

## Open House: Homeowners opt to swap homes instead of selling in slow market

by *Jim\_Woodard*

The currently tight home selling market is resulting in an interesting trend: swapping homes instead of selling one home and buying another.

Many homeowners become frustrated with long and futile efforts to sell their home in today's sluggish market. They look for alternative ways to find a buyer and culminate a sale. Increasingly, they turn to swapping their home - a practice that is ages old, but seldom used until it was recently found to be a viable marketing technique in a tough selling atmosphere.

The concept of swapping homes during brief vacation periods has been popular for many years. Several Web sites are dedicated to helping vacationers match suitable homes that can be exchanged for a couple of weeks or a month. In some cases, these homes are on opposite sides of the globe.

The new trend relates to permanently exchanging residential properties. The trend has emerged significantly in the past year. The transaction can be handled by the participating owners, usually with the help of attorneys, or Realtors may turn to a swap as a marketing technique for their listed property. This could potentially generate two commissions for the broker.

Web sites are now popping up to expedite permanent exchanges of homes.

Don't confuse this type of swapping with the Section 1031 exchange of investment property. The 1031 is a great tax-saving opportunity for owners of investment property, but it's not for a family's principle residence. It's only for "properties held for productive use or investment," according to the U.S. Code.

Finding a good match for a swap can be very local and informal. An empty-nester family member may be discussing with a friend his or her need to move into a smaller home requiring less maintenance and upkeep costs. The friend, with a growing family, discusses his or her want for a larger home with more bedrooms and baths. Suddenly a light goes on for both of them, and a swap transaction is launched.

Such a practice is particularly appealing to owners who are nervous about selling their home before finding a new one. In these cases, when the transaction is closed, they simply move from their old to their new home.

There can be problems to solve. The two properties are seldom ideal for both parties. But often a bit of remodeling will customize it to fit the new resident's needs and tastes. Also, it would probably be a bad idea to

swap into a home whose value has lowered to a point below the balance of its mortgage. The condition of the home should be carefully checked, possibly using a home inspector.

## RADIO-TV REAL ESTATE PROGRAMS

Several readers have asked about the value of the increasing number of "informational" radio and TV programs that focus on real estate and mortgage opportunities.

Most of those programs are "infomercial" (information-commercial) presentations. In effect, they are commercial programs, paid by the presenter, just like any other broadcast commercial. They are formatted to simulate educational presentations, but are actually promotions to market the sponsor's offered properties or mortgages and motivate prospective customers.

Radio is a particularly appealing media for these sponsors, as the cost is considerably less than TV. There is often some useful information provided on the programs, but the primary objective of the sponsor is to sell real estate and/or mortgages.

One area where the audience should be cautious is when the program promotes the sale of investment properties in faraway markets. It's usually a big mistake to purchase a home or other property sight-unseen in an unfamiliar market. But some people are so carried away by the glowing description of the opportunity, they can't resist biting on the bait.

Q: Are mortgage companies doing anything significant to help troubled borrowers?

A: Mortgage companies continue to implement programs aimed at helping troubled homeowners avoid the foreclosure of their residence. A recent action is named "Project Lifeline."

This is a plan that allows overdue homeowners to suspend foreclosures for 30 days while lenders and borrowers try to work out more affordable mortgage terms. The plan involves several major mortgage lenders - Bank of America, Citigroup, Countrywide Financial, JP Morgan Chase & Co. and Washington Mutual.

The plan is designed to help delinquent homeowners whose mortgages are 90 days or more past due.

Q: How do real estate organizations feel about the federal government's actions to ease the current housing problems?

A: Major real estate organizations are expressing their frustration with the federal government for their lack of sufficient action to ease problems in the housing industry.

Brian Catalde, president of the National Association of Home Builders, issued the following statement regarding disbursement of PAC money to federal congressional candidates:

"The National Association of Home Builders' Political Action Committee, BUILD-PAC, and its 150-member Board of Trustees representing all 50 states, agreed to cease all approvals and disbursements of BUILD-PAC contributions to federal congressional candidates and their PACs until further notice.

"This extraordinary action was taken because the Board of Trustees felt that over the past six months Congress and the administration have not adequately addressed the underlying economic issues that would help to stabilize the housing sector and keep the economy moving forward.

"Housing and related industries account for more than 16 percent of the Gross Domestic Product. More needs to be done to jump-start housing and ensure the economy does not fall into a recession. This action will remain in effect until further notice."

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