

REAL ESTATE

PASADENA VOICE

April 2019



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Krista Romer of KD Designs – Decorating Den Interiors can transform a newly purchased house into a home that is comfortable, functional and beautiful.

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Now is the time to protect your investment and turn your home into your village.

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On your own, deciding affordability can be a daunting process. A bank, mortgage broker or loan officer can help.

Selling Page 5

How is the market? Well, over the last year, 1,001 homes were sold in Pasadena alone!

When Does The HOA Belong To The Homeowners?

Brian R. Fellner

Fellner Legal
Services LLC



So you have done it. You purchased that dream home. It is brand-new, and you worked with the builder for months, agonizing over each critical detail. And it is yours! Now it is time to protect that investment and turn your home into your village. How do you do that?

Declarant Control

If your home is part of a new development, the seller is known as the “declarant.” Until 75 percent of the lots are sold to homebuyers, the declarant is still in charge of the HOA. They are responsible for holding



meetings, setting and enforcing rules, maintaining common areas, collecting assessments, and handling other typical HOA functions.

Transition Meeting

Sixty days after the required 75 percent of lots are sold, the declarant is required to hold a “transition meeting” to allow for the election of the new homeowner board. This meeting is essential to starting a commu-

nity on the right foot, yet time and again homebuyers are not properly schooled in what to know or ask for at that meeting. The owners are entitled to elect their own board and begin to govern themselves while the declarant steps away. This can also be an excellent time for the new board to put into place any document provisions using the declarant’s ability to amend the covenants.

Document and Record Turnover

The declarant is required to turn over to the new homeowner board all of the records of the association, including minutes, stormwater management, deeds to common areas, insurance documents, and owner rosters. All of this must take place within 30 days of the transition meeting. But

members of the homeowner board often do not know all of their rights, or the significance of the documents they are receiving, because the only advisers involved at this step are the ones brought in by the declarant.

Cancellation of Contracts

During this same 30-day period, the new homeowner board has the right to cancel, without penalty or liability, nearly all contracts entered into by the declarant, including property management, financial management, legal, and grounds maintenance. So this is the opportune time for the new owners to band together and decide upon the contractors that *they* want to use for the long term, rather than those who were hand-picked by the declarant.

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First Steps For Your Spring House Hunting!

Rick Hutchison

Arundel Federal Savings Bank



So, you have talked to your realtor and decided on the area you want to live and possibly the house design you prefer. Then, just like the television house-hunter shows, the inevitable question arises, “What is your budget?” or “How much home can you afford?” On your own, deciding affordability can be a daunting process. Your realtor may suggest that you call a bank, mortgage broker or loan officer whom you trust to get the numbers you need.

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When you find the home of your dreams, your realtor will submit the pre-qualification letter along with the contract you submit to a seller. If you want your offer to be taken seriously and to stand out from any competing bids, this little piece » **Continued on page 11**



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A Finger On The Pulse Of The Market

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Every day when I run into people, the No. 1 question I am posed is, "How is the market?" After reading this article, I hope to have answered that question for all our readers.

Over the last year, 1,001 homes were sold in Pasadena alone. That number is healthy and shows an increase in con-

sumer confidence. With rates still at all-time lows, this number is expected to rise. The one number that seems to be decreasing over the last three years is inventory. Currently, the inventory in Pasadena is hovering around 185 to 200 homes.

You may ask yourself, "What does that mean for the value of my home?" Low inventory and high demand coupled with low interest rates equals increased home values. In many cases, home values in certain communities have increased more than 10 percent. Overall,

home prices have increased in Anne Arundel County over 1 percent to an average sales price of \$398,953.

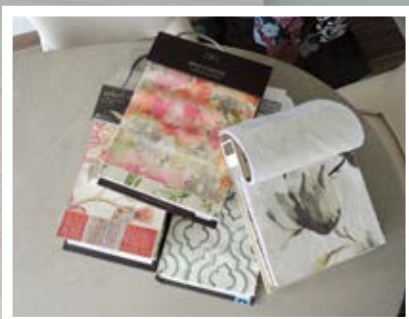
All of these stats lead to one conclusion: It's going to be a busy spring and summer for the housing market. However, if you are looking to sell, don't overlook the importance of curb appeal and updating your home. On average, updated homes sell twice as fast as their average condition counterparts.

The bright side for buyers is that with continued low interest rates, the home of their

dreams is not out of reach. However, since buying a home is in many cases the most expensive purchase of someone's life, please do not go at it alone. Find a local market expert who can explain local trends and help you make an educated decision.

For more information, contact Pasquale Carannante at 410-255-0000 or 301-807-3265. RE/MAX Experience is located at 3820-H Mountain Road in Pasadena and is online at www.mrpasadena.us.

Krista Romer Of KD Designs Makes Home



By Dylan Roche

Finding a new home – it starts with house hunting, getting a loan, closing the sale, then moving. But it doesn't end there. Now comes the challenge of turning that new property into a place that's comfortable and functional.

That can be a difficult process to navigate on your own, but not when you undertake it with the help of a professional interior designer like Krista Romer of KD Designs, who can provide the guidance and direction to make your space uniquely suited for you and your family.

"We believe that when your project is complete, your home should not look like a page from a

magazine," Romer tells her clients. "It should look like **YOU**. It must reflect the things you like and that are special to you, your personal decorating style, and the lifestyle of you and your family."

Romer has a background in sales and marketing and has long enjoyed a professional career in decorating and interior design, which has been her passion for as long as she can remember. Romer joined the Decorating Den Interiors franchise for its strong networking potential when she moved to Pasadena in June 2018. A trusted name since 1969, Decorating Den Interiors gives Romer direct access to 150 suppliers, allowing her to help clients with



es Comfortable, Functional And Beautiful

projects both large and small.

The whole process starts with about an hour-long complimentary consultation when Romer meets with the client to get the scope of the project. This includes a home tour to learn about the client's colors, style and taste; a review of any inspirational photos; a conversation about any likes, dislikes or must-keep pieces; and a budget that the client is comfortable with. "I like everyone to understand what's involved in the process," she said.

From there, Romer is able to begin working on a design. "I really hone in on what they're looking for and try to get it right the first time," she said.

For her second meeting with the client, she brings a 3-D rendering of the space when applicable, samples of any textiles or materials, and a design presentation with several possibilities so the customer can decide which design elements work for them in their space. "Not everyone will agree on what I might think is perfect," Romer explained. "I give them a few options to choose from. ... I try to get them to think outside the box to make it their own. It has to reflect their own individual style."

Having all the samples right there in the client's home provides a better sense of how they will look when the design job is completed because colors and textiles look different depending on the lighting. As Romer puts it, "I'm their retail store that comes right to them."

Romer has the knowledge and experience to guide clients in making their choices and understanding what those choices mean in the long term. For example, Sputnik lights are very trendy, and although a client might want them now, they have to consider whether it will be worth the investment to buy a fixture that could be outdated in only a few years.

Along the same lines, a client might be inclined toward an area rug made of viscose, but Romer will point out that though the viscose has a beautiful sheen and is ultra-soft, it's difficult to clean and not

for high-traffic areas or homes with children and dogs.

Once the client settles on a design, Romer manages the project from ordering the various design elements all the way to installation and everything in between - or as she likes to say, she "makes the magic happen."

"I like to keep the project fun and enjoyable for all parties involved," Romer explained. "I am transparent in how I work. I work based on mutual trust that I have your best interest at heart and I will shop for the absolute best deal I can get for you within our agreed-upon budget."

Many people might find themselves daunted by the thought of an interior designer and think working with one would be out of their budget, but Romer emphasizes that working with a decorator is not outrageously expensive; however, clients should be prepared to pay for high-quality material that KD Designs - Decorating Den Interiors can attest to and stand behind, rather than low-cost furniture or textiles that might be available through online retailers. More importantly, what the client is investing in, Romer said, is "vision, expertise, and being able to live in their home beautifully but functionally."

That means advice, service and the assurance that there will not be any surprises or wasted hours shopping for the wrong product or living with a decorating mistake. "If everyone understands what's involved when working with a professional, then they'll see the value in it," she said.

Those who are interested in learning more about Romer and her work can visit her online at www.kddesigns.decoratingden.com or reach out directly by calling 410-855-4446 or emailing kromer@kddesigns.net. Romer looks forward to connecting with new clients who need a little help turning their house into a home. "I really do live for it," she said. "I'm invested in my clients and I want it to be perfect for them. I want people to love their home." ■



Building Your Dream Home Or Planning A Major Renovation?

Tina Gobble

Loan Officer
North Arundel
Savings Bank



Whether you are building from the ground up or adding an addition, finding the right builder is important. Get referrals from satisfied friends or neighbors and make sure they are licensed contractors. Meet several candidates before you decide who would be the best fit.

If you are planning to build in the near future, it is never too early to start researching Anne Arundel County requirements. If the lot is in a water-privileged area, then early planning is even more important. Your experienced builder or a specialist in the field should be able to assist in this pro-

cess and give you the necessary guidance.

If you prefer to research on your own, the Anne Arundel County website (www.aacounty.org/eannearundel/index.cfm) has a wealth of information regarding the permit process, planning, zoning and other pertinent resources. Navigating the permit process in Anne Arundel County can be a challenge, so many find the assistance of a professional to be helpful.

There are two types of loans that can be utilized to complete the construction of your new home. With both loan types, you would typically make interest-only payments during construction.

A construction loan will finance only the construction of the home and is typically used by builders who will sell the property upon comple-

tion. This type of loan usually has a one-year term, and once the construction is complete, the property would need to be sold or refinanced to obtain permanent financing.

A construction/permanent loan can offer the convenience of one settlement, which reduces settlement costs. Homeowners can expect to pay interest only on the funds as drawn during construction, and when construction is complete, the loan will convert to the permanent financing phase and the interest rate does not change.

During the loan process, your bank will require that an appraisal be done to determine the fair market value of the home after construction is complete. The appraiser will need to be provided with building plans, a spec sheet, and a cost breakdown to complete

the appraisal. These items will present the layout and design for the home, the exact materials to be used, and an analysis of the total expenses to be incurred.

Whether you are a builder with a lot or two to develop or a lot owner who now wants to build a dream home, there is a program for you. Residential investors can also benefit from these loans to renovate existing properties, whether you want to resell within a year or rent out the property long-term.

North Arundel Savings Bank is located at 125 Mountain Road in Pasadena. For more information, contact the bank at 410-255-6700 or tgobble@northarundelsavingsbank.com. The website can be accessed at www.northarundelsavingsbank.com. ■



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Real Estate Investments: Tips To Start Flipping Houses

By Kristen Castillo

House flipping — buying a house, improving it and then selling it for a profit within a short period of time — was popular a decade ago, peaking in 2005. That's when TV shows were dedicated to the topic and it seemed as if everyone was doing it.

It got quiet for a bit, but now the real estate investment is trendy again. According to a report from property database ATTOM Data Solutions, flipping hit a 10-year high in 2016, with just over 193,000 condo and single-family homes flipped — a 3.1 percent increase from the year before.

Flipped homes that year sold for a median price of \$189,900, with a gross flipping profit of \$62,624 above the median purchase price of \$127,276. The gross flip-

ping return on investment was 49.2 percent.

The Right Time?

Flipping may be making a resurgence, but some investors say it's always a good time to flip a house.

"The market doesn't dictate the profit or the success of a flip," said Jake Harris, managing partner of Harris Bay, a real estate investment company. "Everything is predicated on the purchase price. If you can buy a property at an under market price, you will be able to sell it for a profit most of the time."

Harris cautioned would-be flippers to think about the high transactional costs of approximately 10 percent.

He explained that selling stock has small commissions and fees and takes minutes while real estate has high commissions and fees and can take one to four

months to complete. Also, investors will lose money holding onto a property too long.

Harris' money breakdown: Buy a property for 75 to 80 percent of market value; spend about 8 percent on market value remodel; sell the property with 10 percent transactional fees; make a profit and pay taxes.

So a home purchased for \$150,000, remodeled for \$16,000 and sold for \$200,000 will have \$20,000 transactional cost. The profit? \$14,000.

Not So Easy

Flipping a house may seem easy, but think again.

"With all of the 'Flip This House' shows on TV, many people see the quick profits and assume they can do it, too," said home inspector Michael Marlow of Veteran Home Inspections. "As a home inspector, I see the flops that result."

He advises prospective flippers to take on a project only if they know what they're doing. "So many of the flips are unpermitted work and it shows," said Marlow, who has done a few successful flips of his own.

The home inspector suggests avoiding guru-type seminars on flipping homes and instead doing basic research on the internet, on sites like BiggerPockets and FlipNerd.

Getting Started

Once an investor does the basic research, it's time to find properties that are below market value. Realize that many listings have already been reviewed and passed over by experienced investors.

"The key to flipping is buying homes at the right price," said Ernie Rafailides of Bayview Management. He suggests hiring

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Finding the right agent is as important as finding the right property or the right buyer. If you're looking to work with someone who understands your values and prioritizes your needs, give me a call today – I look forward to meeting you!



Nicole Bouler - Realtor®
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When Does The HOA Belong To The Homeowners?

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What Next?

Now the truly challenging portion begins — the homeowners take over governance for themselves. Some early issues to keep in mind and address:

- Get an audit; make sure that all money was properly accounted for and turned over to the HOA. An auditor may determine that the declarant owes the association some additional funds.
- Commission a transition study. This report will tell the new association what issues the property currently has, including warranty and defect claims to bring against the declarant. There are strict statutes of limitations on these claims, so the new board should not delay.
- Commission a reserve study.

This report tells the new board members what issues they should look for as the property ages. How much will it cost to replace the sign at the front of the neighborhood, or the pool lining, and when should the community expect that expense?

- Hire a property manager. Until now, the declarant (and probably its property manager) have been handling the business of the association. Now the board will need to choose the manager it wants to work with.
- Hire a lawyer. Note that the association will probably already have an attorney — one selected by the declarant to tell them how to keep costs down and avoid lawsuits. New legal counsel can advise the board what rights it has against the declarant, including recovery of funds and

warranty claims.

- Review your documents and set clear policies where necessary. If the covenants allow the board to create architectural guidelines or leasing rules, adopt them now so that owners and buyers can be notified in advance of the rules governing the community.

The Takeaway

Remember when you purchase in a new community that the declarant wants to sell you a great product, but it is up to you to preserve it and make it your home.

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First Steps For Your Spring House Hunting!

» **Continued from page 3**
of paperwork can really give you the edge! The pre-qualification letter is an important document for the seller. It allows the seller a certain amount of confidence in you as the prospective buyer and assures them you can afford the sales price you are offering and not back out of a contract at the last minute.

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Real Estate Investments: Tips To Start Flipping Houses

» **Continued from page 9**
a real estate agent to help you understand the market and learn what buyers want.

Always get permits and insurance. Make sure contractors you hire are licensed and insured as well.

“Consider setting up a separate corporation or limited liability for this adventure – even though you may be personally guaranteeing loans, separate entities limit your liability and may protect you from other issues not involving a lender,” said Rafailides.

Have a backup plan for the property, such as renting it if it won't sell and knowing how much rent to charge.

Work, Work, Work

Flipping is not for the shy, inexperienced or cash-strapped.

The projects are intensive and require significant amounts of time and commitment.

Networking in the industry is important, which is why Norris recommends joining local real estate investment clubs. Investors will learn about raising money, buying strategies, self-directed IRAs and other topics.

“You'll rub elbows with realtors, other investors, contractors and lots of people in surrounding service sectors,” he said.

Still, flipping isn't necessarily a long-term opportunity.

“While flipping may initially boost your cash flow, the main problem is over the long haul, you will be always chasing cash and deals to make money and avoid taxes,” said Rafailides.

Start small, with one property, and see how it goes. ■

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