



ACRE OF BEAVER COUNTY

A Real Estate Education Community

FAIR HOUSING LAWS TO BE THE MAIN TOPIC AT THE APRIL ACRE BEAVER MEETING

When we scheduled this presentation, it was because April is Fair Housing Month, and our local Fair Housing Officer wanted to take the opportunity to spend a few minutes giving us a brief overview of Fair Housing requirements. As I write this introduction, the topic is even timelier. A member of ACRE of Beaver County is facing a fair housing complaint filed last week by a tenant who maintains that his eviction of the woman and her two daughters, 8 and 11, was based on racial prejudice, since the daughters are biracial. The landlord, who asserts the eviction was because neighbors complained that the mother and children were unreasonably loud, and disturbed the peaceful enjoyment of the property by other tenants, has already incurred legal fees and costs during an EEOC/HRC investigation, and now faces litigation costs. What do you need to know about Fair Housing Laws to help to keep you from facing a similar problem from issues involving a service animal, emotional support animal, a tenant with a disability, or a member of a protected class?

Join us for the April meeting, when our guest speaker will be Carmen Wilkerson, Fair Housing Officer for Beaver County, 7pm Tuesday, April 22 at The Venue at Harmony Ridge.

A Letter from Carmen Wilkerson to ACRE Beaver Members:

The Fair Housing Law was passed in April 1968 shortly after the assassination of Martin Luther King, Jr. who was a strong proponent of the act.

The Beaver County, Fair Housing Office is located at 1217 Seventh Avenue, 2nd Floor, Beaver Falls, PA 15010. The office is open Monday through Friday from 9:00 am to 4:00 pm. The phone numbers are 724-846-6400 x16 or 724-371-0649. The fax is 724-371-0650. No appointment is necessary, however, please call first to ensure the Fair Housing Officer is in the office.

The Fair Housing Mission is to provide education and advocacy about Fair Housing, ensuring that the protected classes, Race, Color, Religion, National Origin, Sex, Familial Status, and Disability, are not unfairly discriminated against when it comes to renting or buying a home as well as in financial lending practices.

Please call the office if you ever have a question or would like to check on a possible Fair Housing issue with one of your tenants. Brochures are available at no cost should you require them.

Thank you very much for having me as a guest speaker during Fair Housing month.

Carmen Wilkerson, Fair Housing Officer

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Want to read more articles on all things real estate? Looking for an article from a past issue? You can find this issue's article and much more at www.dornish.net/blog.

DODD-FRANK 2014 PART 1: NEW FEDERAL RULES AFFECTING CONSUMER MORTGAGE LOAN APPLICATIONS

By Bradley S. Dornish, Esq.

The Dodd-Frank Wall Street Reform and Consumer Protection Act became law in July of 2010. However, the process of changing the consumer mortgage loan process in America dictated by Dodd-Frank is not yet complete. Two new sets of regulations promulgated by the Consumer Financial Protection Bureau went into effect on January 10th of this year. The first, regulatory changes in the loan application process, affect all new consumer mortgage loan applications, including seller financing consumer mortgage loans. The second, regulatory changes in mortgage loan servicing and loss mitigation/loan modification processes, affect all outstanding consumer mortgage loans, regardless of when the loan was obtained. The second set of regulations will be the subject of the second part of this article. Note that both sets of regulations apply only to consumer credit mortgage loans secured by the borrower's family's dwelling. These rules do not apply to loans to investors for the purchase or refinance of non-owner occupied investment real estate.

The loan application changes, applicable to loans applied for on or after January 10, 2014, require banks and other mortgage lenders to make specific, detailed determinations of a borrower's "ability to repay" the loan, which I

will refer to as "ATR". The ATR requirements do not apply to every consumer mortgage loan, however. Home equity lines of credit subject to 12 C.F.R. §1026.40, mortgages secured by a timeshare, reverse mortgages under 12 C.F.R. §1026.33, bridge loans and construction only loans with terms of a year or less, and the construction phase up to a year of construction to permanent loans are all exempt from ATR requirements.

There are also certain types of loans which are subject to ATR requirements generally, but not to the very specific bases for making the ATR determination. Those loans include non-standard adjustable rate, interest only and negative amortization loans being refinanced by the existing lender into standard mortgage loans, and certain mortgage loans which meet the definition of a "Qualified Mortgage" under the rules. "Qualified Mortgages must have regular periodic payments without negative amortization, deferment of repayment of principal or balloon payments. They must have terms of 30 years or under, and the lender must not charge more in total fees and points than three percent for loans of \$100,000.00 or more, with slightly higher fees allowed for smaller loans. Creditors on Qualified Mortgages still must calculate the maximum

monthly payment possible under the loan terms in its first five years, must verify the consumer's income and assets other than the property, current debts, child support and alimony payments before closing. The loan payment added to the known debt payments must not exceed 43% of the borrower's monthly income.

Right now, many residential lenders are limiting their lending to only Qualified Mortgage Loans, because those loans are presumed to comply with the ATR requirements. It is anticipated that more lenders will loan outside the Qualified Mortgage safe harbor after more guidance is received from the Consumer Financial Protection Bureau on the specific bases for determination of ATR required for such loans. (Cnt'd p.3)

WHY CHOOSE ACRE of Beaver County:

- **Network** with local investors
- **Attend presentations** by local leaders and experts on industry related topics
- **Meet local contractors and professionals** who are eager to work with investors
- **Get updates** on state and national issues from PROA and National REIA

UPCOMING EVENTS

The World Famous Rehabbers House Tour, Saturday, April 26, 2014, 8:30 AM-1:00 PM, Meet at the W. Liberty McDonalds
ACRE Members \$69

* For more information, contact Debbie Dornish at 724-869-0129 or email info@acrebeaver.com

DODD-FRANK 2014 PART 1: NEW FEDERAL RULES AFFECTING CONSUMER MORTGAGE LOAN APPLICATIONS (CNT'D)

from the Consumer Financial Protection Bureau on the specific bases for determination of ATR required for such loans.

The current regulations provide that a lender must consider the following specific items in determining the consumer's ability to repay a non-qualified loan:

- A. The consumer's current or "reasonably expected" income, and assets not including the value of the land and home being mortgaged, and if income is from employment, the "status" of that employment. (Lenders are seeking further guidance now on what the quoted terms in this section really mean, since guessing at their meaning, and being wrong could be very expensive for the unlucky lender);
- B. The monthly payment on the loan the lender plans to make, and the monthly payment on any simultaneous loan the lender knows or has reason to know will be made, together with the consumer's anticipated monthly payment for "mortgage related obligations" including property taxes, property insurance premiums, condominium, cooperative or homeowners' association fees, ground rents and leasehold payments;
- C. The consumer's current debt obligations, alimony and child support payment obligations, and the consumer's credit history, score and report;
- D. Based on the above, the lender must analyze the consumer's debt to income ratio and

residual income after payment of all debts.

The information obtained by the debtor to satisfy the above items must be from "reasonably reliable third party records", which are defined to be documents prepared or reviewed by someone OTHER THAN the consumer, the creditor, the mortgage broker or any of their agents. Third party records also include copies of filed tax returns, creditors' records of the consumer's credit accounts, forms W-2, 1099, payroll or military earnings statements, financial institution records, government records and receipts from check cashing or funds transfer services.

Anecdotally, we have heard that these requirements have slowed the loan application process this year so far. It remains to be seen whether this slowdown in the process will remain a permanent result of the regulations, or is part of the learning curve for lenders in complying with the new regulations. For the time being, however, borrowers particularly on non-qualified consumer mortgage loans, should be prepared to wait longer for approval. The lender also needs the details of all property related expense to make a final decision on the loan, so the settlement company can't wait for loan approval before ordering tax information, and consumers have to get their property insurance in place before final loan approval.

If you are a real estate investor who plans to sell homes to owner occupant buyers, taking back seller financing on those homes, note that the above rules for ability to

repay apply to you, too. There are only two exemptions available under the rules to allow seller financing by someone who is not a licensed loan originator.

The first exemption is for an individual natural person, not an entity, the estate of an individual, or a regular trust, not a land trust or business trust. That exemption allows a qualified seller to sell only one property in a year to a consumer, with financing which does not include negative amortization, and has a fixed rate or five year adjustable rate. A balloon payment is not prohibited for these loans.

The second exemption allows an entity not a licensed loan originator to seller finance up to three properties per year, but the seller/lender must follow the specific bases for determining ATR, just like a lender, and the loan must be fully amortizing, with no balloon payments allowed. These rules apply equally to mortgage financing and to installment land contract financing to consumers, but again do not apply to loans to other investors on their non-owner occupied investment properties. Lease-options do not require ATR as long as they are really leases, with only an option for the consumer to buy the property with financing for the purchase presumably to be obtained from a lender under ATR requirements. Don't risk calling your seller financing a lease option to avoid the ATR requirements. If the CFPB determines it is really a finance plan and not an option, you will lose more than you can afford to in fines and penalties. ■

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- We form entities for businesses including corporations, non-profits, limited liability companies, limited partnerships and business trusts.
- We go to court for business and real estate related suits including collections, seller disclosures, evictions and foreclosures, partitions, mechanics' liens and contractor disputes.
- We provide estate planning including wills, powers of attorney, health care declarations and trusts, and probate estates when a loved one passes.
- We represent property owners in real estate tax appeals on either an hourly or a contingent fee basis.

Attorneys:

Bradley S. Dornish
Charles C. Bell
David M. Tkacik
Jack P. Bock
Richard A. Garzony
Amber Resetar

Of Counsel:

Kenneth E. Gray

DON'T GO TO COURT ALONE

Our lawyers have combined experience of over seventy years in litigation. We are not just civil litigators, though. We concentrate in real estate, business and construction litigation — handling the toughest evictions, collections, business and construction cases.

DON'T CLOSE ALONE

You are not required to have a lawyer handle your closing, but for real estate investors and others buying property in short sales, after foreclosure or from estates, it is a good a good idea. And with Dornish Settlement, you get the lawyers of Dornish Law Offices with no buyer settlement fee. So why wouldn't you use our experienced lawyers for your next closing?

SUPERIOR LEGAL AND CLOSING SERVICES

Our lawyers don't just practice business, real estate and construction law — they live it.

- Brad Dornish is a landlord and teaches real estate law to brokers and agents at the Realtors' Educational Institute, investors at ACRE and paralegals at Duquesne University.
- Chuck Bell has owned commercial real estate, has owned and operated a business and has served as a director and officer of non-profit and fraternal organizations.
- Jack Bock owns property in Pittsburgh's Shadyside neighborhood and has represented all sides in real estate transactions and litigation in State, Federal and Bankruptcy courts.
- Dave Tkacik is a Pennsylvania licensed real estate agent, landlord and property renovator.
- Rich Garzony is a Pennsylvania licensed real estate agent, landlord and property renovator.
- Ken Gray is a Professor of Real Estate Law at Duquesne University and an expert and author on real estate in Pennsylvania. His book "Mortgages in Pennsylvania" is now in its Third Edition.

Our firm holds the highest professional rating — the AV Peer Review rating by Martindale Hubbell and is listed in the Bar Register of Preeminent Lawyers.



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1207 Fifth Avenue
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THE DEAL FOR VENDORS

One reason we run ABC is to connect local investors with local vendors who can help in real estate investing. Of course, I'm not just an investor, but a real estate lawyer, owner of a settlement company and publisher of real estate how-to books. That makes me a vendor too.

We offer two different levels for vendors (Premier and Value). Both levels get an advertisement in our newsletter sized according to level. All vendors get to come to the meetings, be introduced at the beginning of the meeting and network with the investors who are there. All vendors also get our monthly newsletter to keep up on speaker and event schedules and articles of interest to investors.

Premier vendors, for \$300 per year, get a half-page ad in each bi-monthly newsletter and an opportunity to speak at a meeting as a Vendor Speaker, the right to put materials on tables during meetings as available, and a chance to sponsor coffee and snacks at meetings and workshops.

Value vendors get a business card ad in the newsletter, for \$125 per year. ■

To learn more about becoming a vendor or member of ACRE of Beaver County, contact Brad or Deb Dornish at 724-869-0129 or info@acrebeaver.com.

THE DEAL FOR MEMBERS

The ACRE of Beaver County yearly membership fee is \$120.00. All members receive a monthly e-newsletter, attendance at all Beaver meetings and up to two meetings per year at ACRE of Pittsburgh, plus member discounts to all programs of ACRE of Beaver and ACRE of Pittsburgh.

Members of ACRE are also members of the Pennsylvania Residential Owners' Association (PROA) and members of the National Real Estate Investors' Association, with both of which ACRE is affiliated. Both the state and national groups have even more benefits for our members. ■



ACRE of BEAVER COUNTY

27 Doniport Road
Baden, PA 15005

Phone: 724-869-0129
Fax: 724-242-0827
Email: info@acrebeaver.com

MEETING SCHEDULE:

Meetings will be held from 6:30-9:30 pm, on the 4th Tuesday of every month.

2014 Dates: Jan 28, Feb 25, March 25, April 22, May 27, June 24, July 22, Aug 26, Sept 23, Oct 28

6:30 PM.....Vendor Setup and Networking

7:00 PM.....Meeting Commences;
Introduction of Vendors

7:20 PM.....Teaching Segment

7:40 PM.....Vendor Speaker

7:55 PM.....Properties for Sale

8:05 PM.....Main Speaker

9:05 PM.....Q&A

9:30 PM.....Meeting Adjourns

Remember to bring your properties for sale and ideas
for future speakers!

Next Meeting:

**Tuesday, April 22, 2014
Harmony Ridge Golf Club
1280 Breitenstein Road
Ambridge, PA 15003**