
Valley of the Sun Real Estate Update

December, 2004

Texas Contracts: the Scam of the Month

As many of you know, the Valley is in the midst of a very strong seller's market. Available inventory is down, and prices have appreciated steeply. Some investors have made a good business out of buying homes and re-selling them fairly quickly at a tidy profit. Human nature being what it is, any time some people are making money quickly, a few will try to find a way of making even more money even faster. While creativity and innovation often lead to advances in an industry, it is important to distinguish between clever improvements and outright fraud when you are involved in a real estate deal.

Imagine that you are trying to sell your house, and that it has not sold as quickly as you might like. Wouldn't you be excited to receive a clean offer, with a fast close, for \$100,000 over your asking price? Even if the buyer was asking for that \$100,000 back at close of escrow so they could make some improvements on the home, you would still be netting the full price, right?

This type of deal, with an inflated purchase price and a hefty sum returned to the buyer, is often called a "Texas Contract." (In fairness to our friends in the Lone Star State, they can be found in any market.) Like many illegal operations, the Texas Contract mirrors aspects of a legitimate real estate deal. For instance, it is not unusual for the seller to contribute some cash towards the buyer's closing costs—indeed, some federally supported loan programs require it. However, the cap for such payments is usually about 6% of the loan amount, and the buyer is never allowed to personally pocket any of those funds.

It is also possible for a buyer to secure funds to make improvements. Say the home you want to buy does not have a pool; you could agree with the seller to increase the purchase price by the value of the pool, and have the funds held in escrow for the pool company after the sale. This would require approval of the lender and the appraiser, but it is a legal (if unusual) procedure.

The difference with a Texas Contract is that the buyer has no intention of actually making any improvements. In fact, they probably don't plan to make any mortgage payments, either. After closing, the buyer will skip out with \$100,000 in cash, and eventually the bank will foreclose on a home that is worth \$100,000 less than the loan they wrote. In order to pull off this scam, the buyer needs help from a lender, an appraiser, and/or a title agency. The entire process constitutes loan fraud, a federal offense with stiff penalties.

Fallout from such a conspiracy can lead to complex and ongoing litigation. If you plan to be involved in a real estate transaction, please do your homework and ensure that the many vendors you will have to rely on are appropriately trained and licensed. If you would like me to refer you to highly qualified lenders, appraisers, title agents, or any other real estate professional, I would be happy to work with you to make sure you get the best possible service from all of your vendors.

On the Home Front

Well, the big news around our place just keeps getting bigger: Jill is a full six months pregnant now, and continuing to adjust to all the changes her body is going through. I am happy to report that she is handling it all very well so far, and really hasn't seemed to slow down at all. In fact, she is still leading me up Camelback for moonlight hikes, and she was just named Player of the Month at the Kiwanis Park Tennis Center where she takes lots of lessons.

Otherwise, we are looking forward to a peaceful holiday season. For the first time in several years, we won't be traveling anywhere, so we hope to have lots of time to relax here in town with friends—and we hope you enjoy your plans, whatever they may be!



Ken Mayer

Ken@LucasRealtyGroup.com

602-750-3678

"Creating excellent real estate experiences...one home at a time"



LUCAS
Realty Group

Recipe of the Month Gingerbread Men

I like the holiday season a lot, and when I was a kid nothing got me in the spirit more than a good old-fashioned candy cane. Now that I am a bit older I find that I like my sugar in a more complex form, and Gingerbread Men do the trick quite nicely. Veteran readers may notice that this recipe is a repeat from December of 2002, so if you didn't give it a try then, you have another shot at it now!

½ cup butter	½ tsp baking soda
½ cup sugar	½ tsp ground cinnamon
½ cup molasses	1 tsp ground ginger
1 ½ tsp white vinegar	¼ tsp salt
3 cups sifted all-purpose flour	1 egg, beaten

Combine butter, sugar, molasses, and vinegar in a saucepan. Bring to a boil, then let cool. Resift flour with baking soda, cinnamon, ginger, and salt. Stir beaten egg into molasses mixture (if mix is too hot, egg will start to cook!) Blend sifted ingredients into molasses/egg, mixing well; be patient, this will take a while. Chill dough, covered, in the fridge.

Separate cooled dough into three portions. Roll out on a lightly floured surface to about 1/8-inch thickness. Cut into gingerbread men & women, or use other shapes. Decorate with raisins, cinnamon dots, candy stars, etc. before baking, or icing after baking.

Bake on greased cookie sheets at 375°F for 8-10 minutes. Be careful not to overbake. Remove and cool on wire racks. Cookies will be soft when they come out of the oven, and will get crisp as they cool. For softer cookies, roll dough into thicker portions.

Culture Corner

Quick reviews of some recent favorites

Food: We don't get out for sushi very often, but **Hon Machi Grill** is within walking distance of our house. Located just north of the Chandler Mall, they offer a wide range of food and drink, so those of you who prefer your food cooked can eat there, too.

Movies: It isn't the best of his work, but **The Village** bears many of the hallmarks of M. Night Shyamalan's earlier movies, and fans are not likely to be disappointed. The slower pace puts more of the focus on the characters' mundane talent of survival, and less on the possibly supernatural threat to that effort. Joaquin Phoenix, by the way, is becoming one of my favorite actors.

Books: The protagonist of John Lanchester's **Mr Phillips** is a fifty-ish London accountant who sets off as usual on Monday morning without telling his wife he has been fired. Far from being a study of mediocrity, though, Lanchester's gentle story reveals the unseen levels of humor, insecurity, idealism, and love that we often feel more comfortable revealing to strangers than sharing with our closest family—or even ourselves.



**For all of your mortgage
and refinancing needs.**

No Origination Fee

It is a great time to refinance

**Call today for a free, no obligation
quote or prequalification.**

480-940-0922

License #MB-0903955



How much is my home worth?



If you would like a free Current Market Analysis of your home, please fill out this form:

_____ I'm not thinking of selling my home. I'm just curious about value. Please send me a complimentary current market analysis.

_____ I'm thinking about selling my home. Please send me a complimentary current market analysis plus a Home Seller's Handbook with information about ERA Lucas Realty Group, our "Common Sense Commission Plan", "Aggressive Marketing Plan", and other money-saving tips.

Home Description:

Stories: _____ Sqft: _____ Beds: _____ Baths: _____ Pool: _____ Garage Size: _____

Other features and upgrades: _____ Condition of home: _____

Send this form back: fax: 480-940-7177 mail: 9880 S. Rural Rd. #8 Tempe AZ. 85284 e-mail: Ken@LucasRealtyGroup.com

Name: _____ Address: _____

Phone: _____ Fax: _____ E-Mail: _____