Fall 2008

DVRC Delaware Valley Relocation Council

DVRCONLINE.COM

Message from the DVRC President

Welcome to the season of autumn, and the final DVRC Newsletter of 2008!

As we gather together for our Fall Conference, we are facing challenging times. We as an industry have historically rallied together during the tough times, and this certainly is no exception. So what I'd like to do is depart from my regular message, and share a series of thoughts and quotes. I hope you find them meaningful.

On coming together…

"Union of the weakest develops strength not wisdom. Can all men, together, avenge one of the leaves that have fallen in autumn? But the wise man avenges by building his city in snow."

~ Wallace Stevens, American poet whose work explores the interaction of reality and what man can make of reality in his mind

On the season of autumn…

"The season for enjoying the fullness of life -- partaking of the harvest, sharing the harvest with others, and reinvesting and saving portions of the harvest for yet another season of growth."

~ Denis Waitley, one of America's most respected authors, keynote lecturers and productivity consultants on high performance human achievement

On hope…

"Autumn is the eternal corrective. It is ripeness and color and a time of maturity; but it is also breadth, and depth, and distance. What man can stand with autumn on a hilltop and fail to see the span of his world and the meaning of the rolling hills that reach to the far horizon?

~ Hal Borland, American author – outdoor writer

On attitude…

"If you think achieving great heights of success will be easy, you either don't understand at all how the process works or you have your sights set too low. Reaching the top of any field is difficult, time-consuming, and often tedious. The reason it isn't crowded at the top is that most people won't do the things that are necessary to achieve success. They are all too willing to give up when the going gets tough. If you need inspiration to persevere, read the biographies of men and women who have achieved greatness in their lives. You will find that they prevailed because they refused to quit. They continued to toil alone long after the masses had given up and gone home."

~ Anonymous

As always, we encourage and welcome your participation in DVRC at every level. Please feel free to let us know how we are doing, too. This is your organization and we are committed to achieving even greater heights together.

Warm regards,

Regina Coia, CRP
Coldwell Banker Preferred
President, Delaware Valley Relocation Council

Staying the Course

Submitted by Jason Landrum—Wells Fargo

The dramatic and very turbulent changes taking place in our industry and economy these days are historic in scope and proportion, simply without precedent in our lifetimes. U.S. Treasury Secretary Henry Paulson said in a recent speech that the failure of Fannie Mae or Freddie Mac would cause great turmoil in our financial markets here at home and around the globe.

"The turmoil would directly and negatively impact household wealth: from family budgets, to home values, to savings for college and retirement," he said.

According to Paulson, putting Fannie and Freddie into conservatorship by the government would achieve three objectives:

* provide stability to the financial mar kets;
* support the availability of mortgage finance; and
* protect taxpayers by minimizing the near-time cost and setting policymakers on a course to resolve the risk in the current government-sponsored entity structure.

The current glut of housing inventory may experience relief as opportunities for first-time homebuyers begin to shift. Historically, first-time buyers have spurred housing activity, creating a domino effect that begins with new homeowners and extends to those eager to upgrade their homes.

Eager to move their current inventory of homes, some builders are offering incentives such as finishing basements or providing upgrades. And, people trying to sell their current homes are also providing inventive ways to make a sale – such as updating or replacing appliances, carpet or making exterior improvements.

Since foreclosures and short sale properties now account for roughly one-third of recent transactions, according to the national Bureau of Economic Research, there are good deals in many communities across the country.

It may very well be a great time for qualified first-time homebuyers to finance a home. Rates remain relatively low, inventory levels are high, and sellers are seeking unique ways to provide incentives to buyers.

New legislative relief also has ignited the first-time homebuyers market. Between now and the middle of 2009, about 2.5 million first-time homebuyers are expected to take advantage of the $7,500 tax credit recently passed through the *Housing and Economic Recovery Act of 2008*. Homes purchased on or after April 9, 2008 and before July 1, 2009 may be eligible.

Finally, interest rates remain relatively low, below 7 percent, peaking in July and then gradually decreasing. In comparison, for example, in October 2000, the average 30-year fixed interest rate was 7.93 percent, according to HSN Associated Financial Publishers Fixed Rate Mortgage Indicator. In 1990, the average 30-year fixed rate was 10.17 percent. Mortgage rates have been improving significantly with Fannie Mae and Freddie Mac being placed in conservatorship.

Foreclosures and Short Sales – What kind of solutions are these?

By Anne Cowburn – Countrywide Bank

Foreclosures and short sales are proliferating as income curtailment, declining housing values and payment stress affect homeowners. When a homeowner "defaults" or fails to pay at least two mortgage payments, the lender may file a foreclosure action to evict the homeowner from the home and sell the home to satisfy the debt. The federal government and most major lenders have vastly increased resources to help homeowners avoid foreclosure action. The Foreclosure Prevention Act, passed as a part of the Housing and Economic Recovery Act on July 30, 2008, provides for expansion of FHA mortgage solutions, pre-foreclosure counseling and delayed foreclosure action for soldiers returning from service. In order to avoid a foreclosure, it is critical that homeowners contact their lenders immediately when they feel they are unable to make their scheduled mortgage payments.

Short sales occur when lenders agree to accept less than the remaining mortgage balance when a property is sold. When a "distressed" homeowner secures a bona fide offer for his property but at a price that will not result in sufficient proceeds to pay off the mortgage on the property, he may contact his lender to request a "short sale." The lender will complete a process that resembles the underwriting of a mortgage, requiring an explanation of hardship plus a thorough review of the contract, an independent appraisal, and the homeowner's income and assets which could be applied to make up this short sale deficit. If the *investor, not the mortgage company,* agrees that the short sale is an advantageous solution, then the offer will be approved with the investor stipulating the amount that will be accepted as a pay-off.

Both short sales and foreclosures have a negative effect on the homeowner's credit score, though the foreclosure is much more serious. In all cases, it is important that homeowners *contact the lender immediately* when they realize there is a likelihood of default so that solutions can be crafted. Deliberately defaulting on mortgage loans may be a fraudulent action, and legislation and underwriting guidelines are constantly being revised to punish and prohibit this.

Pricing Strategy in a Challenging Market

By Sue DeLuca-Coldwell Banker Preferred

It has, and perhaps always will be, difficult for a homeowner to comprehend the true definition of market value, especially when home values are declining in comparison to market value in prior months, or years. I have often used the analogy of the price one would pay in a restaurant for lobster in summer versus during the winter months. It boils down to the basic concept of supply and demand, and what one would be willing to pay for that lobster, or in our industry, that property. This analogy by itself in previous markets, used to be sufficient to encourage and get a homeowner's buy-in to price his or her home strategically to secure a buyer in a minimal time frame.

That is not necessarily the case in today's challenging real estate market. Yes, there are some things that never change. Location and condition, outside of appropriate pricing, will always assist in securing a quick sale and obtain top dollar in any market. But the times are calling for a more detailed analysis to help home sellers understand the true leading indicators of market value.

Given the high inventory of homes, not only here in the Delaware Valley but in every market across the country, it is critical to take a close look at the absorption rate for every transferee's home. What exactly does "absorption" mean? It is an analysis of active, under contract, and sold properties within a similar area of the subject property for a defined amount of time. The amount of time should be based on the current market trends. The absorption rate will provide the facts on how many similar types of properties within the area are active currently and how long it will take to absorb that amount of inventory.

Many third party companies and corporate relocation professionals are now requiring that real estate agents include the absorption rate when completing a Broker Market Analysis, as they should. The absorption rate is an indicator based on prior actions and current activity which can assist in achieving a home sale, even in markets with heavy inventory. It is prudent to counsel transferees, at every level, to not only take the absorption into consideration when pricing their home initially, but to look at it each month thereafter. This provides the supporting data for appropriately adjusting the list price, if warranted, to secure a quicker sale.

A question raised by Jonathan Cohen in May's issue of *Mobility* magazine should be considered by every transferee or home seller. "Do I want to list my home according to the market so it has the best possible chance of selling in the early stages of absorption, or do I want to list my home so that I net more regarding sales price, but ultimately pay more in the long run because of carrying costs such as mortgage interest, property taxes, utilities, homeowners insurance, maintenance, and the like?"

I have been asked in every type of market, is this a good time to buy or sell? While my answer may be biased, given my profession, it is always the same. If you educate yourself on today's market conditions and proceed accordingly, it is always a good time!

PA Transfer Tax Update

By John F. McGowan-Larrabee, Cunningham & McGowan, PC

The Pennsylvania Department of Revenue is now scrutinizing and taxing most single-deed relocation transactions as two transfers for the purpose of the Pennsylvania Realty Transfer Tax. While enforcement is very fact specific, it is recommended that two taxes be collected and paid on single deed transfers. The Department has always been clear that it considers two taxes to be due when two deeds are used.

Contrary to some information that has been circulated in the title industry, Pennsylvania has not mandated a two-deed process. Rather, the Department's position is that, under most relocation fact patterns, two transfer taxes are due even if only one deed is used.

The Department's rationale for the new tax treatment has not been completely consistent. In some instances, imposition of the tax has been based loosely on new regulations (effective December 2007) which make assignments of contracts taxable. In other instances, taxation has been based on the existing law, with the rationale being that relocation transactions are simply two "transfers" of real estate for the purpose of the transfer tax.

The method for paying two taxes on a single-deed transaction is to file two Statement of Value forms. The first would presumably be based on the value from the Equity Contract between the Employee and the Relocation Company. The second would recite the consideration paid by the buyer at the ultimate closing.

It is worth noting that Philadelphia has its own, distinct Realty Transfer Tax act which imposes tax at a rate of 3%. Philadelphia has not adopted the Department of Revenue's 2007 Regulations and city officials have indicated that they do not intend to double tax single-deed transfers. So, on a single deed relocation transaction in Philadelphia, you pay two taxes to the state and only one to the city.

Also, Chester County is now charging an Administrative Processing Fee of $51.50 for processing the two taxes on single-deed relocation transactions.

Lastly, many attorneys and other industry observers believe that Pennsylvania's new regulations will be stricken down once an appeal makes its way through the courts. What, if anything, this will mean for relocation transfers remains an open question.

A Globally Mobile Workforce—HR's Role

By: Adele M. Yeargan, CRP, GMS, GPHR—Hewitt Associates, LLC
Excerpt from the paper published in the WorldatWork Journal; 3Q, 2008.

With the ever growing number of employees stationed around the world, the design and administration of benefits and compensation programs for international assignees has become more complex. As HR professionals we need to focus on applying a global perspective to talent and on how this new viewpoint changes the way we need to manage and use global mobility as a tool when creating workforce strategy plans. By proactively employing a global mobility strategy, HR professionals can ensure their global mobility programs play a vital role in the organization's overall workforce strategy.

The term *global mobility* refers to the purposeful cross-border deployment of employees to accomplish one or all of the following goals: execute a specific business objective, develop an individual's global leadership skills, and/or instill a corporation's global mission initiative. *Global mobility*, so defined, elevates its role from a tactical event to a strategic practice and separates it from the administrative and limited terms of *relocation* and *international assignment management*. HR has traditionally created policy and managed expatriates on temporary international assignments. Yet this newly emerged definition of mobility now encompasses short-term assignees, regional commuters, rotational assignments, and one-way permanent international moves. The author's experience also proves that companies often include extended business trips in their definition of mobility as well, due to tax and work permit compliance concerns, and domestic, intra-country moves, due to their unique workforce challenges within emerging-market countries.

HR's Role in Global Mobility Must Move from Tactical to Strategic

It is essential for HR (both local and global) to view itself as part of the global workforce solution. The previous best practice policies no longer adequately respond to an organization's needs. HR needs to adapt—fast.

The changing business climate requires an agile and deliberate HR attitude, as well as the infrastructure and planning that can be both strategic and tactical to support mobility in all of its new guises. It is the author's experience that a dynamic workforce demands the use of various types of assignments, cross-border relocations, and multifaceted international hiring practices (such as local foreign hires, virtual teams, and permanent moves).

HR cannot only approach mobility as strategic, however. The tactical elements and complexities of global mobility remain and require solid HR policy and procedure to manage effectively. There are many aspects of compensation, tax treatments and reporting, work permit compliance, and benefits (ranging from pensions to medical coverage) to consider. And, corporate liability for tax withholding—even for business travelers—is getting more stringent as governments are seeking to maximize tax revenue and ensure a tighter control over international labor and work-permit availability. It is not unusual to see Bill Gates, Microsoft Chairman, lobbying the United States government to ease visa quotas so companies can have freer access to talent from whatever country can produce it. These country-imposed limitations lend to the growth of off-shoring, as companies shift to capture labor advantages.

How Mobility Can Contribute to a Global Workforce Strategy

With vision and practical planning, mobility can be an organization's newfound strategic device. A global mobility strategy is not without its challenges in effective application and execution, but with a well-thought out policy and strategic workforce objectives, companies can enhance many aspects of their workforce acquisition, placement, and management with an effective global mobility strategy.

To understand global mobility's reach and consequent impact on a company's global workforce strategy, the HR profession must consider it within the framework of each of these critical areas of HR management:

* Talent Management and Development
* Compensation
* Performance and Return on Investment
* Learning
* Compliance and Risk Management

~

"The previous best practice policies no longer adequately respond to an organization's needs.

HR needs to adapt—fast."

Corporate Survey

WHAT CHANGES are companies making to their policies in this market?

Added a requirement to homesale program that employees list their homes within a certain percentage of the buyout offer (or BMA or appraisal) in order to qualify for homesale assistance	38%
Increased use of appraisals in homesale program	21%
Added a requirement to homesale program that employees use selected real estate agents to market their homes in order to qualify for homesale assistance	18%
Added or enhanced a homesale bonus/incentive for employees who find buyers for their homes	18%
Added or enhanced duplicate housing assistance for employees who purchase a home in the new location prior to selling the one in the old location	15%
Added or enhanced a homesale incentive for buyers	15%
Modified policy to provide loss-on-sale assistance to more employees	15%
Added preference or requirement that appraisers conducting relocation appraisals have certain qualifications (e.g., selected designations, specific training, minimum number of years of experience conducting relocation appraisals)	12%
Added loss-on-sale assistance	9%
Added or enhanced COLA	9%
Added or enhanced mortgage subsidy	9%
Other changes include: Tiered programs (2); Expanded lender pool; Extended Temp housing; Added home inspections; Introduced mandatory marketing; Allowing more exceptions; Added resettlement allowance; Increased lump sums based on level of employee; Capped homesale bonus	29%

Worldwide ERC Corporate Benchmarking Survey, Fall 2007 (47 respondents)

2008 Charity Event

Wings For Success *The Finishing Touch*

DRVC's Fall Charity is "WINGS FOR SUCCESS", an organization whose mission is to improve the employment opportunities of disadvantaged women by providing work- appropriate attire, wardrobe guidance, and life skills workshops.

For more information and a complete list of donation items, please visit: www.wingsforsucess.org

Upcoming Event

A DVRC sponsored Corporate Roundatable will be scheduled for March 2009.

Please check DVRConline.com for updates on the exact date and time.

Lynn M. Bragg Named New CEO of Worldwide ERC®

Dear Delaware Valley Relocation Council Members:

I'm delighted to have the chance to say hello so early in my association with Worldwide ERC!

My work experience has focused more strongly on commodities than communities, so I'm pleased to be entering a "people-centric" industry at a time when the future of our businesses is so clearly connected to the caliber of the employees that we can help attract and move. I've been so impressed by the blend of personal and professional relationships enjoyed by Worldwide ERC members, by the easy exchange of information that occurs in the industry, and by the gracious reception I am experiencing.

I hope, over the next few months, to have the opportunity to meet many of you in person, and I hope you'll feel comfortable calling on me to share your concerns and successes (or just to say hello!).

Best regards,
Lynn M. Bragg

Mission Statement

DVRC is an organization of relocation professionals from corporations and service providers throughout the tri-state area of Delaware, New Jersey and Pennsylvania. DVRC is dedicated to "sharing ideas and creating solutions" through networking that will promote equitable relocation policies and enhance professional relationships.

Our mission is to provide the resources of a premier forum for relocation professionals in the Greater Delaware Valley, to ensure members' success and keep them at the forefront of the relocation industry.

2008 DVRC Board of Directors

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