

# Real Estate Digest

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## Going Up? All Signs Point to a Sustained Recovery

**B**y every measure, except foreclosures, the housing market has stabilized and is recovering in many areas, according to a spate of data released recently. As a result, industry analysts, trend watchers, numbers crunchers, cheerleaders — and even a few naysayers — anticipate a sustained recovery in the residential housing market to begin in earnest by early next year.

“The freefall is over,” says Dean Baker of the Center for Economic and Policy Research.

The data are coming in from all quarters:

- ✱ The Case-Shiller home price index shows that declines over the last four months had been slowing, though price appreciation is still months away.
- ✱ Integrated Asset Services says its most recent nationwide home prices index edged up

1.6 percent, the largest one-month increase in the index since July 2005.

- ✱ The Commerce Department reports housing starts were up 3.6 percent in June to a seasonally adjusted annual rate of 582,000.
- ✱ The National Association of Realtors has announced that home sales rose 3.6 percent in recent months to an adjusted annual sales pace of 4.89 million units. A year ago the sales rate was 4.9 million. Total housing inventory was down 0.7 percent to 3.82 million existing homes — still a high 9.4-month supply at the current sales pace, but declining.
- ✱ Property data researcher Radar Logic reports the housing price per square foot increased over the summer in 22 of the 25 metro markets it surveys. The company said the month-over-month increase was 2.1 percent. Per square foot prices have increased 3.7 percent since March. It said Milwaukee is

the first metropolitan market to push above where it was a year ago.

- ✱ The Census Bureau shows that homeownership rates are actually up, if only by a tenth of a percent. The agency says homeownership in the second quarter was 67.4 percent, compared to 67.3 percent in the first quarter. The highest level of homeownership in the United States was 69.2 percent in 2004.

### First-timers lead the charge

Perhaps most promising of all is the number of first-time homebuyers. The proportion of first-time homebuyers has increased considerably — to 56 percent in 2009, up from 44 percent in 2008, according to a J.D. Powers and Associates study.

Many of these first-time buyers are attracted by improved home affordability and the perception of a strong buyer's market. This presents both challenges and opportunities

for real estate companies.

“The presence of more first-time buyers is encouraging, as it indicates that the real estate market is returning to more normal activity, with fewer speculators,” said Jim Howland, senior director of the real estate and construction practice at J.D. Power and Associates.

### MORAGES

## Treasury Announces Home Price Decline Protection Incentives



As part of an ongoing effort to expand relief to struggling homeowners, The US Treasury released details on its Supplemental Directive for its Home Price Decline Protection (HPDP) program, a component of the Home Affordable Modification Program (HAMP).

HPDP provides additional



incentive payments for modifications on properties located in areas where home prices have recently declined. The purpose of the program is to encourage additional lender participation and HAMP modifications in areas with recent price declines by helping to offset any incremental collateral loss on modifications that do not succeed. HPDP will help ensure that borrowers in areas with recent home price declines have the opportunity to stay in their homes, thereby minimizing foreclosures, which further depress home values.

“This is an important next step in our multi-faceted efforts to bring relief to struggling homeowners and stabilize the housing market,” said Assistant Secretary for Financial Institutions Michael Barr. “Home price decline protection can help homeowners who may not have been reached otherwise.”

All HAMP loan modifications begun after September 1, 2009 are eligible for HPDP payments.

HAMP offers incentives to investors/lenders, servicers and homeowners for successful mortgage modifications. The “pay-for-success” structure of HAMP provides incentives to create sustainable mortgage modifications in a manner most cost effective for taxpayers.

Treasury has allocated up to \$10 billion for the HPDP program, but the actual amount spent will depend on home price trends. The funds available to individual servicers to pay HPDP and all other incentives on HAMP modifications will be capped according to the Program Participation Cap included in their Servicer Participation Agreement. Treasury will establish each servicer’s initial cap by estimating the number of modifications that servicer is expected to perform during the term of HAMP.

HAMP commits \$75 billion dollars, including \$50 billion of funds from the Troubled Asset Relief Program, to encourage loan modifications that will provide sustainable and affordable mortgage payments for borrowers.

HAMP is one component of Making Home Affordable, the Obama administration’s comprehensive plan to stabilize the

U.S. housing market and offer assistance to millions of homeowners by reducing mortgage payments and preventing avoidable foreclosures.

The Obama administration recently released its first monthly Servicer Performance Report detailing the progress to date of the Making Home Affordable loan modification program.

Servicers covering more than 85 percent of loans in the country are already modifying loans under the program. More than 400,000 modification offers have been extended and more than 230,000 trial modifications have begun. This pace of modifications puts the program on track to offer assistance to up to three to four million homeowners over the next three years.

### City May Use Foreclosures As Affordable Housing



The city of El Cajon, Calif., dealing with an increase in foreclosed properties and a need to build affordable housing, is considering buying the foreclosures and selling them to the needy.

Councilman Bob McClellan, a supporter of the plan, suggests buying existing properties would be cheaper than building new affordable units.

“I’d rather have buyers in there who live there than investors who rent it out.”

McClellan said the city could buy a two-bedroom foreclosed condo for \$129,000, make any repairs for \$5,000, and sell the unit for \$135,000. Closing costs would be absorbed by the city’s redevelopment agency.

### Bank Gives Tenant Home Rather Than Foreclose



A Memphis woman about to be evicted from her rental home instead received a surprise from her mortgage company — the title to the house. The new

owner had been routinely paying her rent, but didn’t know the original owner of the property had not been passing it on to Wells Fargo. The house was in foreclosure.

The real estate agent in charge said he was about to ask her for her keys when he received an e-mail from the company saying it preferred to just give the house to the renter. He confirmed it with a phone call to the bank. The agent said he had never seen such a thing before and doubted he would ever see it again.

## TRENDS

### Helena, Montana Named Top Locale for Young Retirees



Retirees in the 55- to 59-year-old range want to go to smaller towns in more isolated parts of the country. Based on recreation opportunities, weather, medical resources, crime and cost of living, here are the top five destinations named in a Coldwell Banker survey of retirement trends:

- 1 Helena, Mont. Median home price: \$191,500
- 2 Pensacola, Fla. \$137,200
- 3 Creve Coeur, Mo. \$355,000
- 4 Traverse City, Mich. \$129,500
- 5 Butte-Silver Bow, Mont. \$108,500.

### Luxury Home Sales Showing Signs of Life



About 320 properties selling for more than \$20 million are on the market across the U.S., according to a recent survey by Ultimate Homes. But in the year since the economic crisis began, sales of these ultra-pricey homes have all but stalled even as the bottom of the housing



market is showing some life.

Luxury realtors are hoping the dry spell is coming to an end. Last month, a 2006 Aspen mansion, which includes 10 bedrooms spread across 21,400 square feet, sold for \$43 million. Earlier this year, pop star Madonna paid \$32.5 million for a Georgian-style townhouse on the Upper East Side of Manhattan.

"I don't want to say everything went dark, but they [the buyers] went quiet" last fall, said Joshua Saslove, the listing broker for the Aspen property. "Now, they've reappeared on the horizon."

## Company Will Shrink Wrap Abandoned Homes



A company that specializes in putting shrink wrap around boats and cars says it can do the same thing with homes that have been abandoned,

which will keep out moisture, rodents and vandals. Fast Wrap ([fastwrapusa.com](http://fastwrapusa.com)) already has shrink-wrapped three partially completed homes in Pennsylvania and is scheduled to do several hundred more.

The company says the plastic sheeting will keep out moisture that can damage partially completed homes and can serve as a deterrent to vandals who want to steal copper or other materials.

## Consumers Increasingly Using Web for Financial Advice



A report by the Pew Internet and Life Project shows that 69 percent of adults and 88 percent of all Internet users have gone online for help with personal financial issues, including 18 percent who have gone online to check their home's value.

The Project said the Internet had become invaluable for consumers seeking jobs, finding information on bankruptcy, checking

investments and looking for homes.

A project spokesman said Internet users "are seeking highly practical advice about how to survive. And they are going online to gain understanding of what went wrong, and what policies might fix the economy."

According to the survey Internet users are searching for:

- 41 percent: New jobs
- 40 percent: Discount coupons
- 27 percent: Discounts on a variety of products
- 27 percent: To find a second job
- 25 percent: Improving financial skills
- 18 percent: Home values
- 17 percent: Rankings of financial professionals

### LAW

## Owner Threatens To Sue Over Fence With No Gate



The owner of a new home in suburban Salt Lake City is threatening to sue her builder for putting a fence around her backyard without installing a gate. When the homeowner bought the house there was no fence around the backyard, so she had the builder put one in. She later realized the fence had no gate — and she had no way to access the backyard other than from her house.

The homeowner complains that she cannot mow her backyard without bringing the mower through her living room or trying to lift it over the fence. The builder said there is nothing in its contract about a gate — just a fence.

## Despite MLS Photo, Garage Not Part of Deal



A home buyer who purchased his home several months ago in Minneapolis, at least partially on the basis

of a picture in the MLS that showed the house and garage, has now been told that the garage was not part of the deal. As a matter of fact, the garage has a separate address.

The owner purchased the home in January. It turns out the garage he thought was his, which faced onto a side street, had a different legal address. The neighbor who owned the garage had purchased it several months ago at a foreclosure sale. The neighbor is allowing the new owner to rent it for \$1 per month, but the owner is worried about what it will do to his home's value when it comes time to sell.

### AGENTS' CORNER

## Study: 'Added Value' More Important Than Ever for Agents & Brokers



Extra services provided by real estate companies, such as inspections, newsletters and legal and moving company recommendations, have become increasingly important to home buyers and sellers, according to the J.D. Power and Associates 2009 Home Buyer/Seller Study.

The study measures customer satisfaction of homebuyers and sellers with the largest national real estate companies. Overall satisfaction is determined by examining three factors for the home-buying experience: agent (47 percent), office (28 percent), and package of additional services (25 percent). Four factors are examined for the home-selling experience: agent (34 percent), marketing (34 percent), office (17 percent), and package of additional services (15 percent).

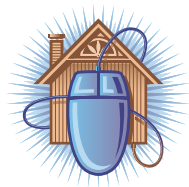
For both buyers and sellers, the agent is still the most important driver of overall satisfaction. However, the importance of agents has declined substantially from 2008, while the importance of additional services has increased considerably — by 12 percentage points among buyers and eight percentage points among sellers. In addition, actual us-

age of many of these services has decreased from 2008, likely due to cutbacks made by real estate companies in response to a depressed market.

"In a tight market, every aspect of service offered will be scrutinized very closely," said Jim Howland, senior director of the real estate and construction practice at J.D. Power and Associates.

"For this reason, it is critical for real estate companies to promote the value that they bring to buyers and sellers, not only in any additional services they offer, but also in their agents and operations."

## Small Market, Big Online Success



Agents in smaller markets often think they shouldn't bother trying to succeed online. After all, everyone knows them in their town, so why worry about Internet buyers?

"That thinking is exactly backwards," says online real estate expert Mike Parker.

"The Internet is huge, but it favors small-town agents and brokers."

Consider the current facts about the Internet. Over 80 percent of all residential home sales begin online. This is true in Dallas, Chicago, Los Angeles and New York.

And it's true wherever you are, too. While in major cities savvy agents know they need online marketing, in smaller markets many agents feel that they don't.

"Don't think that because you're in a small town that you don't need to succeed online. Perhaps you will make a living by remaining uninvolved in online marketing, but those who use it to their advantage make a far better living and build a far stronger business than those who don't," said Parker.

Recent figures confirm this online "income gap." Agents with a significant online presence report incomes three times higher than agents not online.

"It's not a question of when the Internet will become a factor in the business of real estate in your town," says Parker. "The Internet already is a factor, only you might be missing out on sharing in that business."



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