

Real Estate Digest

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April • 2008

Volume 34 • Number 4



Get Ready for the Resurgence of Mortgage Financing

the first time and existing homeowners will find refinancing their existing mortgage worthwhile.

Tighter credit

But here's the catch: loans won't be doled out to just anyone anymore. As the subprime-lending crisis continues to roil the housing and financial markets, rates for so-called jumbo mortgages — those above \$417,000 — are now uncharacteristically priced so far above conventional mortgages that refinancing generally makes no sense for homeowners who hold them. At the same time, conventional borrowers who have lower credit scores — or relatively little equity in their houses — are finding that they generally don't qualify for the best rates, often negating any expected benefits to the pocketbook.

The result: The big winners will be conventional borrowers with so-called conform-

ing loans — those eligible for purchase by Fannie Mae and Freddie Mac, the two government-sponsored entities that rule the mortgage market. In particular, borrowers with high credit scores or a large amount of equity already in their home, or some combination of both, stand to benefit, says Dale Westhoff, who heads Bear Stearns's mortgage research.

To get the best rates under the new risk-based guidelines, homeowners generally need a credit score over 679, or equity of greater than 30 percent. But as home prices fall in many markets, homeowners' equity sinks alongside it — making it tough to get more-attractive rates.

Bigger jumbo?

There's more good news. The definition of jumbo could actually be changing soon. For months, Congress has been debating the idea of raising the limit on jumbo mortgages,

possibly to \$600,000 or more. If so, that would allow a larger number of borrowers to refinance at lower rates. But just what will happen, and when, remains uncertain.

"Everyone is very sensitive to this situation right now," says Ron Phipps, president of Phipps Realty and Relocation in Warwick, R.I. "This is still a correcting market."

TRENDS

Researchers: Worst is Over For Builders of New Homes



The investment firm Raymond James & Associates has raised its ratings on U.S. home-build-

ing companies, saying it believes the government's economic package will lure buyers back into the market.

Another firm, Pali Research, was quoted as saying, "The sun is not shining very brightly, but at least the worst of the storm has likely passed."

Home sales in 2007 were at record lows and many builders have laid off workers and all

Another mortgage-refinancing and financing boom is underway, sparked by government officials worried about a recession and an industry hungering for a turnaround.

For the first time since 2005, mortgage rates have slipped well below six percent, and as low as five percent for some mortgages, according to mortgage tracker HSH Associates.

At these levels, about 37 percent of homeowners could refinance their mortgages and save money on their monthly payment, estimates investment bank Bear Stearns Cos. As rates drop further — and many expect that to happen if the economy continues to weaken — increasing numbers of consumers will have a chance to enter the real estate market for



but stopped building in an effort to let inventories decline. Most analysts are not predicting a recovery in the new homes market until later this year or early 2009.

Meanwhile, the American Bankers' Association's Economic Advisory Committee is giving odds of a recession at 50-50 right now and says if housing continues to drag, the balance could be tipped in the wrong direction. The ABA panel said it expected home sales and prices to improve by mid-year and suggested aggressive rate cuts by the Fed could stimulate growth in the second half of 2008.

"Falling home prices, elevated energy prices, and strains in financial markets will continue to pose significant challenges to the economy," the EAC said.

It noted, however, that interest rates already are fairly low and that while lender qualifications are tighter, credit-worthy borrowers will still find money available to them.

Sellers Looking to 'Mega-Remodeling' For Sales Boost



With the housing market continuing to weaken, many sellers are going beyond the usual cleaning, painting and "staging" with flowers and pillows, by taking on big-ticket projects. Some experts warn, however, that sellers are unlikely to get their money back from extensive renovations. But owners often feel they have no choice if they want to sell, especially when builders of newly constructed homes are throwing in hardwood floors, finished basements and other free upgrades.

The depressed market is hurting remodeling overall. Homeowner spending is expected to fall at an annual rate of 2.6 percent through the third quarter this year, according to Harvard University's Joint Center for Housing Studies. The center doesn't break out home-improvement spending by owners preparing to sell. But Kermit Baker, director

of the center's Remodeling Futures Program, says, "I suspect that there is a fair amount of this happening, given the softness in the housing market."

An online poll of 445 contractors conducted by ServiceMagic, a national contractor-referral service in Golden, Colo., indicates last-minute renovating is propping up a sizable chunk of the remodeling industry. According to the poll, 26 percent of contractors said they had been contacted in the past year by prospective home sellers looking to do substantial work. Of those contractors, 48 percent said such work had boosted their business by 20 percent or more.

Architects Get a Little More Humble

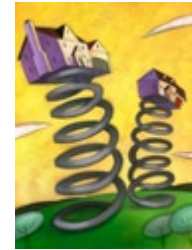


The Wall Street Journal. Many say they are hungry for business, seeking projects ranging from designing houses from scratch to taking on small renovations they would have turned down a year or two ago.

The newfound availability of architects — combined with lower construction costs — mean some consumers can finally build or remodel the house they've long dreamed of. And some people find they can hire an architect even for tiny jobs.

Residential architects across the country report shrinking job backlogs, according to the American Institute of Architects. Of 500 residential architecture firms surveyed by the trade group during the 2007 third quarter, 42 percent reported a backlog of less than three months — compared with 31 percent during the same period two years earlier. That mirrors the overall home market; the Commerce Department said last week that December housing starts fell 14.2 percent to a 16-year low.

I'll Buy Your House If You Buy Mine



The concept of trading homes temporarily for vacations has long existed, but now it's being adapted to the slumping real-estate market as people, particularly in the Sunbelt and other slow spots, scout for ways to unshackle themselves from their property.

Anecdotal evidence suggests the number of people doing this is still relatively small, but it has popped up from virtually nothing in recent years, according to an article in *The Wall Street Journal*.

The current model is based on new technology that enables computerized matching of a large number of properties and owners' swap criteria.

Fans say swapping is suited to the current down market, where people are extra nervous about buying a new house before selling their old home.

Not everyone is a potential swap candidate, however. Swapping typically requires one party, or both, being willing to settle for a new dwelling that is less than their ideal, either in amenities or exact locale. And searching for a swap is much like using a dating service: The odds can be good but the goods can be odd.

Getting Financing

Experts say it's probably best not to get involved with someone who owes more money on their house than what it is worth — because they could have a tough time getting financing. And the transaction itself isn't without challenges. OnlineHouseTrading.com recommends that both clients use one title company that knows not to complete the deal "until everyone signs off." Daniel Westbrook, the co-founder of the company says, "The scariest thing that could happen is that you buy someone else's house and they don't buy yours."



MARKETS

Women in Charge of Home-Buying Process



A Harvard study released by the National Association of Home Builders says women control 91 percent of home buying and remodeling decisions.

The study, "The Trillion Dollar Woman," notes that single women already are the second largest demographic of new homebuyers.

"Women hold the purse strings when it comes to these major home buying decisions, and this book will make them better educated, more confident consumers in the process," says study author Tara Nicholle-Nelson.

One reason for the trend, according to the U.S. Census Bureau, is that more women than men now hold advanced degrees. Thirty-three percent of women age 25 to 29 have bachelor's degrees, compared to 26 percent of men in the same age range. The Bureau also reported that adults with advanced degrees earn four times more than those with less than a high school diploma.

Workers 18 and older with a master's, professional or doctoral degree earned an average of \$82,320 in 2006, while those with less than a high school diploma earned \$20,873.

Los Angeles May Tighten Control on McMansions



The planning committee of the Los Angeles City Council is recommending the city stop the construction of so-called McMansions in an effort to preserve neighborhood historical integrity. If adopted by the Council, the law would limit the size of a rebuilt home to about two-thirds of the

total square footage of the lot, but exceptions are given if the rebuilt home has a number of "green" features or if the upper level is smaller than the ground level.

Also, districts have the option to reduce the square footage even further if they so desire. Real estate agents generally oppose the proposal, saying it could ultimately hurt property values and home sales.

MORTGAGES

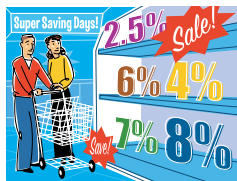
NAR Seeks Higher Fannie, Freddie Loan Limits



The National Association of Realtors is urging President Bush and Congress to increase loan limits for Freddie Mac and Fannie Mae from the current \$417,000 to \$625,000, saying the boost is needed to help get the economy moving.

The increase would make so-called "jumbo" loans eligible for Fannie and Freddie purchase, meaning the home buyers would qualify for a lower interest rate. It also could give a dramatic boost to states like California, where the median price of homes is \$488,000, and where urban starter homes often start at prices well above the Fannie/Freddie threshold.

Rate Cuts Have Positive Influence on Agents

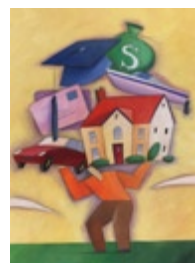


A member survey by the lead generation company LeadTo-Realty.com found that 83 percent of participating agents believed they would have a better year in 2008 because of the rate cuts by the Federal Reserve.

Despite the favorable outlook, however, 29 percent said they doubted 2008 would bring as much business as they'd like. About

54 percent said they expected a "good" 2008 and 12 percent said they had "great" expectations.

Foreclosures Up in 2007



RealtyTrac has released year-end data from its 2007 Foreclosure Market Report, showing a 75 percent increase in foreclosure filings from 2006 and that 1 percent of all U.S. households were in some stage of foreclosure

during the year.

The report said there were 2,203,295 foreclosure filings (default notices, auction sale notices and bank repossessions) on 1,285,873 properties last year.

A total of 215,749 foreclosure filings were reported in December, up 97 percent from December 2006 and bringing the fourth-quarter total to 642,150 filings on 527,740 properties — up 1 percent from the previous quarter and up 86 percent from the fourth quarter of 2006.

Nevada posted the nation's highest state foreclosure rate for 2007, with 3.4 percent of its households entering some stage of foreclosure during the year. Florida was second with two percent of its homes in foreclosure and Michigan was third at 1.9 percent.

The foreclosure capital is Stockton, Calif., a city of 280,000 people, 80 miles east of San Francisco and 80 miles north of San Jose. A few years ago, it was one of the hottest real estate markets in the country; today it is the foreclosure capital of America. As of February, 4,200 Stockton homes were either in default or foreclosure. That represents \$1.4 billion in bad loans in just one California community, and it is far from over.

Banks are auctioning off houses all over California and in South Florida, Nevada, and parts of Ohio and Texas, the result of a huge real estate bubble that began forming in Stockton back in 2003, when people priced out of the Bay Area and Silicon Valley discovered that you could buy a four-bedroom home there for just \$230,000.

Five Ways to Make Cold Calls Easier



Have you often avoided making those “dreaded cold calls?” You’re not alone.

“In the 10 years that I have specialized in coaching real estate agents, I have noticed the same avoidance patterns in each of my clients,” says real estate author Maya Bailey, Ph.D.

Here are five tips to make it easier:

Tip 1: Change the name. Whoever created the term “cold calling” didn’t know what they were doing. So, change the term, because it’s inaccurate. First of all, many of the people you’ll be calling are leads, so it’s really warm calling. Better yet, call it what it is: “direct response calls.” You’ll do much better when you realize you’re making direct response calls.

Tip 2: Be in the right mindset. Are

you calling to sell something? If so, put down the phone and start again. No, you are actually calling to give something and that is your time and expertise. Would you be scared if you had a gift you wanted to give someone? Unlikely. In the same way, be in the mindset that you have a gift and you are it.

Tip 3: Use a permission-based approach. Use this script as a template to make your own direct response calls. For example, “My name is _____ and I’m your local real estate consultant. I have some news about the value of properties in our neighborhood. If you’d like to take 30 seconds, I’ll be happy to...”

Tip 4: Get excited about the relationships you’ll make. Most likely what you want is to make some connections with people, in which you can follow up, convert them into prospective clients, and then convert them into transactions. Let yourself feel how good it’s going to feel to close those deals. Pat yourself on the back because it all started with the courage to make direct response calls.

Tip 5: Remember to reframe a “no” into a “yes.” Getting a “no” does not mean that you are being rejected. Neither does

it mean that your service is being rejected. What it means is “No, not now.” Secondly, realize that every “no” brings you one step closer to your “yes.” It’s a numbers game and you need a certain number of “no’s” to get a “yes.” Just remember to have thick skin and not take it personally.

“My experience has shown me that it’s all about attitude,” says Bailey. “If you are sold on yourself and your service and you convey that with pride and enthusiasm, the other person will be glad you called. They may even become a client. It pays to know that you are valuable and what you have to offer is equally valuable.”



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