

Real Estate Digest

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Dear Mr. President, Don't Forget About Real Estate

The requests for assistance and attention are rolling in for President-elect Obama from all sectors and constituents, and the real estate industry is no exception. The National Association of Realtors has stepped up its challenge to the new president and lawmakers, encouraging them to take new, decisive actions to address the continuing problems in the housing industry, as well as the ongoing economic crisis.

"Our members see firsthand the impact that an unstable housing market is having on communities," said Richard F. Gaylord, NAR president. "The president, U.S. Treasury and Congress need to work together to ensure that the American people — not Wall Street and large banks — benefit from the economic recovery plan."

One percent solution

NAR's economic analysis shows that a reduction, or a buy

down, of interest rates by just one percentage point could result in up to 840,000 additional home sales and reduce the inventory of homes by as much as 20 percent. Inventories currently at 9.9 months' supply would decrease to approximately a 7.5-month supply.

A recent consumer survey conducted by Realogy Corp. reinforces the importance of housing in a broader economic turnaround. The survey found that nine out of 10 homeowners believe that owning a home is still the best long-term investment they can make, but nearly one-third of those surveyed said they were putting plans to buy a new or existing home on hold because of the current economic environment. In a related survey, nearly half of all brokers surveyed said that they would expect sales to increase 10 to 25 percent if 4.5 percent mortgage rates were available today.

Realogy President and CEO Richard A. Smith said that sub-

stantially lower mortgage rates would stimulate both existing and new home sales. "When home sales increase, housing-related consumer purchasing follows, and we would expect this to help lead our economy to a recovery," he said.

"The government must focus on protecting homeowners and making the dream of homeownership once again attainable. This would help stabilize the housing market and strengthen the national economy," said Gaylord.

Consumer power

NAR's plan includes consumer-driven provisions that would eliminate repayment of the first-time home buyer tax credit and expand the credit to all home buyers, make the increased mortgage loan limits permanent, and focus the economic stabilization efforts on supporting the housing and mortgage markets instead of providing capital to banks with no strings attached.

"There is no question there

cannot be an economic recovery without a stabilized housing market. Congress and the new administration need to act immediately to help America's families protect their homes, savings and futures," Gaylord said.

MORTGAGES

Law Gives Veterans a Break



Real estate agents working with veterans are getting help, thanks to the Veterans' Benefits

Improvement Act of 2008. There are three critical provisions in the Act:

- ✳ It will be easier for veterans with subprime loans to refinance their loans into more affordable loans backed by the Department of Veterans Affairs.
- ✳ The Act extends the VA loan limit increases through 2011, which will help veterans living in high-cost areas.
- ✳ The law allows the VA to offer adjustable-rate mortgages to veterans.



Some State Foreclosures Numbers Decline



Foreclosure filings were reported on 265,968 properties in September, a 12 percent decrease from the previous month but still a 21 percent increase from September 2007, according to The RealtyTrac foreclosure tracking service. One in every 475 U.S. housing units received a foreclosure filing in September.

“Much of the 12 percent decrease can be attributed to changes in state laws that have at least temporarily slowed down the pace at which lenders are moving forward with foreclosures,” said James J. Saccacio, RealtyTrac CEO.

“Most significantly, a California law took effect in early September and requires lenders to make contact with borrowers at least 30 days before filing a Notice of Default (NOD). In September, we saw California NODs drop 51 percent from the previous month, and that drop had a significant impact on the national numbers given that California accounts for close to one-third of the nation’s foreclosure activity each month.”

Illegal Aliens Have Low Default Rate



The *Los Angeles Times* reports that one of the most solid sectors of the population in terms of paying their mortgages on time is illegal aliens.

According to the *Times*, more than 12,000 home loans have been issued in recent years to workers with Individual Taxpayer Identification Numbers, rather than Social Security numbers. Government-issued ITINs are the typical way illegals are able to buy homes.

The newspaper quoted the National Association of Hispanic Real Estate Professionals as saying that while the default rate for all homeowners was 3.5 percent in 2006, the default

rate for illegals was 1.5 percent. The newspaper attributed the comparatively low default rate to stricter lending standards banks enforce for non-residents.

FHA Refi's More Than 400,000 Homeowners



HUD has announced that 400,000 families have refinanced their mortgages with FHA’s affordable mortgage insurance program in the past year.

Nationwide, the number of mortgages insured by FHA was nearly three times higher in the third quarter of calendar year 2008, compared to the same time in 2007.

HUD said that by requiring full income and employment documentation, FHA products are underwritten to ensure borrowers have the ability to repay the loan.

Meanwhile, four former U.S. Housing Secretaries, speaking at the Urban Land Institute’s fall meeting, say HUD should continue to promote homeownership in America, despite the decline in the housing market. Former Secretary Henry Cisneros, who served in the Clinton administration, said the cause of the current meltdown is lenders who “crossed the line of common sense” in making mortgages too attainable for those who couldn’t really afford homes.

TRENDS

Study Finds More Homeowners May Be Stuck Than Displaced



A new study suggests buyer psychology and tighter credit aren’t the only factors keeping would-be home buyers on the fence — homeowners with negative equity are often “locked in” to their existing homes and are nearly 50 percent less likely to move in order to take a new job, cut their commute time or move to a neighborhood with better schools.

The study, *Housing Busts and Household Mobility*, found that while becoming “upside down” forces many homeowners to move from their homes because of foreclosure, an even greater number have historically ended up stuck in their homes.

That’s because until housing prices rebound, a sale of their existing home won’t pay off their existing mortgage — let alone generate the proceeds needed for a down payment on their next home.

The study’s authors — housing experts at the University of Pennsylvania Wharton School of Business and the Federal Reserve Bank of New York — warned that the repercussions of “lock in” include less-efficient job markets and reduced incentives for homeowners to keep up and make improvements to their homes.

Some families will not be able to move to access better jobs in alternative labor markets, the study concluded, while others who would like to move to access better schools or a different-size home will be unable to do so, the study said.

“That the net impact of negative equity... has been to reduce, not raise, mobility may surprise some given the high number of defaults and foreclosures in the current environment,” the study noted.

According to Worldwide ERC — formerly the Employee Relocation Council — about 794,000 households relocate a year because they are transferred to a new job within the U.S. About 54 percent are homeowners, while the rest are renters.

Worldwide ERC reports that most companies offer to purchase at least some employees’ homes if they can’t sell, while 20 percent reimburse employees’ selling expenses. The group, which represents organizations that manage relocation programs, estimates \$32 billion a year is spent on U.S. corporate relocations.

The study’s authors also shed light on how demographics affect mobility. While being married does not affect mobility, divorce does make homeowners more likely to move. So do race, sex and education. Households headed by a person with some college have two-year mobility rates that are 4.2 percentage points higher than those without a high school degree. Whites are more likely to move than non-whites, and female-headed households are more likely to move than those headed by males, the study found.



Homeowners Acknowledging Their Values Have Declined



A new poll from Zillow.com shows that 51 percent of homeowners believe the value of their property fell last year, while 49 percent believe the value either stayed the same or increased.

Zillow said the poll reflected a more realistic attitude of consumers than indicated in a poll taken earlier this year, when only 38 percent of owners believed their homes had lost value and 62 percent believed it had either gone up or stayed the same.

According to third-quarter market reports, 78 percent of U.S. homes lost value through the first three quarters of 2009.

Consumers More Willing to Accept Government Oversight of Mortgages



About 56 percent of consumers favored the federal government taking a more active oversight role in lending and mortgages, while 38 percent prefer that private companies oversee their own businesses, according to a NAR report. That is a marked shift from the 2007 survey, which showed respondents were more evenly split on the issue of government involvement.

The poll also showed that relatively few consumers are currently worried about affordable housing. Only 39 percent of those polled were concerned about high home prices, compared to 48 percent last year and 51 percent in 2005.

Builders Eye Turnaround



The National Association of Home Builders is forecasting a rise in new home sales after a disastrous fall. The NAHB is predicting sales for 2008 will finish 35 percent below sales

for the preceding year, and rise six percent this year to about 531,000.

Consumers Seeing 'Green'



"Green"-savvy agents are in demand, according to a consumer survey conducted by Better Homes and Gardens Real Estate.

The Living Green Consumer Survey found that 51 percent of survey respondents "believe

in the importance of working with a green-certified real estate agent," who has specialized knowledge about energy efficiency and the environmental "footprint" of homes, for example.

About 82 percent of respondents said they are informed when it comes to environmental issues, and about 30 percent said they would be willing to spend \$5,000 or more on green improvements to increase a home's appeal to potential buyers.

OK, Exactly How Many Homes Are There in the U.S.?



If you're wondering just how many living dwellings there are in the United States, the Census Bureau has the answer: There were 128.2 million in 2007, an increase from 124.4 million the last time a count was taken in 2005. The current population of the United States is about 305 million.

The Bureau said the number of occupied homes went from 108.9 million in 2005 to 110.7 million in 2007. Other 2007 data showed:

- * Median monthly housing costs were \$927 for owners and \$755 for renters.
- * Median home value in 2007 was \$191,471 and the median monthly payment was \$852.

The full report can be found at: <http://www.census.gov/prod/2008pubs/h150-07.pdf>

MARKETS

California Home Sales Looking Up



The worst may be over in California, depending on how you define "worst." The California Association of Realtors is forecasting median home prices in 2009 will drop another six percent to about \$358,000 – compared

to the \$381,000 projected for this year.

The good news, however, is that sales are expected to rise more than 12 percent as the backlog of unsold homes continues to get sold off at bargain prices. At the height of the California housing boom a few years ago, the median price of a home was almost \$550,000.

AGENTS' CORNER

Disclosing Property Defects Isn't Only About Liability



Realtors are often advised, in seminars and trade journals, to disclose defects and recommend home inspections to clients. The reason given for this advice

is to reduce liability and avoid lawsuits.

"That recommendation has merit, but it offers a narrow view of the issue. Reduced liability is a fringe benefit of disclosure," says Barry Stone, a real estate educator and author.

The focus, instead of liability, should be promoting the best interests of clients. Agents who pursue that approach, rather than a legalistic one, enjoy three primary rewards: They build a lifetime reputation for honest, ethical business practice; they receive the repeat business and referrals engendered by a solid-gold reputation; and they reduce the likelihood of claims and lawsuits for undisclosed defects. From that perspective, here are some simple ways to put this into practice, according to Stone:

- * Agents should determine which home inspectors are the most experienced and most

thorough, and they should provide a list of those inspectors to all of their clients.

- * Real estate brokers should also be proactive about disclosure, even when they are not directly involved in transactions. Many brokers are laissez faire in their approach, uninvolved in the home inspector choices made by agents. This lack of oversight increases a broker's liability. When a lawsuit for a faulty home inspection is filed against an agent, the broker is usually named in the suit.
- * Real estate professionals are in a service business, and success in any service business comes from treating customers the way you want to be treated. Homebuyers want to know what they are buying before they buy it, not after the sale is closed. Agents and brokers who approach their profession from this perspective will build reservoirs of repeat business for years to come and will simultaneously reduce their liability.

Industry Professionals Are Plugged In



Real estate professionals are hooked into social networking Web sites, according to the latest stats from QuantumDigital.

A whopping 67 percent of the real estate professionals who responded to the survey said they are part of an online social network. The survey was sent to 10,000 industry professionals. Among other findings:

- 1 Direct mail, newsprint, email and online marketing are the de facto marketing channels for real estate professionals.
- 2 On average, agents and brokers typically spend 10 percent of their gross commissionable income (GCI) a year on marketing – four percent of which is allocated

to direct mail and six percent to online/Web/email channels.

- 3 Sphere of influence is still the number one way to get new business.
- 4 Email is used for customer retention and follow-up while direct mail and online marketing are used for customer acquisition.
- 5 Sixty-seven percent of real estate professionals are now part of an online social network.
- 6 LinkedIn and Facebook are the top two networking/social platforms.
- 7 ActiveRain.com and RealTown.com are the top two cited real estate blogs.
- 8 Realtor.com, Craigslist and corporate/brokerage Web sites are the three most popular listing sites.
- 9 Whether mailing or emailing, real estate professionals typically hit 200-400 local contacts.
- 10 Real estate professionals need to touch their market at least 18 times per year to forge solid memory of their names and faces.



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