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REAL ESTATE DIGEST

PRACTICAL REPORTS ON TAXES, FINANCING, MARKETS, LAW AND TECHNOLOGY

Sunny Forecast Ahead for Spring Homesellers

With the winter thaw over, could the spring real estate market — traditionally the busiest for home sales — be far behind?

The sound fundamentals that underpin an active, vital real estate market are still firmly in place, according to an assessment by Weichert Realtors.

“What we are seeing is greater stability and more gradual price appreciation. This normalization is very positive, as it allays any concerns that price gains might, at some point, outstrip income growth and the ability to buy. It clearly indicates a healthy spring real estate market with good, sustainable activity for the foreseeable future,” said Jim Weichert, president of Weichert Realtors.

Rates remain attractive

Affordable interest rates are expected to continue to bolster home

buying. While mortgage rates may edge up a point or so from their record lows, any impact on home sales should be negligible, as rates would still be low historically. Nationally, at the close of 2004, the benchmark 30-year, fixed-rate loan hovered around 5.8%. That compares to rates of more than eight percent in 1994 and 12 to 13% in 1984, or twice as high as today’s.

Along with low interest rates, financing plays another key role in affordability now. Although home prices have risen considerably after years of record sales, thanks to the virtual explosion of new mortgage products, more people than ever are finding they can afford their first home or readily trade up to their ultimate dream home.

“For first-time buyers — the ‘market movers’ who enable sellers to move up — the down payment no

longer looms as a stumbling block. A variety of mortgage options allow the purchase of a home with little or no money down. And trade-up and first-time buyers alike are finding that monthly mortgage payments can be surprisingly low, depending upon choice of financing,” said Weichert.

Jobs, inflation complying

Just as important, an improving economy with promising job growth and low inflation bodes well for the spring market and the year ahead. Consumer confidence is generally high.

As for overall trends impacting home sales, U.S. population growth continues to drive demand, along with certain favorable demographic trends, including a burgeoning number of home purchases by single people. Growing household wealth is a factor as well, stimulating the desire to trade up to more square footage and greater luxury or buy a vacation home.

Realtors Praise Limits On Class Action Lawsuits



Both the NAR and National Association of Home Builders are applauding the passage and signing of a new law that makes

it easier to move class action lawsuits into the federal court system, where awards tend to be much lower than in state courts.

Builders, who have been targeted by home owners suing over shoddy workmanship, said the new law "will help rein-in frivolous class action lawsuits in state courts, thereby saving millions of dollars in excessive business costs that can drive up the cost of housing."

Realtor leaders said the law was needed because "real estate firms can be targets for litigation in areas such as property management, environmental compliance and mortgage brokerage."

The law stops so-called "forum shopping" where lawyers seek out state judges and juries based on their track record of awarding huge damages. The law moves class action lawsuits into federal court when the total amount in dispute exceeds \$5 million.

Key Congressman Backs Banks in Real Estate



The chairman of the House Financial Services Committee, in an apparent slap at the NAR, has asked the Government Accountability Office to study whether there is adequate competition in the real estate industry.

Rep. Michael Oxley, R-Ohio, is regarded as a friend of the banking

industry, which is attempting to get into the real estate brokerage business. A change in regulations being considered by the Fed and Treasury Department, however, is being hampered by NAR lobbying efforts in Congress. NAR has managed to get legislation passed in each of the last three years to prohibit the Fed from taking action on the regulations.

Said Oxley, "For those of us who particularly believe in the value of the legislative process, it is frankly frustrating for a chairman or any member of an authorizing committee to be faced with appropriation riders that freeze or even override what the Congress determined was in the best interests of our economy and the financial services marketplace."

TRENDS

Survey: Fifty-plus Crowd Bucks Conventional Wisdom



It's time to rethink some assumptions about those 50 and above when it comes to real estate, according to an ERA Real Estate survey of more than 1,500 people age 50 and older. It was often believed that the typical aging homeowner was looking to move to an active adult community and downsize, but survey results show otherwise. The survey reveals that:

- * Only eight percent of those considering a move in the next five years indicated that they might consider purchasing a home in an active adult community.
- * More than 61 percent considered purchasing a single-family home.
- * The average senior lives in a house with three or more bedrooms and two or more baths.
- * Only 11 percent felt their current home is too big.
- * Nearly 25 percent of respondents thought their home was too small.
- * Respondents cited a better home or living conditions as the second most popular reason for buying a new residence.

Seniors also proved to be more savvy and demanding when it comes to technology. In fact, those considering moving in the next five years chose the Internet as the most popular home-buying research method, up from the second most common choice mentioned in a study during the previous year.

Number of New Foreclosures Declining

The foreclosure listing service Foreclosure.com is reporting the number of foreclosed homes that came onto the market in January was 41 percent below the number coming onto the market in December, but overall there still are an extraordinarily high number of foreclosed properties available nationwide.



According to the listing company, 20,279 newly foreclosed homes were put on the market in January, compared to 34,371 the month before. The total number of residential foreclosure properties available for sale in January was 78,694, down 6 percent from the December 2004 total of 83,717.

Bankers See Steady Declines In Home Sales



The Mortgage Bankers Association has released a long-term economic forecast for 2005, 2006 and 2007 that suggests a steady decline in new and existing home sales.

The MBA says its study of the numbers indicates:

- * Existing-home sales will come off record levels and fall by 7.2 percent in 2005, another 7 percent in 2006 and a bit more than 1 percent in 2007. At that pace, sales in 2007 will be at 2002 levels (which were a record high at the time).
- * New-home sales will fall by 6.1 percent in 2005, by 10 percent in 2006 and another 3 percent in 2007, again to

2002 levels.

* Prices of existing homes should increase at 4.7 percent in 2005 and new-home prices should increase 3.7 percent. Price increases in 2006 and 2007 are expected to be in the three percent to four percent range.

MORTGAGES

FTC Seeks Public Comment On Credit Scoring



The Federal Trade Commission is seeking public comment to aid staff in preparing a study on the effects of credit scores

and credit-based insurance scores on the price and availability of various financial products and services.

The Fair and Accurate Credit Transactions Act (FACTA), which was enacted in December 2003, directs the FTC and the Federal Reserve Board, in consultation with the Department of Housing and Urban Development, to conduct the credit score study and to examine whether the use of any of these tools has discriminatory impacts. The FTC is seeking information on any aspects of credit scores and credit-based insurance scores, including their use and how they have changed over time. Comments due by April 25, 2005.

New Web Page Airs Appraisers' Complaints



The Appraisal Institute's governmental affairs office has taken the unusual step of posting an information page on its Web site specifically designed to help members file complaints against lenders, mortgage brokers and real estate agents who put pressure on them to appraise homes to specific values.

An Institute spokesman said the Web page is a partial response to media stories nationwide concerning mortgage fraud and the role appraisers have played in the

conspiracies to loot values out of houses.

The Appraiser Independence Action Center is a clickable link available on the Institute's home page (www.appraisalinstitute.org). It's designed to help appraisers complain to authorities about those who pressure them to rubber-stamp prices.

MARKETS

Metro Areas Still Drawing Buyers



NAR is reporting 62 of the 129 metropolitan areas it surveys showed double-digit annual price appreciation in median existing-home prices

in the fourth quarter. Only four metro areas showed price declines. The national median existing-home price was \$187,500 in the fourth quarter, 8.8 percent higher than a year earlier when the median price was \$172,400.

The strongest price increase was in Las Vegas, where the fourth-quarter price of \$281,400 represents a 47.3 percent increase from a year earlier. Next came the Riverside-San Bernardino area of California at \$322,400, up 34.7 percent from the fourth quarter of 2003. Third was the West Palm Beach-Boca Raton-Delray Beach area of Florida, with a fourth-quarter median price of \$338,800, up 34.0 percent in the last year.

No Big Bubble, But Lots of 'Bubbles'



National City Corp. bank economist Richard DeKaser is dismissing the notion of that a general housing bubble is about to burst, but

concedes there may be small "bubbles" forming in 16 markets – mostly in Florida and California.

DeKaser said the college town of Chico, Calif. topped his list for communities where prices have grown far too fast, having doubled in the last five years. According to his

analysis, prices are about 43 percent above where they should be.

Other cities where bubbles (prices about 20 percent too high) might be forming include: Stockton, Calif.; Santa Barbara; Los Angeles; San Francisco; Modesto, Calif.; San Diego; W. Palm Beach, Fla.; Sacramento; Las Vegas; Portland, Ore.; Miami; Sarasota, Fla.; Detroit; Saginaw, Mich.; and Bellingham, Wash.

TECHNOLOGY

Aerial Views Coming to Web Site Near You



Software maker RealBird today announced the release of its Application Integration Interface Version 1.0 for its online mapping service for real

estate applications. The API makes it easy to integrate RealBird's aerial and street maps with any online real estate service.

RealBird also announced a new sponsored mapping service, free to its partner companies, which will share a substantial portion of advertising revenue with them.

The RealBird Viewer is a unique personalized geographical information systems and mapping tool for real estate agents, with U.S. continental coverage. Agents can add the RealBird Viewer to their Web sites, link to or from any number of listings, and display local schools, landmarks and parcel lines as overlays on aerial maps. County demographic information can be also displayed with one click.

"This new API makes our service very easy to integrate with an existing IDX, VOW or MLS service," said Gabriel Gross, founder and president of RealBird.

Half of New Home Buyers Want "Smart Technology"



Home buyers purchasing newly built homes will buy at least one "smart technology"

feature if they are offered it by their builder, according to a new survey released by the Internet Home Alliance.

The survey said most new home buyers will purchase security systems for their homes, followed by pre-wiring for cable or satellite TV, and in-home theaters.

The survey included a question about why the purchaser decided to buy a new home instead of an existing one. The most common response was "a chance to start anew with a clean canvas" or "to live in a home with a better design or floor plan."

AGENT'S CORNER

NAR Applauds Health Insurance Availability



NAR is applauding calls from the White House and Democratic leaders for Congress to enact "association health plans for small businesses and

their employees," which ultimately could help brokers and sales associates obtain lower-priced health insurance.

According to NAR, "The legislation would allow small businesses and self-employed workers to band together through membership in an association and negotiate lower health insurance costs for participants under an association health plan. These plans would operate under the same rules as federally regulated, large corporate and union health plans that provide group health insurance to all members regardless of where they live."

"Most Realtors are small business people or independent contractors who struggle to find quality, affordable health care for their employees and families," said NAR President Al Mansell. "Small business employees, independent contractors and self-employed workers deserve the same access to quality, affordable health care as people who work for a large corporation or belong to a union."

Emergency Guidelines For Home Owners



The Department of Homeland Security (DHS) and the Homeownership Alliance have developed an "Emergency Preparedness Guide" that they hope will be distributed to new home owners. The guide was produced with the assistance of NAR and the National Association of Home Builders, as well as Fannie Mae, Freddie Mac and other housing institutions.

The guide suggests practical measures home owners may take to prepare themselves for different types of emergencies. It includes information on:

- ✓ Emergency supplies
- ✓ Effective emergency plans for families
- ✓ Various threats homeowners may face
- ✓ Resources available to homeowners through DHS, the Home-ownership Alliance and local government and community officials.

For more information on DHS's "Ready Campaign," see: www.ready.gov.



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