

Tioga Financial Seminar On Natural Gas Leasing

September 26 & 27, 2010
Owego Treadway Inn

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Yesterday, Today
& Tomorrow!*

Our Goals For Today

- ② Understanding “What is Common to Our Area” as it relates to real estate property values, mortgaging a property and selling property.
- ② Understanding the difference between surface rights and sub-surface rights.
- ② Staying “in control” of YOUR money...today, tomorrow and for the future.

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The Impact of Gas Leases on *Real Estate*

Presented By:
Ralph Kelsey, SVP Senior Lender
George Bowen, VP Commercial Services Officer

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Market Value of Real Estate With or without a gas lease

- Ⓢ No lease
- Ⓢ Lease without surface rights
- Ⓢ Lease including surface rights

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Halstead, PA - 73+ acres
\$730,000 – Rights Conveyed



Vestal, NY - 62.5 acres
\$620,000 – Rights Conveyed

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Mortgaging Property

- Ⓢ **Impact on obtaining a mortgage loan**
- Ⓢ **Impact on existing mortgages**
- Ⓢ **Mortgages “sold” in the secondary market**
- Ⓢ **Appraisals**
- Ⓢ **Obtaining title insurance**
- Ⓢ **Private Mortgage Insurance**
- Ⓢ **Acreage Size**

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Impact on obtaining a mortgage

“Quiet Enjoyment” – an appraiser’s concern

“Red Flag” – a banker’s concern

“It is truly unfortunate ...most borrowers do not realize the impact of a gas lease to the mortgage ability of the property.”

“The value and marketability of a property from a residential basis...is negatively impacted with out question or dispute.”

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Selling Property

- Ⓢ Retaining a portion or all mineral rights
- Ⓢ Sub-dividing & development lots
- Ⓢ Selling mineral rights separate from real estate sale

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Impact on Existing Properties Mortgage

“A current gas lease or a lease signed subsequent to a mortgage may constitute default.”

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Impact on Existing Properties The positives & negatives Mortgage

Gas/oil leases are generally NOT accepted by lenders such as Wells Fargo, Bank of America, Provident Funding, GMAC, etc.

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Selling Mortgages

Freddie Mac manual states;

- Ⓢ ***Historical data to support marketability is not able to be documented.***
- Ⓢ ***The impact ...either positive or negative ...on value or marketability is not able to be documented reliably.***

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Appraisals

Since the Appraisers can not supply the comparable sales, historical data and conclusive impact on the value and/or marketability, the appraisal report they produce would not meet Freddie Mac guidelines, (or Fannie Mae or Sonyma).....

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Federal Home Loan Bank

Exceptions for outstanding oil, gas, water or mineral rights are acceptable if commonly granted by private institutional mortgage investors and lenders in the area of Mortgaged Property, and:

- ❖ The exercise of such rights will not result in damages to the Mortgaged Property or impairment of the use or marketability of the property for residential purposes and...*
- ❖ There is no right of surface or subsurface entry within two hundred (200) feet of the residential structure or...*
- ❖ There is a comprehensive endorsement to the title insurance policy that affirmatively insures the MPF Bank against damage or loss due to the exercise of such rights.*

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Acreage

“Parcels 5 acres or less with or without an active lease at Tioga State Bank are generally not thought to be impacted by a gas lease.”

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The Good, The Bad & The Ugly

Your asset has VALUE

**ARE YOU PREPARED TO MAKE THE
RIGHT CHOICES?**

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Staying In Control Of Your Money

Presented By:
Anne C. Catalano, CFP
Financial Consultant
Tioga State
Investment Services

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**Securities & Insurance Products offered
Through LPL Financial and its affiliates.
Member FINRA/SIPC. *Not FDIC Insured
*No Bank Guarantee *May Lose Value
*Not a Deposit *Not Insured by any
Federal Government Agency. Tioga
State Bank is not a registered
broker/dealer and is not affiliated with
LPL Financial.**

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Suitable Options From a Wide Range of Products and Services

- ❖ **Mutual Funds**
- ❖ **Fee-Based Asset Management Accounts**
- ❖ **Annuities and other tax-sensitive investments**
- ❖ **Advanced estate, college, business tax & retirement planning**
- ❖ **Bonds, stocks & other individual securities**
- ❖ **Direct Investments**
- ❖ **Life Insurance and Long-Term care insurance**
- ❖ **Trust Services**

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Take Action to Protect Your Assets

In addition to ensuring that your assets are passed on to those you intend, **reducing taxes** is a major purpose of estate planning.



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Take Action to Protect Your Assets

***Preserving and protecting assets for
the care of beneficiaries***

**❖ *Controlling the payout of assets to
beneficiaries.***

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Tax Deferment

***Staying in control of your
money today may allow
you to take advantage of
a number of **tax-deferred**
investments.***

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Thinking Beyond The Cookie-Cutter Products

- ❖ ***Life Insurance as an Investment***
- ❖ ***REITS-Real Estate Investment
Trusts***
- ❖ ***Tax-free Investments***

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Thinking Beyond The Cookie-Cutter Products

Life Insurance

***Life insurance as a tool to
create liquidity for beneficiaries
and pay tax/debt obligations.***

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**Thinking Beyond The
Cookie-Cutter Products**
REITS-Real Estate Investment Trusts

**Introducing a REIT into your
investment portfolio...learning
more.....**



**Protect your future legacy by
investigating the choices you
have- seek out unbiased
advice...thus staying in control
of your money!**



**Questions
And
Thank You For Spending
Time with us.**

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