

# Real Estate Digest

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## Rally is on to Stem Foreclosures and Jumpstart Market

### New mortgage rules

Meanwhile, the federal department of Housing and Urban Development has unveiled details of its five-year effort to streamline mortgage disclosures and stamp out eleventh-hour surprises at closings. The changes are designed to radically overhaul the current, much-criticized “Good Faith Estimates” (or GFE) disclosures and the “HUD-1” closing procedures. Among the key changes in the 250-page HUD proposal:

**1** Transform the GFE into a consumer education and shopping tool. The GFE will now explain in detail to an applicant how a particular loan works, how high monthly payments could rise, disclose any potential fees such as prepayment penalties, and provide information about escrow items.

**2** Set new strict limits on how much settlement charges can depart from the Good Faith Estimate stage to the closing stage. Total settlement charges could not be more than 10 per-

cent above the initial estimates, absent tightly defined “unforeseen circumstances” limited to acts of God, war and disasters, among others.

**3** Align the Good Faith Estimate and the final HUD-1 forms for easy comparison. The new forms would sport similar categories and graphic displays of loan origination charges and settlement cost items on both.

**4** Disclose all fees paid to mortgage brokers by a lender in connection with the interest rate charged to the consumer. Brokers are likely to oppose this, arguing that competing loan originators — such as retail bank personnel — are not required to disclose fees they receive in connection with higher note rates.

**5** Require all settlement agents to “read aloud” a new “closing script” to mortgage borrowers. The script walks consumers through the various charges on the revised HUD-1, and whether and why they differ from earlier estimates. Finally, the script requires the

settlement agent to explain the loan terms and mechanics as stated in the mortgage note itself.

HUD is expected to issue the proposals in final form this summer with a period of months set aside to allow lenders, title companies, and attorneys to gear up for the new forms and procedures.

### MARKETS

### Metro Markets Divided Between Gainers and Losers

NAR reports home prices are going up in about half the metropolitan areas it surveys, and about half are going down. In its fourth-quarter report, 73 metro areas showed sales



price increases and 77 had declines. NAR researchers said higher-priced homes continued to

**W**ith foreclosure rates holding steady or increasing in most parts of the country, the race is on to put the housing market back on its feet. Government, bank and industry officials are working to tighten the rules around lending even as they seek to help families who face the specter of foreclosure.

In March, Fannie Mae and Freddie Mac agreed to take steps to combat inflated home appraisals. At the same time, the government removed limits on the volume of mortgages that the two companies can hold in their own portfolios. That means the two companies can buy up billions of dollars in mortgages that other investors have been too frightened to touch.



drag down the overall market in the fourth quarter. They said the national median price of a single-family home was \$206,200, compared to \$219,000 in the fourth quarter of 2006.

Realtor President Richard Gaylord said he felt high loan limits for FHA, which went into effect March 14, would bring lower interest rates to upscale buyers, providing a boost to that market. The most affordable metro market was the Youngstown-Warren-Boardman area of Ohio, where the median single-family home price was \$72,600. The highest median price was \$845,300 in the San Jose-Sunnyvale-Santa Clara area of California.

## Hollywood Also Suffering From Housing Crunch

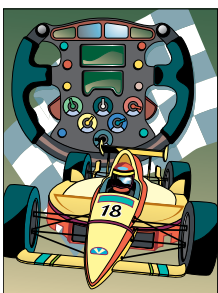


The housing crisis has hit celebrity homes as hard as anyone. *Forbes Online* notes that singer Avril Lavigne had to reduce the price of her home from \$6.9 million to \$5.8 million and Ed

McMahon had to knock his price down from \$7.7 million to \$5.7 million.

The magazine also notes that Guns and Roses guitarist Slash is in court against his real estate agent, contending his \$6.2 million home was short on both square footage and privacy and that he could only sell it for \$5.7 million.

## Indianapolis Is Most Affordable Market



When it comes affordability, not just price, the National Association of Home Builders (NAHB) reports that Indianapolis continues to be the most affordable housing market in the country and the Los Angeles area

remains the least affordable — a distinction it has held now for more than three years.

Nationwide, the Builder's Housing Opportunity Index showed that 46.6 percent of all homes sold in the fourth quarter of 2007 were affordable to families earning the national median income of \$59,000.

NAHB researchers found that 89.5 percent of all homes sold in Indianapolis were affordable to residents earning the median household income of \$63,800. In Los Angeles, the least affordable market for 13 consecutive quarters, only 6.2 percent of families making the median income of \$61,700 could afford homes.

## Northeast Sales Prices Up



Despite the gloom in the rest of the country, home prices in the Northeast were up an average of 4.5 percent over prices a year ago, according to the most recent

REAL Trends market analysis report.

Prices were down 3.5 percent in the South region, down 8.2 percent in the Midwest and down 5.8 percent in the West. The report said nationally, home prices were down an average of 4.3 percent and total sales declined 22.6 percent.

## Rural Real Estate Still Selling Well, Biofuels Helping



While most real estate companies are reporting challenging times, the United Country Real Estate franchise — which predominantly serves rural areas — reports both sales and prices were up in 2007.

The company said its sales volume hit a record \$2.54 billion in 2007, about \$10 million higher than 2006, and its average listing sold for 4.1 percent more than the previous year.

“Technology advances have broken down many of the barriers to living in rural areas,” said CEO Dan Duffy. “People can now live in the country, and still have the same access to the Internet, satellite, cable, mobile phones and other technologies they require on a daily basis. This more developed technology infrastructure allows for remote working and social connectivity.”

Meanwhile, the Federal Reserve Bank of Kansas City reports the value of cropland in Kansas and Missouri has gone up by double digits in the last year, while residential property values have declined.

Analysts say the growth is the result of land speculators trying to take advantage of the popularity of biofuels. The Bank says in Kansas irrigated land values were up 20.4 percent and non-irrigated land was up 18.8 percent. In Missouri the increases were 24 and 13 percent.

## LAW

## More States Consider Anti-Appraiser Coercion Bills



The legislatures of South Carolina and Hawaii are the latest to consider laws that would prohibit coercion of appraisers by lenders, real estate brokers and others.

The South Carolina proposal would make it illegal for anyone with an interest in the transaction from committing any act that would influence the judgment of the appraiser, including blacklisting, boycotting, bribing, extorting, intimidating or threatening. The Hawaii bill also would make it illegal for anyone with a financial stake in a real estate transaction to influence an appraiser.

Some regulators believe the current housing crisis is, in part, due to pressure applied to appraisers to match their appraisals with specific values for homes.



## Agent Helps Catch Copper Thief



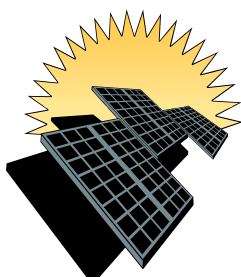
A real estate agent showing a vacant home in West Warwick, R.I., called police after hearing noises in the basement, leading to the arrest of a man stripping copper out of the house.

The agent said he was showing the property when he heard the noise. Moments later, a man emerged from the basement and walked out the front door. Police captured him as he attempted to walk down the street.

Behind the house police found piping, wiring and copper fittings worth close to \$2,000. Copper thefts from homes have increased recently as the price of copper has tripled to more than \$3.10 per pound.

### TRENDS

## Consumers Spend Green To Go Green at Home



Most homeowners like the idea of going green — even when they get the bill.

With home sales slumping and consumers rethinking their remodeling budgets, building contractors and suppliers are dangling green upgrades. They hope that energy-efficient systems and products made from sustainably harvested materials will hook consumers concerned about global warming, pollution and natural resources.

Yet with a few exceptions, green materials and construction cost extra, making them a hard sell. Enermodal Engineering, a Canada-based consulting firm, estimates the premium at 5 percent to 10 percent, depending on how extensively a builder uses recycled materials and water- and energy-

efficient products. When Specpan, an Indianapolis research firm, surveyed builders recently for *Building Products* magazine, the greatest number estimated a 10 percent to 19 percent cost increase when going green.

There are signs, though, that the industry's sales pitch is resonating. In the American Institute of Architects' fourth-quarter 2007 survey of 500 architects, 61 percent said their clients are interested in "renewable" flooring materials like cork and bamboo, up from 53 percent a year earlier; 47 percent said clients wanted high-end appliances, down from 65 percent a year earlier.

## Home Auctions Growing Fast



Going once, going twice, sold! The National Auction Association reports the real estate auction market continues to be one of the fastest growing auction sectors, generating

\$58.4 billion in 2007.

Within the real estate segment, which includes residential, land/agricultural and commercial/industrial divisions, the residential real estate section witnessed the largest growth, increasing 5.3 percent from 2006. Counting all categories, including automobiles, personal property, etc., the auction industry sold \$270.7 billion in goods and services last year, an increase of 5.3 percent.

## Can't Sell? Then Rent



The National Association of Independent Landlords is recommending that homeowners facing foreclosure move out of their dwellings and rent them to those who can afford to pay.

"By moving to a less expensive home or apartment and renting out their own home, owners will have someone else paying their mortgage," the group says. The association suggests many overburdened homeowners have used the strategy.

It adds, "Renting is an excellent option for many, but it can be a risky proposition if it's not done right, thanks to changes in federal and state laws as well as inherent dangers of allowing someone permanent access to a property."

The association offers members a clearinghouse of information, forms, laws and advice that affect landlords at [www.nail-usa.com](http://www.nail-usa.com).

### AGENTS' CORNER

## Web Design: The Ins and Outs Of Using Flash for Flair



While Flash can radically enhance the appeal of Web site with animations and flying text, it does come with a couple of caveats. Businesses looking to employ Flash to

spice up a Web site need to keep a few pros and cons in mind, according to John Hernandez, CEO of Real Estate Systems Integrator, Inc.

Just like traditionally designed Web sites, Flash components must be loaded before they can be viewed. Smaller components usually load instantly, but as file sizes grow, so do the loading times, especially for sites designed completely using the technology.

With the increasing availability and affordability of high-speed connections, loading times have become a non-issue for some people, but contrary to what you might've been told, there are still people who are surfing the Internet on dialup. Flash Web sites can take ages for these people to see, which will only make them impatient and could make them visit a competitor's Web site.

“You’ve probably heard the phrase ‘content is king’ a lot and it is indeed true. Unless you’re an artist looking to promote your work online, substance is by far more essential than the style, especially if you’re concentrating on strong search engine optimization,” says Hernandez.

Unless you’re using common text, do not include any unique text within a Flash component. You can animate common Web text, such as “contact us,” to add some spice, but doing so for your main content would could backfire, since you’d be eliminating what makes your site unique.

Prominent search engines won’t be able to pick up Flash text, since it’s embedded inside a Flash component. Furthermore, your users won’t be able to copy and paste any text in Flash, an annoying impediment if they want to copy the name of a product or address.

Don’t underestimate what well-planned Flash can do, however. Movement can assist in conveying your message. Including video on a Web site is also a lot easier than it used to be. The tough part is obtaining the footage and editing it down.

## Homeowners Don’t Believe Values Have Dropped



A new [Zillow.com](http://Zillow.com) poll indicates that despite the headlines, 77 percent of Americans do not believe the value of

their home has declined.

About 34 percent of respondents said they plan to sell their homes this year — adding to those already on the market. The Zillow poll showed 77 percent of homeowners believe the value of their homes has “gone up” or at least “stayed the same” — 82 percent plan to engage in some home improvement projects in 2008 and 67 percent say they plan a major project, such as a roof replacement or kitchen remodel.

About 35 percent say they plan to take out a home equity loan this year and 36 percent indicate they plan to refinance or take out a second mortgage. Zillow’s database includes about 80 million homes in 125 metropolitan areas.



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