



Consumer Watch

A Monthly Newsletter from the Connecticut Department of Consumer Protection

William M. Rubenstein, Commissioner

Dannel P. Malloy, Governor

www.ct.gov/dcp

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Homework for Home Buyers

Is now the right time to buy a first or second home? Prices and interest rates are relatively low, and the economy is showing signs of improvement. A recent housing report from RE/MAX of New England shows double-digit growth in home sales in March over last year among all New England states, while prices remained stable. The report says home sales rose over the same time last year by 15.4% in Connecticut, 14.3% in Massachusetts, 12.3% in New Hampshire and 12.1% in Maine. Rhode Island and Vermont saw 25% increases.

Most experts agree that if you find a home that meets your needs at an affordable price, there is no reason to wait, as long as you first complete your "homework." Here are key assignments for every home buyer:

1. Check your credit report and get your finances in order. Before you apply for a mortgage, get a free copy of your credit report at www.annualcreditreport.com. The federal government ensures that you can get one free copy of your report from each of the three credit reporting bureaus each year. Check your report and fix mistakes before meeting with lenders, so that you appear in the most favorable light. You can work to improve your credit score by:

- making payments on time
- paying off accounts with small balances – but not closing them
- paying down accounts with higher balances
- not taking out more loans or using new lines of credit

2. Obtain mortgage pre-approval. If you get pre-approved before beginning your search, you'll be ready to make a firm offer when you find the right home. Your lender will tell you how much you can afford, what the monthly payment will be, and what your anticipated closing costs will be. Speak with several lenders before choosing one, and compare their costs and fees.

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From Commissioner Rubenstein



Commissioner Rubenstein was appointed by Governor Malloy and approved by the Legislature during the 2011 Connecticut General Assembly session.

In the next week or so, the 2012 session of the General Assembly will come to a close. This has been a very interesting session to watch, with major legislation proposed in the areas of Sunday liquor sales, medical marijuana, and gasoline taxes, among others. I'm energized by the myriad views expressed on all of these issues, for they all provide insight on how to better protect and serve you, the consumer. On page 4, we offer a short summary of Public Act 12-4, AN ACT CONCERNING A CAP ON THE PETROLEUM PRODUCTS GROSS EARNINGS TAX AND PENALTIES FOR ABNORMAL PRICE INCREASES IN CERTAIN PETROLEUM PRODUCTS.

Meanwhile, our Gaming Division is assimilating into its new headquarters in Hartford, and a slightly improved financial outlook seems to be generating an uptick in real estate activity -- always good news. Our stories on real estate include an informational piece on short sales, which are seeing strong growth in New England these days. Hope you find it helpful.

William M. Rubenstein

Homework, *continued from page 1*

3. **Create a budget for the home purchase including required "extras."** Consider not only the purchase price, but up-front and ongoing expenses such as repairs, furnishings, real estate taxes and maintenance as well. A budget will help you be realistic.
4. **Learn more about real estate** by researching internet sites, attending a local home ownership workshop, and talking with several real estate agents.
5. **Consider hiring a licensed "Buyer's agent."** A real estate agent who signs a contract with you as your Buyer's agent will search listings for you, make appointments, conduct research, and walk you through the entire process of buying a home. Buyer's agents also have current real estate listings and sales data to help you avoid overspending.
6. **Make a detailed shopping list of "needs" and "wants."** Searching for a home involves asking yourself a lot of questions, such as how far will you commute, how many rooms are necessary, how would you prefer to heat your home, and whether you have the time, budget and interest to make cosmetic changes or repairs. Referring often to your list will help you to stay organized and focused.
7. **Get an inspection report from a licensed home inspector.** Once you've chosen a house and signed a contract with the seller, hire a professional home inspector to check the condition of the property before you buy. Require the inspector to give you a written, detailed report highlighting any defects. If expensive defects are found, you may be able to negotiate repairs or a price reduction with the seller, or even terminate the contract. A home inspection gives you the most accurate, objective information on the home's condition.
8. **Before closing, do a final walk-through.** The walk-through just before the closing gives you one last look at the property you're buying to be sure it's in the condition you want and expect. If there are any problems, it's better to know about them before you close rather than after, so that you have the opportunity to address these issues as part of the sale.

How to Choose -- and Use -- a Buyer's Agent

A Buyer's agent represents the interests of the buyer – and only the buyer – in a real estate transaction

Choosing a Buyer's Agent:

- Don't pick the first name that pops up in the phone book! Ask for recommendations from people who have just bought or sold a home in your desired area. Visit local real estate offices and ask the manager to recommend an agent who specializes in the type of property and the community you are interested in.
- Interview several prospects. Choose an agent who offers you the services you need, and with whom you feel comfortable. In general, more experienced agents will have knowledge and tools to help you find and buy the house that's right for you. You'll find it helpful if your agent's office is easily accessible, open 5 to 7 days a week, and participates in multiple listing service.
- Discuss and be clear about what is expected of you and what is expected of the agent as you begin the joint process of finding and buying a home. Get everything in writing!

Your Buyer's Agent:

- Arranges property showings that meet your needs and requirements, provides you with information on request about the property, taxes, utilities and zoning, and discloses any material facts that he or she knows about.
- When you're ready to make an offer, the agent should prepare a competitive market analysis of the property for you and counsel you on your offer.
- The agent also prepares the written offer at your direction, enters into negotiations on your behalf for the best price and terms, and keeps all of your financial information confidential.
- The agent will help you with the loan application process and orchestrate the work of various participants so that the closing can happen on schedule. The agent should attend the final walk-through and closing with you.

What You Should Know About Short Sales

Data shows that “short sales” are gaining popularity with lenders as an alternative to messy, protracted foreclosures. [RealtyTrac](#) recently reported that short sales surpassed foreclosures for the first time this year.

Nationally, nearly 24% of home purchases in January were short sales, compared to 19.7 % that were foreclosed homes. On average, short sales were 33% higher in January 2012 over January 2011. In Connecticut, that one-year increase was 65%, with a 52% increase in Massachusetts, 95% in New Hampshire and 102% in Rhode Island.

Buyers pursue short sales in order to get a good deal. After all, in a short sale, the seller's lender accepts a discounted mortgage payoff to release an existing mortgage. The seller receives no money from the sale, because the lender is actually losing money.

A lender may consider a short sale if the seller is unable to keep up with payments, or is current, but the property value has fallen greatly.

As a buyer, getting involved in a short sale can be complex and time consuming; very few can close in 30 days or less. Many home buyers wait four to six months to close on a short sale, sometimes longer.

If you see a home listed at a price that seems too low for the neighborhood, ask your buyer's agent to call the listing agent to find out if the home is a short sale. If it is, you can decide whether or not to proceed.

If you pursue a short sale, you will want to bring in an experienced short sale agent, whose experience will help to expedite your transaction and protect your interests. You don't want to miss any important detail due to inexperience or find out your transaction is not going to close on time because no one followed up as needed.

Since the seller is not receiving any money from the sale, it is the lender paying the sales agent's commission. The lender will likely negotiate a percentage directly with that listing broker, who will then share the commission with your agent. If you have signed a buyer's broker agreement with your agent, ask if he or she will waive the difference due, or you may have to pay the balance of your agent's percentage out of pocket.

Your agent can find out who is on the title, whether a foreclosure notice has been filed and how much is owed to the lender(s). This will help you to determine how much to offer. Make your offer contingent upon the lender's acceptance. Even if the seller accepts your offer, you do not have a deal until the lender accepts.

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True or False?

By law, a carton of ice cream must include an expiration date. *True or False?*

(Answer, page 4)

Agency Consolidation Completed on Schedule

On July 1, 2011, as part of Governor Malloy's initiative to reduce the size of State government, all duties and responsibilities of the former Division of Special Revenue were incorporated into the Department of Consumer Protection. Since then, the agency has succeeded in consolidating staff, work functions and work space. By mid-May, all Department staff will be located in Hartford.

“This effort spurred us to identify core services, re-think processes, and identify our numerous strengths,” Commissioner William M. Rubenstein said. “Through it all, we've realized a number of efficiencies and learned smarter and better ways to accomplish our shared objectives.”

Gaming Division employees ensure that businesses engaged in legalized gaming comply with all relevant laws and regulations. Their work includes monitoring casino operations, oversight of slot revenue and reports, inspecting Lottery Agents, overseeing horse racing, greyhound racing, Jai-Alai and pari-mutuel gaming operations. Staff also approve Connecticut online lottery games, conduct background checks on persons and businesses in the gaming industry, investigate and prosecute law-breakers, regulate charitable gaming activities, and approve manufacturers and distributors of sealed ticket games.

If you frequently do business with the Gaming Division, here are two phone numbers and email addresses you may need:

Charitable Games: 860-713-6140
Dcp.gamingcharitable@ct.gov

Licensing: 860-713-6270
Dcp.gaminglicensing@ct.gov

Short Sale, continued

The lender will want to see that you are preapproved for the loan, so include your preapproval letter with your offer to the lender. Your agent may want to send a list of comparable sales that support your offer.

Give the lender a timeframe in which to respond, after which you are free to cancel. Some lenders submit short sales to committee, with decisions taking several months.

Generally, the lender will not pay for items that a normal seller would typically pay. These include buyer home protection plans, credits of any kind and pest / termite inspections. Buyers purchase the property "as is," which means no repairs. So it is extremely important that the buyer obtain an impartial home inspection.

True or False? (answer)

The answer is False. All milk and milk products such as cream, yogurt, cream cheese, cottage cheese and sour cream sold at retail must include a **last sale date**. The Dept. of Agriculture enforces this law on dairy products and may impose a civil penalty for violation. However, ice cream, because it's frozen, is considered a "long shelf-life food" as described below.

Federal law requires the packing date on raw eggs, meat, fresh fish and poultry. Infant formula is required by federal law to include a "Use by" date, to ensure optimal nutrition levels for infants.

For most other foods, such as ice cream, cookies, bread, and baked goods, date stamps are VOLUNTARY. They are used by packagers and retailers to help consumers make buying decisions based on the assumption that the freshest product will taste better.

For these foods, it is not illegal to sell a product after the date marked on that product, but it is illegal to obscure or otherwise misrepresent the product as being within a code date when it isn't. To provide guidance in voluntary date stamping, Connecticut adopts as its standard the [Uniform Open Dating Regulation](#) by the National Conference on Weights and Measures. These voluntary guidelines provide definitions such as:

- **Perishable Food:** any food having a significant risk of spoilage, loss of value, or loss of palatability within 60 days of packaging
- **Semi Perishable Food:** any food for which a significant risk of spoilage, loss of value, or loss of palatability occurs only after a minimum of 60 days, but within six months, after packaging
- **Long Shelf Life Food:** any food for which a significant risk of spoilage, loss of value, or loss of palatability does not occur sooner than six months after the date of packaging, including foods preserved by freezing, dehydrating, or being placed in a hermetically sealed container
- **"Best If Used By" Date:** a date prior to deterioration or spoilage, loss of value, or loss of palatability
- **"Sell By"** a recommended last date of sale that permits a subsequent period before deterioration or spoilage, loss of value, or loss of palatability

Gasoline Price Gouging Protection is Strengthened in New Law

Senate Bill 457, *An Act Concerning a Cap on the Petroleum Products Gross Earnings Tax and Penalties for Abnormal Price Increases in Certain Petroleum Products*, was signed into law and became effective on April 3, 2012. The Departments of Consumer Protection, Revenue Services, Energy and Environmental Protection and the Office of the Attorney General collaborate to implement this law.

The new law caps at \$ 3 per gallon the amount of gross earnings from gasoline and gasohol subject to the petroleum products gross earnings tax, gives the Department of Consumer Protection the discretion to investigate complaints to enforce this provision, and as of April 15, 2012, makes a violation of this provision an unfair or deceptive trade practice under the Connecticut Unfair Trade Practices Act (CUTPA) It specifies that the CUTPA violation is in lieu of existing penalties under the petroleum products gross earnings tax law.

The law went into effect immediately after being signed by the Governor on April 3rd. It identifies the first 90 calendar days after its passage to be a period of "abnormal market disruption" in energy prices. The end date of this disruption is at 11:59 p.m. on July 2, 2012.

By law, sellers may not sell energy resources (such as gasoline, gasohol or heating fuel) for an "unconscionably excessive" price during an abnormal market disruption.

Evidence of an "unconscionably excessive" price is (1) a gross disparity between the amount the seller is charging and the amount he or she charged in the usual course of business just before the start of the disruption, and (2) evidence that the seller's charge is not attributable to additional costs incurred in the sale of the product.

After the first 90-day market disruption, other disruptions will be deemed whenever the wholesale price of gasoline or gasohol increases by at least 15% on any day over its price on any prior day within a 90-day period, resulting in a price of more than \$ 3 per gallon.

Consumers may file complaints of such practices with the Department of Consumer Protection at [this link](#). The agency will review and consider complaints and may undertake investigations to enforce this provision.

The law includes a fine of up to a \$ 10,000 for each violation during a market disruption, in addition to any unfair and deceptive trade practices penalties that already apply.