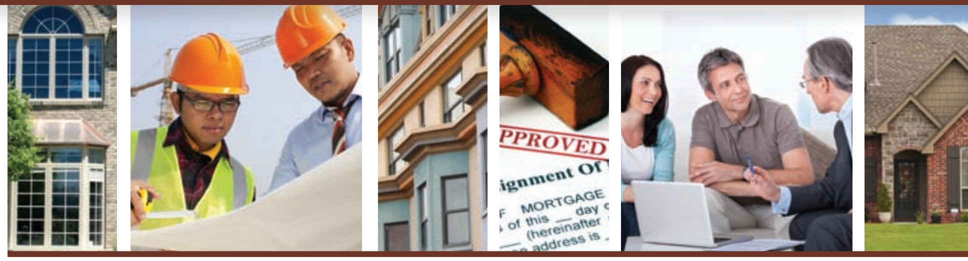
THE HOME FRONT



FFCMORTGAGECORP.
[formerly Flaherty Funding Corp.]

In This Issue

MESSAGE FROM JIM FLAHERTY

Big Changes, Same Customer Focus in 2015

By Jim Flaherty

I hope 2014 has been kind and prosperous to you.

As you may know, this year we transitioned after 28 years of mortgage brokerage into mortgage banking. It was a good move and allowed us better control of the overall process. This resulted in a very smooth flow from origination to closing. It also gave us the ability to minimize the closing fees while still maintaining very competitive pricing.

The upcoming year promises to be a very exciting and productive one. I am planning various advertising campaigns as well as scheduled seminars. Our goal in 2015 is to create programs to show young millennials how and why they should be purchasing homes as opposed to renting. I'm working with CPAs and financial planners to show this younger generation not only the tax advantages but the power of compounding. We are planning to spend time getting these young buyers fully qualified to send out into the housing market.

In addition, I will be rolling out a very comprehensive website that will feature preferred partner pages highlighting individuals and businesses. These companies work at such a high level of integrity and expertise that I would stake my reputation on them. These are businesses that I have worked with, recommended and used myself. I gladly will be sending our new qualified homebuyers to the Realtors, attorneys, insurance agents and engineers whom I know do business the right way. We also are rolling out programs for baby boomers through accelerated payments, consolidation and compounding.

There is a light at the end of the tunnel; we want to help you get there. Every bank and mortgage company sells the same plain vanilla ice cream; we have always been different. We don't hand you off to another department, we answer and return calls, and we sit with you face to face every step of the way. What's more, our pricing is better than competitive. When a problem arises a year or years later, we still get involved and find a solution.

I will be following this up with several major announcements as we roll out our new programs. Since I'm heading into my third generation in this business, I hope to see some of you at our seminars. If you can't make it, send your children and grandchildren. I wish you nothing but joy in the year ahead.

Jim Flaherty is branch manager at FFC Mortgage Corp. He can be reached at 718-225-7283 or jflaherty@brownandflaherty.com.

Partner Spotlight

MAJOR HOMES

Family-owned and operated, Major Homes specializes in all phases of home-remodeling, including windows, roofing, siding, doors, gutters, kitchens, bathrooms, basements and full renovations.

Since 1919, Major Homes has been serving the tri-state area, providing a high level of workmanship and excellent customer service.

Major Homes employs full-time managers who are there to oversee every aspect of the project. We never use day-laborers; only skilled craftsmen can be employed by Major Homes.

Please call Mitch or Jason at 718-229-5741 for a free in-home consultation at your convenience.

MAJOR HOMES
Since 1919...4 Generations of Great Renovations

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Real Estate Transactions Carry the Risk of Criminal Liability

By Dominic L. Addabbo, Esq.

We ordinarily do not mention "criminal liability" and "real estate transaction" in the same sentence, but in light of the higher degree of scrutiny by most mortgage lenders and the eagerness of individuals looking to purchase, sell or finance real estate, these terms have been appearing in close proximity to one another more often lately.

There are obvious mortgage frauds, such as a borrower being less than truthful about his or her income, assets and/or liabilities, or intentionally issuing a bad check. But there are also a variety of circumstances that to many borrowers may seem relatively harmless but may actually constitute mortgage fraud.

An all-too-common instance is where a buyer's credit is not the best and the buyer enlists a friend or relative to apply for financing as a co-borrower/co-owner. As part of the loan application process the co-borrower/co-owner may characterize the purchase as "owner occupied" or as a "primary residence" in an effort to lock in the lowest possible rate, even though that person does not intend to reside there.

Problems may also arise when the seller is paying all or part of the buyer's closing costs (commonly called a "seller's concession") without disclosing these facts to the lender, or when the buyer has borrowed funds needed to close from a friend or relative but characterizes these funds as a "gift" rather than a loan. Another possible situation is when a seller offers to lower the price if the buyer will pay a portion of the purchase price in cash "under the table," thereby saving the seller part of the transfer taxes. Similarly, a buyer may ask a seller to accept "under the table" cash and then show a lower purchase price on the contract and tax returns.

The New York State Penal Law addresses these issues in Article 187 entitled "Residential Mortgage Fraud." In Article 187 the charges range from Residential Mortgage Fraud in the Fifth Degree (§187.05), a Class A Misdemeanor punishable by up to one year in jail, to Residential Mortgage Fraud in the First Degree (§187.25), a Class B Felony with a maximum penalty of 25 years in jail. Also, since official documents containing falsehoods are being recorded, such as transfer tax returns, other possible crimes that could be charged include Forgery in the Second Degree (§170.10), a Class D Felony, and Offering a False Instrument for Filing (§175.35), a Class E Felony.

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How to Protect Your Turf

Why Property Surveys Matter

By John P. Gordon, Esq.

Selling a home is stressful enough without having the deal fall through right before closing because of a misplaced fence.

Title companies will refuse to insure a property's title if a fence or other structure prevents the owner from accessing a portion of the property. Generally, this means that if a fence sits more than 1 foot onto your property, you have a title problem. It often makes no difference who installed the fence. And without title insurance, a home cannot be sold.

If you or your neighbors are planning to put in a fence, row of hedges, a wider driveway, a flowerbed or any other installations near the property line, make sure you have the survey of your property.

Measure the placement of the new installation and compare it with the survey. In the case of a disagreement or uncertainty, have an independent professional determine the correct placement of the structure. The survey can then be updated to include the new structure. And while you may think there is no need to sweat these details because you get along with your neighbors, they may move, and there's no guarantee you'll get along equally well with the new homeowners.

Ensuring that fences and other structures are properly placed can avoid litigation and title problems: issues that could make your house unmarketable and disrupt closings. It also avoids having neighbors sign and record boundary line affidavits or agreements before you can sell, which require cooperation and cost money and time, often when time is of the essence.

If you have misplaced your survey, there may be one on file with your town or village building department. If none is on file, we can help you identify a surveyor who will prepare a new survey.

Preventing encroachments onto your property requires vigilance. Address boundary-line issues before they ripen into title problems.

John P. Gordon is an attorney who practices in the Business, Real Estate and Trusts & Estates Practice Groups at Vishnick McGovern Milizio LLP. He can be reached at JGordon@vmmlegal.com or at 516-437-4385, ext. 143.

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Real Estate Transactions Carry the Risk of Criminal Liability

Another type of fraud involves the real estate speculator who obtains property from more than one person by false representations or promises. Such a person may be charged with a Scheme to Defraud in the Second Degree (§190.60) or First Degree (§190.65) if he or she in fact obtained property under such false pretenses.

Lastly, even your friendly neighborhood mortgage lender may be criminally liable for Making a False Statement of Credit Terms (§190.55) if he or she gives a borrower an inaccurate or incomplete statement of the terms of the mortgage loan.

Clearly, these laws exist for the protection of all honest lenders and borrowers. Buyers, sellers, brokers, mortgage lenders, title agents and attorneys must be attentive in providing information regarding any real estate sale, purchase or financing. Liability is always avoided when all documents relating to a real estate transaction are truthful.

Dominic L. Addabbo, Esq., is a partner in the law firm Addabbo and Greenberg, based in Forest Hills. He can be reached at 718-268-0400 or via email at Dominic@queenslaw.com.

I Am Selling My House - Do I Have to Pay Taxes on the Sales Price?

By Kevin J. Kiley, Esq.

Asked to comment on the new Constitution and speculate on the permanency of the newly formed United States of America, Benjamin Franklin stated, "In this world, nothing can be said to be certain, except death and taxes." Some 200 years later the certainty of taxation continues.

One tax imposed in the United States is the income tax. The Internal Revenue Code defines "gross income" as "all income from whatever source derived." It is not limited to earned income and includes profits earned from the sale of real property.

A seller's income derived from the sale of real property is calculated by taking the gross amount received by the seller (in cash, trade, barter or otherwise) and deducting the cost of the real property. This cost of the real property in tax terms is referred to as the "cost basis" and generally consists of the purchase price and the cost of any major capital improvements put into the property during the period of ownership. For example, if a homeowner purchases his home for $20,000 and, during the term of his ownership, adds a $10,000 extension, the cost basis in the property would be $30,000. If the same homeowner sells this property for $100,000, his gain or gross income would be $70,000.

Under Section 121 of the Internal Revenue Code, some of the gain from the sale of one's principal residence is excluded from gross income. In order to be eligible for the exclusion, a taxpayer must have owned the property and used it as a principal residence for periods adding up to two years or more in the five-year period prior to the date of sale.

For a single taxpayer, the first $250,000 of gain is excluded from gross income. In the case of married taxpayers who file a joint return during the taxable year in which the sale occurred, $500,000 of gain is excluded from gross income.

In order to be eligible for the $500,000 exclusion, it is not necessary that both spouses own the property. It is only required that one of the spouses own the property, but the occupancy requirements must be met by both spouses. It is also not necessary that both spouses be alive at the time of the sale, as there is a special rule for certain sales by surviving spouses. A surviving spouse will receive a $500,000 exclusion provided the sale occurs within two years of the spouse's death and, provided that at the time of the spouse's death, the parties would have been entitled to the $500,000 exclusion.

In general, the exclusion may only be used once every two years, but there are also exceptions to this rule if a sale is necessary "by reason of a change in place of employment, health or, to the extent provided in the regulations, unforeseen circumstances."

Suppose you don't have a house, but live in and own a co-op apartment? The same rules apply. In the case of a cooperative, the ownership requirements apply to the titled holding of the stock, and the use requirements apply to the occupancy of the apartment that the taxpayer was entitled to occupy as a shareholder and owner of a proprietary lease.

For information about your specific circumstances, please contact a real estate attorney.

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