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Legal Matters®

Real Estate
summer 2018

Be aware of housing protections for tenants with support animals

While everyone gets some level of comfort and companionship from their pets, some people get extra support that improves their mental well-being on a daily basis. Emotional support animals help people with life-limiting disabilities, including mental health issues, feel more comfortable functioning in the world.

If you have an emotional support animal, you are entitled to certain housing protections. Landlords and property managers are governed by the Fair Housing Act (FHA), a federal law that prevents discrimination against tenants and requires accommodations for all assistance animals, including those who provide emotional support.

Different designations, different rules

By definition, assistance animals are distinct from service animals. Service animals, such as seeing-eye dogs, diabetes assistance dogs, and certain PTSD dogs, are trained to do a specific task for their owners.

The use of service animals is covered under the Americans with Disabilities Act, which provides people with disabilities with equal access to public places. Service animals must be allowed in restaurants and shops because the owner needs the animal at all times.



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An assistance animal, however, does not need to be trained to serve a specific task. Any animal can be designated as an assistance animal, provided the owner has reliable documentation of a disability-related need.

Not technically a pet

Under the FHA, an individual with a disability may be entitled to keep

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Insurers push back on Fannie Mae policy change

Insurers are refusing to back certain mortgage applicants, despite Fannie Mae approval. The push-back comes less than a year after Fannie Mae eased its debt-to-income (DTI) requirements, allowing borrowers with DTI of up to 50 percent to obtain low down payment mortgages, assuming the borrowers fell within other risk benchmarks.

Fannie Mae's policy change was welcomed by housing advocates who said it would open the housing market up to credit-worthy people with high debt loads. The Urban Institute estimated that the shift could assist 95,000 new borrowers annually.

DTI is a significant factor in mortgage decisions. If your DTI is too high, you're considered at risk for missing mortgage payments. A Federal Reserve study found that failing the DTI test is the number one reason mortgage applicants get rejected.

At first, the rule change did appear to attract new borrowers. Before the shift, Fannie Mae's monthly issuances of loans with DTI ratios exceeding 45 percent were roughly 5 to 7 percent. But by February 2018 they

had reached around 20 percent of new purchase loans.

Private mortgage insurers, who play a key role in low down payment mortgages, began pushing back. Effective March 1, the Mortgage Guaranty Insurance Corporation (MGIC) announced that it would require a credit score of at least 700 to insure a loan with DTI exceeding 45 percent. Essent Guaranty and Genworth soon followed suit. Radian Guaranty, another key player, took a different tack, nixing high DTI loans with a down payment of less than 5 percent.

As a result of the push back, Fannie Mae acknowledged that multiple-risk applicants were getting through its automated underwriting systems. It announced plans to revise the tool with expectations of approving fewer high-DTI mortgages in the future.

Lenders and housing advocates say that tighter policies from insurers could limit purchasing opportunities, particularly among minorities. According to the Urban Institute, Latinos and African Americans tend to carry higher DTI scores than the general population.

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Escalation clauses: a bidding-war option

If you're vying for housing in a red hot real estate market, you may want to add a new tool to your arsenal: an escalation clause. An escalation clause is an addendum to your offer stipulating you will raise your offer to beat any competing buyers, up to a set price.

Escalation clauses are useful in competitive markets where homes get multiple offers. If you end up in a bidding war, the escalation clause automatically raises your bid, giving you the advantage over other buyers.

For example, you might offer \$400,000 on a home with an escalation clause stipulating that you will outbid other offers by \$2,000, up to \$426,000. If the seller receives offers of \$410,000 and \$418,000, you'll come out on top at a purchase price of \$420,000. The escalation clause allows you to put your best foot forward, financially, without feeling like you overpaid for the property.

Some sellers won't accept an escalation clause because they want every buyer to submit their best price from the beginning. In the above scenario, the

seller may leave money on the table, assuming the buyer who offered \$418,000 could have gone higher in negotiations.

Then again, an escalation clause strips away your bargaining power by revealing exactly how much you are willing to pay. Even if your bid comes out on top, the seller can reject your offer and counter at or above the maximum price in your escalation clause.

Buyers also need to keep in mind that price is not the only factor influencing seller decisions. Other terms, such as closing date, an all cash payment, or the size of the buyer's down payment may influence the seller. An escalation clause doesn't guarantee you'll win the deal, even if you're the highest bidder.

Before using an escalation clause, make sure your agent and the listing agent are comfortable with how it works. Because of the added complexity, and because rules vary by state, you should consult a real estate attorney who will draft the clause for you.

If you end up in a bidding war, the escalation clause automatically raises your bid, giving you the advantage over other buyers.

Be aware of housing protections for tenants with support animals

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an emotional support animal in housing facilities that do not allow pets or have restrictions that would normally exclude an animal of that particular breed or size.

Because service animals and assistance animals are not considered pets, the tenant cannot be charged a separate pet fee or deposit. However, the landlord can still seek compensation for any damages the animal causes in the home.

Avoiding suspicion

Under the FHA, anyone seeking accommodation for an assistance animal must provide reliable documentation of the disability and the need for an assistance animal. The challenge, however, is that a growing number of online services have cropped up, offering official-looking documentation based

on nothing more than a credit card transaction. These bad actors are creating problems for people who have a real need for assistance animals.

To that end, some states, such as Indiana and South Dakota, are passing laws indicating that landlords can request written proof from a doctor. Legal requirements may become clearer as more states and organizations issue rules regarding service animals. For now, you may face fewer challenges if you provide a letter from a local healthcare provider rather than an online registry.

If you provide such as letter and are still denied housing, you should contact a lawyer to advocate on your behalf. You may also file a complaint with your local housing authorities or at HUD.gov.



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Housing hunt: Should parents buy off-campus property?

A college town can be a good place to own rental property. Students are continually rotating through, and even faculty can be a transient group in need of temporary places to live. With dorm costs rising and space at a premium in certain college towns, some parents are investing in off-campus property as a way to manage costs and ensure their student has reliable housing.

Buying property can cost less than dorm living or renting, but the math varies by market. A 2017 study by Redfin calculated that monthly mortgage payments were less expensive than renting a dorm room at 47 of 195 public colleges studied.

Homeownership can be a great way to build wealth, and many college towns offer attractive investment opportunities. What's more, owning property ensures your student has an established, safe place to live from year to year. But before you invest, consider these factors:

Run the numbers. Investors who plan to sell in just four to five years may have a harder time recouping closing costs compared to buyers who are in it for the longer haul.

Check your school's housing rules. Many schools require students to live on campus for a year or more and some scholarship packages may come with an on-campus requirement.

Hire a property manager or maintenance person. Unless your student is comfortable with these

tasks, it's best to hire someone to handle them. Recognize that college kids can put a lot of wear on a place, and even if your child isn't a partier some damages occur simply due to youth and inexperience.

Work with a local lawyer. Hire an attorney to ensure your plans are in line with local zoning laws, such as renter limits or prohibitions against short-term rentals. Talk to an advisor about tools to manage liability and risk, including purchase structure, lease agreements, tenant screening and insurance.

Have frank conversations about the possible downsides. Your student may have to navigate some tricky interpersonal challenges as a landlord, roommate, and friend. Plus, leaky faucets, icy sidewalks and broken appliances can all create added stress and complications for a young person with homework due.

Document financial agreements. Decide who will reap the financial risks and rewards of property management. Is this an investment opportunity for you or your child? Who will keep any cash flow after expenses are paid? If you are planning to treat the property as a gift or loan, talk to a lawyer to avoid future legal issues and gift/estate tax implications.

Of course, it goes without saying that you'll need to take your child's personality and track record into account. Property management can be a great way for a young person to gain life experience, but parent-child relationships may be strained over the expectations and responsibilities that come with such an investment.

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LegalMatters | summer 2018

Cities shifting rules on short-term rentals

A number of cities have been passing new rules governing Airbnb, HomeAway, and other short-term rental hosts.

For example, Charleston, South Carolina allows property owners to rent out their primary residence, with restrictions. The new rules ban whole house rentals and limit guests to no more than four adults at one time. Hosts will have to register with the city to stay in compliance.

The city of Los Angeles, meanwhile, is considering similar legislation.

The latest draft caps the number of days someone can rent out their home at 120. But qualified hosts without nuisance complaints can pay a fee to exceed that cap.

Housing activists and neighborhood

groups say such bans and limits are necessary to alleviate housing shortages and ensure neighborhood stability. The argument is that some multi-property landlords operate as de facto hotels, taking much needed housing off the market. Hosts, on the other hand, say short-term rental fees help them pay mortgage and maintenance fees in costly real estate markets and point to the tourism dollars they bring to local businesses.

New Orleans, which legalized short-term rentals in 2017, has a 90-day cap for properties in residential areas, and recently limited multifamily properties to two short-term rentals each. Seattle passed similar regulations in late 2017. In Tennessee, Knoxville and Nashville have passed laws phasing out non-owner-occupied rentals, but state lawmakers are in discussions about overturning such local bans.

Local and state regulations governing vacation rentals are in flux all over the country. Before buying an investment property or marketing your property as a short-term rental, it's a good idea to consult with a real estate attorney to review any restrictions or pending hurdles in your community.

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