

# Real Estate Digest

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December • 2008

Volume 34 • Number 12



## Good Riddance 2008, Hello 2009 and the Promise of Brightening Home Values

**M**ay you experience a year like 2008 only once in your lifetime. Bank failures, multi-billion dollar bailouts, skyrocketing foreclosure rates, stock market dives, and shrinking home values made for a year everyone wishes they could forget.

Dangerous as it is to predict the future, 2009 may be the year that the turnabout begins. Declining inventory, pent-up demand, low mortgage rates, increasing affordability, a new administration, and legislative action all point in the right direction.

### A perfect storm

While this combination of factors suggests that we may be nearing the bottom of the real estate market, recovery of home values will be far from uniform. Some markets have seen little decline in home values, while others are in such bad shape for a variety of reasons that recovery is

unlikely to reach them for many years.

The return to normalcy will be slowed by obstacles along the way. Homes usually appreciate at modest levels when there are normal inventory levels — absent other significant factors. Those factors include recessions, unemployment, high inflation or high mortgage interest rates. These are all of concern, but right now mortgage interest rates are still reasonable. Homes are also becoming more affordable as their prices drop. At current rates we will be back to historical median home price to household income ratios by early 2010.

Home sales have been down for so long that there is unquestionably pent-up demand, but demand is powerless unless there is liquidity. Unfortunately, the financial system is under so much pressure that there are limited amounts of money available for mortgages, and lenders have become very picky about who they lend it to.

That's made it harder for buyers with less than perfect credit records or limited savings to get mortgages. When the dust settles, we hope the recent Wall Street rescue package will help restore credit fluidity.

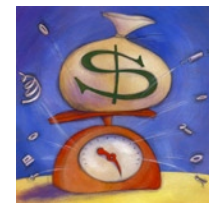
### The indicator to watch

There are always opportunities for buyers to find good deals, even in sellers' markets. There are even more opportunities out there right now, assuming we are near the bottom of the market.

Smart home buyers who are focused on finding a bargain should keep their eyes on leading indicators that usually precede the bottom of the market, such as dropping inventories of homes for sale. When that happens, the good deals will quickly become harder to find as they are either gobbled up or sellers realize that they have more buyers interested in their properties and either raise prices or become less willing to negotiate.

### MORTGAGES

## One in Seven Paying More Than 50 Percent for Housing



According to new numbers released by the U.S. Census Bureau, about

15 percent of mortgage holders are now spending half their incomes or more on housing costs.

The bureau said in 2007 about 7.5 million families were spending half their incomes on mortgages, compared to 7.1 million in 2006. The government considers anyone spending 30 percent or more of their income on housing to be "financially burdened." About 38 percent of mortgage holders fit in the category.



## States Call for Subprime Help



Attorneys general and banking regulators from 11 states are calling on the nation's largest subprime-mortgage-servicing companies to follow

Bank of America Corp.'s lead and embark on a broad-based loan-modification program.

"We believe that every major servicer of subprime loans should adopt these types of programs as soon as possible," state officials said in a letter sent Tuesday to 16 servicers. "We urge you in the strongest possible terms to adopt a comprehensive, streamlined and effective loan-modification program as soon as possible."

The letter was signed by Iowa Attorney General Thomas Miller on behalf of the State Foreclosure Prevention Working Group.

### LAW

## New Congressional Program Aims To Rescue Homeowners



Hope for Homeowners, a program created by Congress to assist homeowners at risk of loan default and foreclosure, officially launched in October.

An estimated 400,000 homeowners could avoid foreclosure through participation in this program, which is voluntary for lenders and is scheduled to run through Sept. 30, 2011.

That program is among an assortment of federal, state and industry efforts intended to stem the tide of foreclosures.

Under Hope for Homeowners, [www.hopeforhomeownersprogram.org](http://www.hopeforhomeownersprogram.org), lenders will determine a homeowner's eligibility and consider loan modifications to lower the monthly mortgage cost, and can also consider whether to take a loss on the difference between an existing loan and a new loan set at 90 percent of the home's current appraised value.

Existing mortgages must be originated on or before Jan. 1, 2008, and existing mortgage

payments as of March 1, 2008 must exceed 31 percent of the borrower's gross monthly income, among other eligibility requirements.

The Emergency Economic Stabilization Act of 2008, a federal intervention plan to provide up to \$700 billion to ease the credit crunch in the financial markets, provides some language changes to strengthen the Hope for Homeowners program "by expanding eligibility and increasing the tools" available through the U.S. Department of Housing and Urban Development, according to the announcement.

Mortgage servicers completed about 189,000 mortgage workouts in August, according to an announcement by Hope Now, a private-sector alliance that is also seeking to reduce foreclosures.

Repayment plans, which can allow deferred or rescheduled payments, are intended to allow borrowers to catch up on missed payments and become current on a loan while requiring that the loan be paid in full within the original maturity period. Modifications can involve a reduction in the interest rate, forgiveness of a part of the loan's principal, or an extension of the loan's maturity date.

## NAR Wants One-Page GFE Summary



The National Association of Realtors is asking the government to simplify its proposed new "Good Faith Estimate" form by reducing

it from a four-page document to a one-page review that can more easily be explained to home buyers.

The new GFE is part of reforms proposed by HUD to the Real Estate Settlement and Procedures Act — arguably the single most confusing element of real estate transactions.

NAR spokesman T. Anthony Lindsey testified before Congress in October that HUD's new GFE proposal does little to make the situation better.

"The new four-page GFE, along with the closing script and other changes, will cause additional confusion," Lindsey said. "Replacing a two-page GFE with a four-page GFE is not simplification."

## Congress May Permit Down Payment Charities



Congress is considering legislation to lift the ban on so-called "down payment charities," hoping that allowing them will help boost the national housing market.

The charities lost their IRS exemption in 2006 because the government believed the schemes did little more than help sellers get their asking price. The government also found that a large number of loans involved in the scheme ended in foreclosure.

Under the new legislation, Congress may allow buyers to accept down payment money from charities, provided their credits scores are above 620. Some housing economists object to the charities, however, saying the market meltdown has had little to do with credit scores.

### MARKETS

## Greater Phoenix to Promote Region as Solar Leader



Looking to differentiate itself from other stagnating markets, the Greater Phoenix Economic Council (GPEC) announced a new sustainability initiative to position Greater Phoenix

as a location for solar and clean technology, green building, renewable energy and other "green industry" organizations.

"Greening Greater Phoenix unifies our communities, stakeholders and partners while diversifying the economy with the creation of high-wage jobs in the renewable energy sector," said Barry Broome, president and CEO of GPEC.

### The initiative will:

- \* Provide a regional framework to promote communities' sustainability efforts in relation to business development and foreign direct investment opportunities.
- \* Launch a national and international mar-



keting campaign to brand Greater Phoenix as an emerging sustainability and solar leader.

- ★ Recruiting industry expertise and green champions to serve in an advisory capacity and sounding board for GPEC's leadership.

"Phoenix has been called the first great city to emerge in the 21st Century," said City of Phoenix Mayor Phil Gordon. "Our goal is now to become the first sustainable city in the 21st century and beyond."

## Luxury Properties See Slowdown



For months, as housing values were falling for midsize ranch houses in Stockton, Calif., and Las Vegas high-rises, sales of high-end properties in financial centers like London, New York and

San Francisco continued to percolate along.

But that was before turmoil in the credit markets brought down Lehman Brothers Holdings and imperiled thousands of high-paying jobs. While those rare properties priced at \$20 million or more are still holding up, there are signs that the crisis is exacerbating a downturn that was already plaguing properties in the \$2 million to \$10 million range, a market often sought by Wall Street workers.

The impact is reaching beyond Manhattan. On Massachusetts's North Shore, where the average sale price of luxury homes is about \$3 million, Lanse L. Robb says he's lost more than \$15 million in listings and transactions in one week alone.

"People are still buying, but they're not quite as bullish," says Mr. Levinson, of Sotheby's International Realty in San Francisco.

## Detroit Prices Hit New Lows



*The Detroit News* reports that of the 8,000 homes sold so far this year in the Detroit area, about half sold for less than \$10,000 and about 90 percent sold for \$40,000 or less. The newspaper's

source for the numbers was [Realcomp.com](#), the Michigan MLS system. The *News* said only 80 homes in Detroit had sold for more than \$125,000 this year.

## Buy Baghdad Now



Baghdad appears to be one of the hottest housing markets on the planet right now. As violence subsides and security improves, real estate agents say the housing market is booming.

When the war began, wealthy landowners fled the country, mostly to other Arab nations, and now many of those estimated 2.3 million refugees are returning. Real estate agents say the renewed interest in property buying has led to a doubling of home values in recent months and in the safest neighborhoods, time-on-the-market has been reduced to hours, and even minutes.

### TRENDS

## Homeowners Still Rate Benefits Of Homeownership High



More than half of all homeowners said they believe their home is a great long-term investment, according to a survey conducted for online real estate company Trulia.

About 55 percent of men who are homeowners said they believe their home is a great long-term investment, compared with 43 percent of women, and about half of non-homeowners said they believe homeownership is central to achieving their own personal "American Dream."

Among non-homeowners with an annual household income of \$50,000 to \$75,000, about 78 percent of respondents said that a home was central to achieving their "American Dream," compared with 51 percent of those with an annual household income below \$49,000 and 53 percent of those with household income above \$75,000.

Seventy-seven percent of responding homeowners said they haven't taken equity from their homes in the past 24 months, and 4 percent of non-homeowners said that anticipation of the effects of the new Housing and Economic Recovery Act was delaying their homeownership.

The survey also found that most survey participants don't plan to move in the next year. Ninety-two percent of homeowner respondents and 70 percent of non-homeowners plan to stay at their current residences for at least the next 12 months.

## Painting Service Turns Abandoned Lawns Green Again



A creative entrepreneur in Stockton, Calif., is taking advantage of the number of distressed homes in the area to launch a grass painting service that promised to turn brown lawns green for up to four months.

The service, offered to real estate agents for about \$200 per treatment, is designed to make foreclosed listings look presentable long after the residents have abandoned the property and stopped watering the lawn.

The company was started by Nick Terlouw, who uses a water-based green dye and a converted insecticide sprayer to treat the lawns. Critics say the biggest problem is that sprayed lawns look "too" green, but they concede the result is better than leaving the grass brown.

### AGENTS' CORNER

## Stretching Your Advertising Budget With Remnant Ads



Advertising costs can strain your budget, but you can advertise real estate for less money by using remnant ads, also known as stand-by advertising.

"Various media outlets often have more advertising inventory than they can

possibly sell, so they end up with advertising gaps in their publications or broadcasts. As a result, they stand to lose advertising revenue and have to develop additional filler material," said Ralph R. Roberts, real estate agent, author, coach and speaker.

"You may be able to obtain valuable advertising for up to 90-percent discounts," Roberts added.

Just about everywhere you see advertisements, you can find opportunities for running remnant ads:

- ✳ **Newspapers:** Because most newspapers are daily publications, they offer the most opportunities for remnant ads, particularly smaller ads. Space is often available for quarter- to full-page ads.
- ✳ **Magazines:** National magazines often publish a regional edition with space for a certain number of regional ads. If that space isn't sold or an advertiser backs out, it leaves space for a remnant ad. Smaller, local magazines may also find themselves

in situations in which they can't sell all of their advertising spots or a client backs out at the last minute.

- ✳ **Radio stations:** In order to remain profitable, radio stations must fill a specific amount of broadcast time with advertising. You may be able to pick up open advertising slots for 25 to 75 percent of the going rates.
- ✳ **TV stations:** The sheer number of TV stations available via network, cable and satellite has dramatically increased the amount of advertising space available. Filling this space is a real challenge.

To take advantage of remnant advertising, your ad needs to be ready to run at a moment's notice. Advertising reps, however, rarely inform their clients of remnant advertising space. After all, they want to get top dollar for the ads they run. Ask your advertising rep to explain remnant ad opportunities and discounts and find out what the production crew needs in order to place your ad. The more co-

operative you are, the greater your chance of maximizing remnant ad opportunities.

## Better Closing Experience Means More Referrals



Offering a client a better experience at the closing often results in more referrals and repeat business. The survey, conducted by RealSource, found that things such as the availability of coffee or soft drinks, toys for children, snacks and a friendly environment all provided a better closing experience.

About 70 percent of those participating in the poll said those touches would add value to the closing and lead them to refer more generously.



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