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**The Judicial Title Insurance Agency LLC**  
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# REAL ESTATE DIGEST

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

## Consumer Appetite for More Data Faster is Driving a New Wave of Real Estate Technology

**G**et ready for new applications that give consumers access to more data, add more transparency into the transaction, give consumers opportunity to more deeply interact with on-line content, and engage agents when the time is right.

Because the housing market feels uncertain, consumers will try harder to be more informed and that will drive a lot of innovation, according to Pete Flint, CEO of Trulia, a real estate search engine. Flint anticipates more consumers will migrate to broker Web sites, since they are the source of real estate content and brokers will better understand the importance of driving more traffic to their sites through search engines and Web portals.

### Agents on board

Already many real estate professionals are realizing the

benefits of putting more information online, according to Marty Frame, chief information officer for Fidelity National Real Estate Solutions.

"You're engaging the consumer and you allow them to self direct and you appeal to them because you've made yourself useful to them," he said. When this kind of relationship forms, the consumer will reach out to that agent when it's time to transact.

"There will be an evolution towards taking things and putting them online in a way we haven't been comfortable with in the last few years," Frame said. Nothing as radical as putting property listings online in 1996 has occurred since then, he said, but he expects that to change.

### Transactions online?

As for transactions moving online, Frame said that he's been seeing

companies take a simpler approach than in the past. Rather than try to move the whole transaction to the Internet, more people are starting small with things like documents, which gives everyone a reason to push a little further.

"We'll really start to see pieces of the industry working together to help the consumer," Frame said.

Technology platforms that mimic how people already do business will be the easiest to adopt. He also pointed to technologies that help real estate agents communicate more effectively with consumers, including Instant Messaging and blogging.

"Consumers want information and they want it now," he said. "Agents have a decision to make: they will either be facilitators of meeting that need or become irrelevant."

Zillow President Lloyd Frink also expects a lot more development around information and consumers' access to data on not only houses, but also agents, mortgage brokers, home inspectors, and many other pieces of the real estate industry.

## TRENDS

### Big Wedding or Nice House?



Ninety-two percent of adults say that if they were able to choose between a big wedding or a nice house, they'd choose the house, according to a study by national home builder KB Home.

The study found that a typical wedding these days costs about \$30,000, enough for a down payment on a house.

KB Home senior vice president Wendy Marlett said, "I think that most couples today know that marriage is not about one perfect day, but a lifetime of making dreams come true. That's why so many of them are choosing to put their money into a home. A few of our home buyers even hold their wedding ceremonies in their new homes after moving in."

### Home Staging Now Includes 'Demo Family'



The home builder Centex has taken the concept of staging model homes to new heights, not only equipping a house with the best of furniture and appliances, but also equipping it with a model family.

The "home life family" is comprised of actors representing Mom, Dad, Brother and Sister, each of whom appear at the house during scheduled performances. In one script, the family on display celebrates the mom's birthday with a cake made in the kitchen. The idea is to demonstrate how potential buyers can live in the home.

Homes showcased by the family are priced in the \$600,000 to \$700,000 range.

## MORTGAGES

### NeighborWorks Campaign Exceeds \$5 Billion in Mortgage Lending



The NeighborWorks Campaign for Home Ownership announced recently that it has helped 40,300 families achieve homeownership and generated more than \$5.39 billion in new mortgage lending between January 1, 2003 and March 31, 2006.

More than 150 NeighborWorks organizations in 46 states plus the District of Columbia and Puerto Rico are participating in the Campaign. Eighty-nine percent of households recently assisted through the Campaign are either low- or moderate-income homebuyers. Ninety-one percent of recently assisted households are first-time homebuyers.

"The NeighborWorks Campaign for Home Ownership has demonstrated that homeownership is not out of reach for low- and moderate-income families, many of whom are first-time homebuyers," said Ken Wade, CEO of NeighborWorks America.

The Campaign has successfully targeted minority households, which lag behind whites in home ownership. Approximately 22 percent of the Campaign's recent homebuyers are African-American. Data provided by the Home Mortgage Disclosure Act indicate that only six percent of mortgage loans issued by the conventional market in 2003 (the most recent year for which data is available) served African-American buyers. Similarly, 24 percent of the Campaign's recent borrowers were Hispanic, as compared to 10 percent of loans within the conventional market in 2003.

More details on the loans are available at <http://nw.org>

### Defaults Creep Up in Bellwether California



The number of defaults on mortgage payments rose to a three-year high in the second quarter in California, a 67

percent increase from the year earlier period, according to DataQuick, a real estate data-compiling firm.

Lenders sent 20,752 default notices to homeowners across the Golden State, up 10.5 percent from 18,778 the previous quarter and up 67.2% from 12,408 in the second quarter of 2005. Notices of default are formal documents filed with the county recorder's office and mark the first step of the foreclosure process.

The 20,752 defaults were the highest since 25,511 were filed in the first quarter of 2003.

"This is an important trend to watch but doesn't strike us as ominous," said Marshall Prentice, DataQuick's president. "We would have to see defaults roughly double from current levels before they would begin to impact home values much."

Because the number of defaults had fallen to extreme lows in recent years, it was widely expected that they would start spiking up as home-price appreciation slowed, he said.

"We hear a lot of talk about rising payments on adjustable-rate loans triggering borrower distress," Prentice said. "While there's no doubt some of that is going on, as far as we can tell the spike in defaults is mainly the result of slowing price appreciation."

Slowing prices make it harder for homeowners who fall behind on mortgage payments to sell their homes and pay off the lender.

## MARKETS

### Are Condos Still a Good Deal?



For years, the American dream was to own your own home, which meant a single-family

home. One reason for this was that single-family residences appreciated well over time. Condos didn't. That was true until the last couple of years, when median-price gains for condos actually outpaced single-family residence median-price gains nationally. In 2005, the median price on condos was up approximately 13 percent over the previous year, according to the National Association of Realtors.

The 2006 housing market has been a different story. Rising interest rates and growing inventories of condos for sale are contributing to a slowdown, and in some areas a dramatic slowdown.

"Even so, condos offer an attractive lifestyle for home buyers looking for convenience and relatively low upkeep. Another perk is that condos usually are less expensive than single-family homes in the neighborhood, making them a good choice for first-time buyers," says Dian Hymer, author of "House Hunting, The Take-Along Workbook for Home Buyers."

To ensure a good condo-buying experience, do your due diligence investigations before you buy, suggests Hymer. Avoid inexperienced developers and buy from an experienced developer that has a good track record and reputation.

"Over-building can also have a negative impact on property values. Find out how many condo projects are in the pipeline in the area before you buy. If there is a lot of projected development that will compete with anything you buy today, insist on quality, location and a competitive price," says Hymer.

## Middle Class Neighborhoods A Thing of the Past?



Brokers and agents in urban areas whose territories have been dominated by "middle class neighborhoods" are likely seeing their business

diminish as America's cities continue to polarize between rich and poor,

with low-income urban dwellers becoming more prominent.

A Brookings Institute analysis of the 100 largest cities finds that both the rich and poor are abandoning old "mixed income" neighborhoods. The study of Census data showed that in the 1970s about 55 percent of low-income families lived in middle-class neighborhoods, while today that number has dropped to 37 percent.

Cities also are seeing a decrease in the number of middle-class neighborhoods. In the 1970s, 58 percent of neighborhoods were considered middle class. Now, 41 percent are considered middle class, with "low-income" neighborhoods on the rise.

## South Korean Cash Flows Into U.S. Real Estate



Although home sales are slowing in some U.S. cities, many wealthy South Koreans believe now is the perfect time to buy American residential real estate. They are betting that the U.S. dollar will strengthen, causing the value of their U.S. holdings to appreciate when converted into Korean currency, and that even slower home-price appreciation in the U.S. will continue to beat returns in Korea, where high taxes on real-estate profits discourage speculation.

The "money that is coming out of Korea is astronomical," says Neal Sroka, senior vice president of marketing at Corcoran Group, a high-end real-estate brokerage firm in New York. At one development that Corcoran is marketing, Hudson Club in West New York, N.J., more than half its buyers are residents of Korea. Prices for the 344-unit luxury waterfront condos with views of midtown Manhattan across the Hudson River are priced between \$400,000 and \$1.6 million. Mr. Sroka says about half his Korean clients pay cash.

In some ways it is part of a world-wide boom in cross-border

investment. Low interest rates and an increasingly unrestrained flow of capital have allowed investment to funnel into seemingly lucrative real-estate markets in different parts of the world.

"In the eyes of many Koreans, America is the safest place to invest," says Ahn Sang Moh, an agent at New Star Realty & Management in New York, a Korean-American real-estate firm with clients in Korea.

Low interest rates led American money to look for more profitable markets outside the United States. The Federal Reserve's interest-rate increases "will bring the money back to the United States," says Sroka. This would strengthen the dollar by making U.S. investments more attractive and increasing demand for the U.S. currency.

## LAW

## New FHA Anti-Flipping Rules Go Into Effect



FHA's (Federal Housing Administration's) anti-flipping rules have gone into effect, with the government hoping to curb mortgage fraud and predatory lending abuses. FR-4615 makes recently sold properties ineligible for FHA

mortgage insurance and allows FHA to demand additional documentation supporting any dramatic increase in a property's value.

Under the rules:

- ✱ A home sale that occurs within 90 days after its acquisition will not be eligible for a FHA-insured mortgage.
- ✱ Re-sales occurring between 91 and 180 days will be allowed, provided that the lender obtains an additional appraisal from an independent appraiser based on a re-sale percentage threshold established by FHA.
- ✱ Re-sales occurring between 90 days and one year will be subject to a requirement that the lender

obtain additional documentation to support any dramatic increase in the value of the property.

## Police May Register Homes Used in Drug Operations



In an effort to protect Canadian home buyers, Ontario's office of Community Safety is considering registering all homes where meth labs have been discovered, as well as marijuana "growing houses," so that consumers will know if a house has a shady past.

Safety Minister Monte Kwinter said homes that have been used in drug operations often have altered electrical systems and many are contaminated by chemical spills. Current Canadian law does not require disclosure of how a home may have been previously used. Under a new law, city officials must inspect drug homes for damage and have repairs made before homes can be sold.

## AGENTS' CORNER

### Your Customer Base is Changing...Are You?



Look around you. The makeup of the American population is changing very quickly. The "average" American household looks very different today than

it did 40 years ago, according to the Joint Center for Housing Studies of Harvard University 2006.

"Real estate professionals and their brokers will need to change with the times to accommodate this influx of new homebuyers or much business will be lost," says David Sobel, real estate sales consultant and the national sales manager of Home Warranty of America.

Over the next 10 years, for example, growth in the number of Hispanic households could exceed the number projected for non-Hispanic whites, according to the Harvard study.

According to the numbers, there are some 42.7 million Hispanics in the

United States, the country's largest minority, and their median age is 27.2 – a prime first-time home buyer demographic. (The median age of the population in general is 36.2.)

Is your office ready for the new home buyers? Do you provide contracts in Spanish? Do the vendors that you use, such as lenders and home warranty companies, offer Spanish materials and bilingual customer-support staff?

Some real estate professionals have begun developing thriving businesses by working within this niche of foreign home buyers. With so many real estate professionals out there competing for your business, it makes sense to find and use new marketing avenues.



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