor that plan.

Chapter 7, on the other hand, is a plan whereby all of your unsecured debts are wiped out. If your car and mortgage payments are current -- and there is no significant equity in your property -- the consumer is allowed to keep those items. Bankruptcy attorneys who represent creditors have long complained that Bankruptcy judges currently have complete discretion as to whether to eliminate consumer debt -- regardless of the financial situation of the debtor.

The new law imposes a "means test." If the combined gross income of the consumer's family is greater than the median family income in your state, the law may require that you file a Chapter 13 plan and pay off your debts over a three to five year period, rather than file for Chapter 7 relief. For example, in the District of Columbia, this amount is currently \$61,800. In Virginia, it is \$69,600, but in Maryland it is \$82,880 (You can get a complete State-by-State listing on the [web](#)). Bankruptcy Judges are permitted to reduce unsecured consumer debt -- usually credit card obligations -- by up to 20 percent, if the creditor refuses to accept and negotiate a reasonable alternative repayment schedule which has been proposed by an approved credit-counseling agency.

A second important aspect of the new law, a requirement that before anyone can file for bankruptcy relief, they must submit to counseling from an approved non-profit credit counseling agency.

Consumer debt has been estimated to be approaching \$2 trillion. Millions of Americans are facing serious financial difficulties -- and are jobless. According to the Administrative Offices of the U.S. Courts, over 1,137,000 people filed for Chapter 7 bankruptcy, while almost 450,000 filed for Chapter 13 relief.

However, not all consumer credit counseling agencies will be approved. In recent months, the Internal Revenue Service and the Federal Trade Commission have successfully prosecuted several such agencies -- all of whom masqueraded as non-profit organizations, while in reality they were gouging consumers and making a large profit for themselves.

The National Conference of Commissioners on Uniform State Laws is currently considering the adoption of the Uniform Consumer Debt Counseling Act, which -- if enacted throughout the state legislatures in this county -- will address the multitude of problems that have developed, and will enable the states to take a uniform approach to regulation of this industry.

The Bankruptcy Act is new, and will clearly require time for all of us to study its full impact. Here are some additional provisions which impact on real estate activities:

- Condominium and homeowner association members are required to pay their regular fees, even if they have filed for bankruptcy relief.
- If a landlord obtains a judgment for possession against a tenant, the debtor-tenant must certify that he has a legal defense, and must pay the entire rent owed within 30 days.

Bankruptcy should always be the last resort for any consumer in financial difficulty. However, this new Act will make it even less of an attractive option. If you are in financial difficulty, don't wait until the creditors come knocking at your door -- or at the courthouse door. Talk to your financial and legal advisors immediately, so as to determine all of your options before it is too late.

## **Starter-Home Index - May 2, 2005**

### Starter Home Index



Here's the average sale price for the year to date in neighborhoods, listed east to west, with high concentrations of young, upwardly mobile professionals and executives. The figures are based on average sales of homes in selected ZIP Codes with a median income of \$40,000.

TOWN/ZIP CODE	2005 TO DATE	2004 TO DATE	CHANGE
<b>Danvers, Mass.</b> (01923)	<b>\$384,431</b>	\$330,854	16.2%
<b>New York</b> (10128)	<b>999,944</b>	798,181	25.3
<b>Philadelphia</b> (19106)	<b>513,239</b>	400,414	28.2
<b>Alexandria, Va.</b> (22301)	<b>533,771</b>	472,534	13.0
<b>Raleigh, N.C.</b> (27613)	<b>262,267</b>	225,151	16.5
<b>Decatur, Ga.</b> (30033)	<b>253,394</b>	243,405	4.1
<b>Tampa, Fla.</b> (33647)	<b>263,112</b>	233,709	12.6
<b>Phoenix</b> (85044)	<b>260,972</b>	219,676	18.8
<b>San Bruno, Calif.</b> (94066)	<b>526,541</b>	450,492	16.9
<b>Kirkland, Wash.</b> (98033)	<b>520,872</b>	449,649	15.8

Source: First American RES

### Conforming Mortgage Rates

Average daily rate for a  
\$165,000 mortgage loan.\*

	30-YR FIXED	15-YR FIXED	1-YR ARM
<b>THIS WEEK</b>	5.33%	4.93%	3.73%
<b>LAST WEEK</b>	5.35	4.96	3.73
<b>LAST MONTH</b>	5.64	5.24	3.85
<b>LAST YEAR</b>	5.70	5.02	3.20

### Jumbo Mortgage Rates

Average daily rate for a  
\$335,000 mortgage loan.\*

	30-YR JUMBO	5/1-YR ARM
<b>THIS WEEK</b>	5.62%	4.77%
<b>LAST WEEK</b>	5.62	4.80
<b>LAST MONTH</b>	5.85	5.07
<b>LAST YEAR</b>	5.83	4.54

\*With 20% down payment. Source: bankrate.com, as of April 27, 2005



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