

Real Estate Digest

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March • 2009

Volume 35 • Number 3



Volatile Market Keeps Buyers, Sellers Guessing Going into Spring

The market's on its way up, the market's on its way down. It's a good time to buy, it's a lousy time to buy.

The industry enters the spring selling season with only one certainty – volatility rules.

Take, for example, contrasting views of researchers. A Pepperdine University scholar believes residential real estate remains a good long-term investment. Dennis Torres, director of Real Estate Operations and adjunct professor of negotiation and dispute, believes that by 2015 homes will be worth twice what they are today and 10 years from now – by 2018 – prices could actually triple.

Not surprisingly, Torres recommends buying a home now, arguing that durable goods, real estate, cars, machinery and other essentials will increase in value considerably more than the cost of living over the next several years.

But wait. Housing analyst Robert Stevenson, an analyst for Fox-Pitt Kelton, is warning investors to hold off. He believes the current housing market is still too volatile to play.

“Buyers who lose their jobs or who stay in their homes for less than seven years stand to incur substantial losses as home prices decline further in 2009 and the U.S. experiences more moderate home-price appreciation going forward.”

Stevenson said he believes overall prices will retreat to 2002 levels before hitting bottom. If unemployment continues to rise, he added, home prices will retreat further.

Overvalued or undervalued?

Where are home prices in the historical context now? The Case-Shiller Home Price Index shows home prices are now back to where they were in March 2004. Economists say foreclosure properties continue to flood

the market, indicating prices will likely continue to trend lower.

Not everyone agrees. The economic forecasting company HIS Global Insight reports that housing may actually be undervalued in some parts of the country. When weighted by market value, the nation is 3.8 percent undervalued and when weighted by housing units, it is 5.7 percent undervalued.

That means it's time to buy, according to the folks at the foreclosure listings Web site Foreclosures.com. They believe the market will turn in 2009 and prices should start moving up.

“Recovery is underway. Affordable is back in the housing market,” said company President Alexis McGee. “In 2009, housing will not only recover, but we'll see buyers leap into this market in droves, depleting our housing oversupply, and actually putting higher price pressures on the market.”

The latest U.S. Foreclosure Index by Foreclosures.

com shows a slight drop from 84,534 to 84,291 in the number of properties repossessed by lenders in November 2008 compared to October. McGee said, however, the drop was nearly 21 percent from September's REO filings.

Conflicting messages

Buy? Hold? The conflicting messages will no doubt confuse homebuyers sitting on the sidelines, waiting for the right moment to pounce. If they need a slight push, an historical review of mortgage rates might do the trick, now that conventional rates are hovering at about 5.0 percent.

“Most people think a home is the most expensive thing they'll ever buy,” says Brian Dixon, a mortgage broker in Rohnert Park, California. “They're incorrect. It's a mortgage.”

LAW

California Law Restricts Gifts From Title Companies to Agents



Effective January of this year, California state law SB 133



prohibits, among other things, state title companies and their representatives from giving gifts, education or advertising help to real estate agents.

The law is meant to reduce or eliminate kickbacks and is among the strictest in the nation. About the only thing title companies and mortgage brokers are allowed to give is promotional items with their logos permanently affixed and valued at \$10 or less (like this newsletter).

The bill encountered no opposition and had bi-partisan support in both houses of the state legislature.

“The California Land Title Association acknowledged concerns regarding the interpretation and enforcement of laws regulating marketing practices in the title insurance industry,” said Craig Page, executive vice president of the California Land Title Association.

“The requirements provided by SB 133 enhance consumer protection while maintaining the healthy competitive title insurance marketplace in California. The title industry supports more uniform and consistent enforcement of the laws and SB 133 makes progress in that direction,” added Page.

Mortgage Brokers Sue To Stop New RESPA



The National Association of Mortgage Brokers has filed a lawsuit against HUD to keep it from implementing its new RESPA rules, contending the announced new regulations could put mortgage brokerages out of business. The NAMB says the new proposal discriminates against mortgage brokers by requiring them to disclose yield spread premiums on loans, which make up much of a mortgage broker's revenue stream. The NAMB believes that once consumers see the YSP, they will seek other lenders.

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HUD Delays Ban on Builder Discounts



Under pressure from home builders and mortgage brokers, HUD has decided to delay the portion of its new RESPA rewrite that forbids

builders from offering buyer discounts in exchange for using affiliated mortgage lenders.

A HUD spokesman said in January the provision would be delayed 90 days while HUD reviewed its legal position. The federal agency is being sued by builders and mortgage brokers seeking to overturn the ban on offering incentives to consumers to use affiliated lenders. HUD maintains the discounts give an unfair advantage to affiliated lenders and makes it difficult for independent lenders to compete for business.

FTC Sides with Pittsburgh MLS Discounters



The Federal Trade Commission has reached a settlement with the Pittsburgh-area MLS, which the government

had charged with illegally restraining the ability of discount brokers to compete in the market.

The government said West Penn MLS's rules limited publication and marketing of listings based on the terms of the seller's listing contract with the real estate broker. The settlement bars West Penn from imposing restrictions that discouraged brokers who subscribed to the MLS from offering lower-cost, limited brokerage services.

The FTC alleged that West Penn's rules excluded discounters from the MLS and refused to make their listings available for viewing on popular Web sites.

MARKETS

Study: Foreclosed Properties Getting Tougher to Sell



A new study shows that consumers are increasingly reluctant to purchase foreclosed

properties, and those who would buy foreclosures want steep price discounts.

According to the survey by the real estate support sites Trulia.com and RealtyTrac.com, 54 percent of those polled seven months ago said they would consider buying a foreclosed home, but now that number has dropped to 47 percent.

The poll also said that more than three-quarters of those polled would want at least a 25 percent price discount for them to buy a foreclosed property. In the first study, in April, 69 percent of those polled said there were negative aspects to buying a foreclosure. That number has now risen to 80 percent.

Value of White House Placed at \$308 Million



Not that there are any true comparables, but the value of the White House is about \$308 million, roughly \$23 million less than what it was a year ago, according to Zillow.com.

The site notes, however, that the value of the publicly owned housing unit has nearly doubled from the \$168 million Zillow estimated it was worth in January 2001 when President Bush was sworn in.

The White House includes 55,000 square feet of indoor space, 132 total rooms, 35 bathrooms, 16 bedrooms, three kitchens and sits on 18 acres of premium downtown Washington land. Zillow said it used its basic formula of public data and nearby sales to come up with the figure.

TRENDS

Who's Moving in Next Door? Blockshopper Wants You to Know



The real estate Web site Blockshopper.com, a gossipy site that tells who is moving into whose neighborhood, is expanding to more cities despite a lawsuit to curtail its activities. Blockshopper cur-



rently is located in major metropolitan areas, such as New York, Chicago, Philadelphia, Los Angeles and Seattle.

The Web site searches public records to learn who is buying property in which neighborhoods, and then posts that information on the Web. It is currently being sued by the national law firm Jones Day for announcing property acquisitions by two Jones Day lawyers and linking back to their biographies on the Jones Day site. Jones Day claims Blockshopper misused its logo, but insiders say the lawsuit really is over privacy.

Agents Considered Average In Honesty, Ethics – Bankers Dive



Gallup's annual poll measuring the perceived honesty and ethics of various professions puts real estate agents in the middle of the pack, behind nurses and teachers, but well ahead of lawyers and congressmen.

The poll found 17 percent of Americans rated agents "high and very high" in honesty and ethics, 57 percent felt agents were average and 25 percent rated them "low."

Some 18 percent ranked lawyers "high and very high" on the scale, 45 percent ranked them as average and 37 percent ranked them "low." Almost 85 percent of those polled ranked nurses "high and very high" in honesty and ethics, 14 percent considered them average and only 1 percent ranked them "low."

Seeing the biggest slip was the category of bankers, who went from a "high and very high" rating of 36 percent last year to 23 percent this year.

NAR Membership Slips



Membership in the National Association of Realtors, the nation's largest trade association, dropped below 1.2 million at the end of 2008. At the close of 2007, the membership was 1,338,001. At the close of 2008, the

membership was 1,197,529.

NAR reached its peak membership in October 2006, with 1,370,758 members. The last time membership was below 1.2 million was June 2005, when membership was 1,188,828.

U.S. Wealth, Home Equity Down



The Federal Reserve reports the overall wealth of American families has dropped. Collectively it was \$56.5 trillion in the third quarter

of last year compared to \$59.4 trillion in the second quarter. Last year, household wealth declined by 11 percent – the steepest fall since the Fed began keeping records in 1952. The Fed said in the third quarter, national homeowner equity in properties amounted to 44.7 percent, down from 46 percent in the second quarter.

Remodelers Start Green Web Site



The National Association of the Remodeling Industry (NARI) has launched a "green" remodeling Web site, www.greenremodeling.org, which is designed to be a source of information for both homeowners and remodelers.

For homeowners, the site contains information on contractors and how best to turn a home into a green home. Contractors are able to see the latest news about green remodeling and become familiar with the latest practices.

Demand for green remodeling has steadily grown over the last decade as more Americans become aware of how much energy the average home uses and how much money can be saved with improvements.

MORTGAGES

HUD Launches Financial Literacy Web Site for Buyers



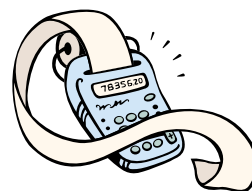
Faced with an industry in crisis, HUD has launched a new Web

site to help Americans improve their financial literacy. The My Money, My Home, My Future site (click on "My Money, My Home, My Future" at <http://portal.hud.gov>) provides a range of interactive resources to inform users about the importance of financial literacy, including a self-assessment tool, online games and classes.

"It is imperative that Americans are better educated about their finances and understand what it takes to be a responsible homeowner," said a HUD spokesperson.

"The resources on the site allow families to plan ahead to make smart choices about their finances and home buying decisions."

Calculator Tells Owners The Cost of Walking Away



An attorney who specializes in helping distressed homeowners has posted a calculator on his Web to help consumers

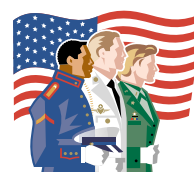
decide whether they should continue to try to pay their mortgage or simply walk away from their homes in an effort to preserve cash.

The calculator can be found at: www.pay-origo.com.

Lawyer Peter Fredman posted the calculator so that consumers could see the after-tax cost of ownership compared to renting. The application tells underwater homeowners how much housing prices will have to rise annually to lift them into positive territory.

AGENTS' CORNER

America's Most Valuable Niche Market Often Ignored



Quick, name a niche that provides a steady flow of buyers who are almost guaranteed to re-sell their homes frequently – and who have a massive pool of friends who will also be moving soon.

It's the niche filled with buyers and sellers who must act – no matter what the real estate market is doing at any given moment. It's the

niche filled with individuals who value loyalty and trust, and who prefer dealing with others who are familiar to them.

It's the military niche – and it can be yours if you live in a military community and make your specialized services known to its members.

“Military families are re-assigned every three to four years. And with 1.4 million military members on active duty, and only about 200 military bases in the U.S., that means that hundreds of families are moving in and out of your military community every year,” says Air Force Master Sergeant Richard Curtis. Curtis has had eight military relocations during his 19-year Air Force career.

“Members of the military are much like a huge extended family. They live, work, play, and go to war with each other. And when they need professional services, they turn to each other for advice and referrals. So once you've made contact and proven yourself to just a few families, the referrals will keep coming,” says Curtis, who created Off-BaseHousing.com to serve the military's need.

Military families are searching for prop-

erty managers, real estate agents and mortgage lenders who know and understand VA financing, and who are willing to work within VA guidelines.

And it isn't always easy to find the professionals they need. That's why, if you have the expertise to help them or if you're willing to learn, you need to reach out and let them know you're there to help.

Eighty percent of all home buyers begin their search online, but for military families the percentage may be higher, since they need to secure housing quickly when they arrive in a new community.

“With that in mind, your web presence should clearly show your interest in helping military families and your expertise in working with VA financing. Every profile you post on networking sites should also include that information. If you're a veteran yourself, be sure to mention that fact,” said Curtis.

Real estate sales are shaky right now, as massive numbers of foreclosures dominate the news. But if you take the time to cultivate the military housing niche, your own real estate career can remain steady and profitable.



SMART'S
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