

Real Estate Digest

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April • 2009

Volume 35 • Number 4



Realtors Urge Higher Loan Limits as First-Time Buyers Crowd Market

First-time homebuyers accounted for 65 percent of all existing home sales in the fourth quarter of 2008, up from 46 percent in the first quarter, according to a random survey of members by HouseHunt.com. Will loan limits dampen the enthusiasm?

“Our latest national survey tells us that qualified first-time buyers are taking advantage of home prices not seen in five to seven years in many areas,” said HouseHunt CEO Michael Bearden. “Affordability is no longer a major issue in many areas across the country – especially in those metro areas where prices spiked dramatically between 2003 and 2006.”

But the drop in mortgage loan limits for conventional financing at the end of 2008 is hurting home sales among first-timers and trade-up buyers, according to the National Association of Realtors (NAR).

High-end squeeze

The latest existing-home sales data show transactions under \$400,000 are three percent below a year ago. However, sales of homes priced at \$750,000 or more have declined a whopping 47 percent.

Outside of FHA, Fannie Mae and Freddie Mac, mortgages that do not have government backing are still experiencing a credit crunch. Buyers who need jumbo mortgages must pay interest rates that are nearly three percentage points higher than conventional financing; as a result, the high-end market is not moving.

Lawrence Yun, NAR chief economist, said restoring higher mortgage loan limits is critical to this part of the market. “Buyers in higher price ranges are at a severe disadvantage because they have to pay higher interest rates,” he said.

While homes above \$750,000 are considered luxurious in many areas, they are modestly sized homes in the mid-price ranges of

many high-cost markets. “However, the lower mortgage limits for conventional loans mean upper middle-class home buyers in much of the country, including many areas in the Midwest and South, also have to pay higher interest rates,” Yun said. “As a result, we are seeing a universal stalling of sales in higher price ranges across the country.”

To illustrate in dollar terms, if mortgage limits are permanently raised to \$729,750, the maximum limit that expired at the end of December, the mortgage payment on such a loan would drop by \$942 per month by lowering interest rates two percentage points. Over the life of a 30-year loan, the homeowner would save \$338,000.

Equal access

NAR President Charles McMillan, a broker with Coldwell Banker Residential Brokerage in Dallas-Fort Worth, said all consumers should have access to today’s historically low mortgage

interest rates. “It’s only fair that all people who want to purchase a home have equal access to low interest rates regardless of where they live or where they want to buy,” he said.

“Every segment of the housing market needs a turnaround to spark an overall housing recovery, which will help the economy to begin to recover,” McMillan said.

MORTGAGES

Congressman Seeks to Reinstate Down Payment Assistance



Rep. Al Green, (D-Texas), has introduced a bill that would reinstate

down payment assistance programs that allow home sellers to help finance their buyers. The popular practice was banned last October when it was determined such loans had higher default rates than conventional loans.

Under the practice, home sellers “donate” an amount of money to a non-profit charity, which then gives most of the money to the potential buyer to use as a down payment. Many housing experts believe the practice allowed too many marginal buyers to get into homes, only to default a few years later.



Report: Foreclosures Intentionally Left Off MLSs



The number of foreclosures posted on multiple listing systems nationwide may only be a fraction of those held by banks, which may be keeping them out of the MLS in the hope of not depressing the market further, according to CNNMoney.com.

The Web site reported that RealtyTrac.com compared the number of foreclosures in its database to those listed on MLS systems and found a large discrepancy. It said RealtyTrac looked at listings in four states – California, Maryland, Florida and Wisconsin – and found that they contained only a third of the foreclosures available. NAR currently believes there is about an 11.2-month inventory on the market.

HOPE NOW Prevents Record Number of Foreclosures



The “HOPE NOW” private-sector initiative to blunt America’s wave of foreclosures says it completed 239,000 mortgage workouts in December.

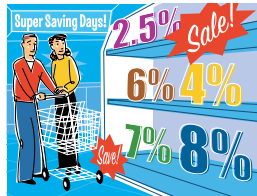
It is the fourth month in which the alliance of mortgage servicers, counselors and investors has prevented more than 200,000 foreclosures.

HOPE NOW member Steve Bartlett, CEO of The Financial Services Roundtable, said the results were a “ray of good news for homeowners.”

“When coupled with the report from the National Association of Realtors earlier this week that existing home sales are higher than expected, HOPE NOW’s record-high number of foreclosure prevention workouts should provide some optimism for homeowners about the future,” he said.

TRENDS

Builders Offer Delayed Payments, Low Rates, Layoff Insurance



Forget free kitchen upgrades, tropical vacations or complimentary closing costs. The latest marketing efforts from homebuilders

center around financing, with rock-bottom mortgage rates, delayed payments and mortgage insurance for job losses.

It’s the newest batch of offers from an industry looking for creative ways to move new houses. Builders know cash is essential to pay the bills and survive, so they’re trying anything to make a sale, even if it further stresses margins as cash flow concerns mount.

Lennar Corp., Toll Brothers and Hovnanian Enterprises are offering interest rates well below a national average hovering above five percent, with industry giant Lennar lowering the bar to 3.875 percent. Hovnanian expects to offer insurance that covers payments for some laid-off homeowners, while Pulte Homes will foot the bill until 2010 in several markets.

“I give them credit; they’re not just rolling over and playing dead,” said Robert Curran, Fitch Ratings’ lead home-building analyst. “They’re looking to distinguish themselves among their peers in a tough market.”

Builders also employ “buydowns,” which make an upfront cash payment to an investor purchasing the mortgage. Since November, Centex Corp., the nation’s third-largest builder, has offered a 3.25 percent mortgage rate that rises to 4.5 percent after two years.

But even the lowest rates seen in years aren’t enough to overcome unemployment, which increased nationwide last month and has spared few sectors. Those without jobs or afraid of losing them are unlikely to buy.

That’s why No. 6 builder Hovnanian is putting the finishing touches on a policy for “involuntary unemployment” that would pay the monthly mortgage for up to six months. The plan includes a 60-day vesting period

and a 30-day wait from the date of losing a job where the borrower worked for 30 hours or more per week for at least 12 consecutive weeks.

Another strategy involves giving even those who remain employed a temporary break. For strong buyers closing on or after May 1, Pulte, the nation’s fourth-largest builder, will cover 2009’s payments, up to six months.

Such programs come with a cost that has eroded once-healthy margins. Last year’s estimated average gross margin was 12.8 percent, compared with 26.2 percent in 2005 – the highest in recent years, according to JPMorgan.

But for most builders, margins aren’t the most relevant metric. “The goal is to generate enough cash, stay liquid, survive and play another day,” said David Goldberg, UBS’ building analyst.

Texas is Top Relocation Destination



Allied Van Lines has released its annual survey of top relocation destinations, and for the fourth year in a row, Texas tops the list. The company said

the number of inbound relocations to Texas exceeded the number of outbound moves by a net of 1,903. North Carolina was second with a net of 800 inbound moves and Virginia was third with a gain of 398.

The largest net relocation losses were in Michigan, Pennsylvania, New Jersey and Illinois.

Industry Sees Changes As Baby Boomers Keep Skiing



The ski industry around the country is responding to a new demographic that’s hitting the slopes in increasing numbers – senior skiers. Baby boomers, part of the generation that first

propelled skiing to mainstream popularity in the United States, are staying on the slopes for far longer, and in greater numbers, than anyone



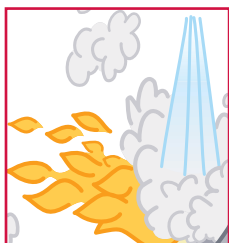
imagined possible a decade ago.

According to an annual study conducted by the National Ski Areas Association, the percentage of people ages 55 to 64 on the slopes has more than doubled to 9.2 percent since the 1997-98 ski season. And the number of skiers 65 and older has been inching up every year as well.

The trend bodes well for real estate markets near ski areas and in cities within easy reach. Many boomers are looking for second homes in "ski range," according to the association.

LAW

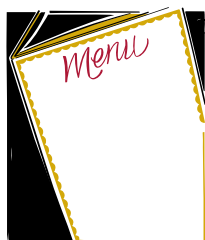
Agents & Builders Say Sprinklers Would Reduce Buyer Eligibility



Real estate agents and homebuilders in Minnesota are opposing a bill before the Legislature to require all new homes to have fire sprinklers installed.

According to housing leaders, the requirement would add \$4,000 to \$5,000 to the cost of a new 2,000-square-foot home – enough to put a mortgage out of reach for more potential buyers. Current law requires that dwellings with more than 9,000 square feet have sprinkler systems.

Rise of 'A La Carte' Real Estate?



American Homeowners Foundation and American Homeowners Grassroots Alliance President Bruce Hahn says home buyers and sellers will look to a la carte real estate services in the future,

which will spawn numerous niche markets.

He anticipates growing tension between big and small realty firms with regard to the new business models, and he says trade groups will look to accommodate the needs of members in different niches.

However, Hahn says associations could

seem to favor more dominant member segments, and he believes this already is occurring with large franchises with traditional business models.

Hahn believes that small, independent brokerages and those adopting new business models need to take on the bigger players in the industry, which he says would eliminate possible antitrust violations and benefit consumers.

TECHNOLOGY

Online Marketing Becoming A Staple For Agents



A survey commissioned by The Real Estate Book finds that 75 percent of agents contacted plan to split their marketing dollars roughly evenly

between personal Web sites, Internet marketing and specialty publications.

The survey found that little money was being steered toward radio or mass market print publications. The study also found:

- ★ 57 percent of respondents spend more than \$500 per month on advertising, marketing, branding and promotion.
- ★ The median amount spent on Internet marketing was \$196 per month. (About 38 percent said they spent \$250 per month on Internet marketing.)
- ★ 25 percent use blogs or social media as promotional tools.
- ★ Five percent expected to spend more this year on newspaper ads.

Ultraportable 'Netbooks' Fill Lightweight Gap



Looking for a mobile computing experience between a smartphone and a true laptop? A Netbook may be the answer. They're portable Web terminals that also run your favorite software ap-

plications, but you'll trade some screen and keyboard size due to its true portability. Here are several new models, under \$1000, that joined this growing class of sub-notebooks earlier this year.

Lightweight: Sony's new VAIO Lifestyle weighs just 1.4 pounds but it is a full-powered Windows Vista PC. This model has an 8-inch widescreen LCD display, 1.33Ghz processor, 2GB RAM, and 60GB hard drive. It includes wireless support for mobile broadband, Wi-Fi b/g and Bluetooth wireless connections.

Added protection: Hewlett Packard is also targeting mobile real estate professionals with the addition of its new Mini 2140 notebook. Slightly larger at 2.6 pounds, an aluminum case protects its 10.1 inch screen, 1.6Ghz processor, 1GB RAM, 80GB hard drive and built-in Webcam. This Vista machine supports Wi-Fi b/g and Bluetooth wireless connections.

Larger screen: At 2.6 pounds, the Viewsonic's Viebook has a 10.2-inch screen, 1.6GHz processor, 1GB of memory, 160GB hard drive, WiFi b/g and Bluetooth, 1.3 megapixel Webcam, and ships loaded with Windows XP Home.

Apple Computer is also reportedly working on a Netbook of its own for release later this year.

AGENTS' CORNER

Widgets Make Your Web Site Worthy of Repeat Visits



Want an easy way to give your Web site or blog some sizzle? Then it's time to enter the wonderful world of widgets – snippets of code you can place on a Web page to add new

functions or interactive features, such as mortgage calculators, driving directions, property search boxes or even Google ads.

"They're usually free and they're remarkably easy to use – even if you have no knowledge of computer programming. It's as simple as copying and pasting code from a source (usually a different Web site) directly into your blog or into an HTML box on your Web page," says

Mike Antoniak, a journalist and technology expert who focuses on real estate applications.

If your widget displays data that change frequently, such as mortgage rates, real estate news headlines or weather reports, the information is automatically updated on your Web site.

Widgets appear as self-contained components of your blog or site, and many can be customized to match the color scheme of your site.

Where to hunt for widgets

Real estate-focused companies, including Trulia and Zillow, also offer free widgets you can use on your site, as long as you don't mind the sometimes not-so-subtle branding and the idea that these widgets may direct users off your site.

Here are some widgets worth checking out:

- ✳ **Meebo.** Customize the look of this instant-messaging widget and add it to your site to chat in real time with visitors. Free registration is required.
- ✳ **Google Translate.** If you cater to an

international crowd, consider Google's translation widget, which renders all of your Web page content in Spanish, Polish, Hindi or any other available language your visitors choose.

- ✳ **YouTube on Your Site.** This widget lets visitors watch YouTube-hosted videos without leaving your site.
- ✳ **Altos Research.** Just select your metro area and get real estate stats – days on market, median price, inventory and more – specific to your market.

Free widgets usually come with a catch or two. Widgets are normally branded with a different company's logo and Web site link – that company may have developed the widget to draw traffic to its own Web site. Read the terms of use, and test it out before making it a prominent feature of your site.

Also, remember that in the world of widgets, it is possible to overdo it. Be selective. Choose tools that match your prospects' interests and needs.

With a "little caution and discretion, widgets can be one of your most effective low-cost tools to keep people coming back," said Antoniak.



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