

Real Estate Digest

800 Westchester Ave,
Suite S-340
Rye Brook, New York 10573
Tel: (914) 381-6700
Fax: (914) 381-3131



The Judicial Title Insurance Agency LLC

YOUR TITLE EXPERTS

Richard Gilliotti
President & Chief Operating Officer

888 Seventh Ave., Suite 300
New York, NY 10106
800-281-TITLE (8485)
Tel: (212) 432-3272
Fax: 800-FAX-9396



May • 2009 Volume 35 • Number 5



Industry Watch: Will Fed's Mortgage Aid Program Thaw Market?

Two-pronged attack

If all goes according to plan, spring 2009 may well be remembered as the *season of the thaw*. The federal stimulus package includes a housing-rescue plan that the Obama administration says will help as many as one in nine homeowners avoid foreclosure, along with well-off borrowers who owe more than their homes are worth.

"It is imperative that we continue to move with speed to help make housing more affordable and help arrest the damaging spiral in our housing markets, just as we work to stabilize our financial system, create jobs and help businesses thrive," Treasury Secretary Timothy Geithner said in a written statement.

At the end of last year, an estimated 13.6 million U.S. borrowers owed more on their homes than their properties were worth, according to Moody's [Economy.com](http://www.economy.com), up from 11.8 million at the end of the third quarter.

The first component of the plan calls for the government to offer financial incentives and subsidies to persuade mortgage-servicing companies to ease up on borrowers who are in financial straits so severe that they risk losing their homes. The second arm calls for Fannie Mae and Freddie Mac, the government-backed mortgage giants, to refinance loans for millions of borrowers who may owe more than their homes are worth, even if they are wealthy enough to afford their current payments.

Early returns show there's much to be optimistic about. The real estate data site [Zillow.com](http://www.zillow.com) reports a substantial increase in the number of consumers looking for loans in the past three months. The company said the daily number of requests coming into the Zillow Mortgage Marketplace was up 142 percent. About 60 percent of requests involve refinancing.

"It's been fascinating to watch homeowners and potential buyers respond so quickly to

these record low mortgage rates and to the economic news of the day," said Zillow President Lloyd Frink.

When President Obama announced his refinancing plan in late February, loan requests rose 56 percent over the average daily rate and remained at higher levels for several days, even though there was no actual movement in rates.

NAR applauds effort

The National Association of Realtors has thrown its considerable weight behind the stimulus program. NAR estimates that the home buyer tax provisions within the program could stimulate up to 300,000 additional home sales, helping stabilize home values and potentially preventing some homeowners from being "underwater" on their mortgage.

The stimulus and mortgage relief program may also get an assist from a bit of market timing; housing affordability is skyrocketing as home prices decline, according to the National Association of Homebuilders.

According to its NAHB/Wells Fargo Housing Opportunity Index, 62.4 percent of all new and existing homes sold in the final quarter of 2008 were affordable to families earning the national median income of \$61,500. In the third quarter last year, only 56.1 percent of homes sold were affordable to families earning the national median.

MARKETS

California Working Out Of Its Housing Slide



California reported a dramatic upturn in home sales this past winter,

although it was accompanied by a corresponding dramatic drop in home prices.

"The strength in California home sales in recent months sig-



nifies that the market is gradually working its way through the large numbers of distressed sales that have followed in the wake of the troubled mortgage problem,” said California Association of Realtors President James Liptak. “With favorable home prices and historically low mortgage rates, affordability in California is now at its highest since the start of the decade.”

In January a year ago, the median price of a California home was \$427,200. That home now costs \$254,350. Alternatively, the state is on pace to see 624,940 homes sold this year compared to a pace of just 311,160 last year at this time.

U.S. Home Values Drop \$2.4 Trillion



Ouch. The total value of U.S. residences at the end of 2008 was \$19.1 trillion, down \$2.4 trillion from the 2007 national value of \$21.5 trillion, according to a report

published by First American CoreLogic.

The research company said price declines have accelerated in the last few months. Since prices peaked in July 2006, they have declined 19.3 percent on a cumulative basis and are currently back to the lowest price level since May 2004. California showed the largest decline, 26.9 percent from a year ago, followed by Nevada, down 26.5 percent and Arizona, down 21.1 percent.

LAW

Local Law Says Owners Must Register Foreclosed Properties



Worried about the rising tide of foreclosures and the deterioration of vacant properties, city officials in Medford, Mass., have adopted an ordinance requiring property owners to advise the city when a home is empty.

It's a law that's becoming popular across the country. The Medford ordinance is designed to make sure local officials know what homes are vacant so city departments can monitor their upkeep. In the past, the only way the city would know if a home was empty was when neighbors would call and complain about vandals or problems such as the smell of gas.

In Florida, the state is considering legislation that would require property owners to identify empty homes as well. The bill requires that property owners pay a fee to place vacant, abandoned and pre-foreclosure homes on a Web site. The site would be monitored by both state and local officials to make sure homes are kept in good repair.

The purpose of the bill is to stabilize housing markets in areas hard-hit by foreclosures, said sponsor Rep. Ari Abraham Porth, D-Coral Springs. He said deteriorating homes harm housing values for properties around them.

Texas Law Aims to Protect Buyers From Meth Contamination



A new law may change disclosure stipulations for an unexpected problem that is distressing more and more homebuyers — methamphetamine contamination.

Meth-making or heavy use can leave chemicals in carpets, air ducts and attics. Contamination of apartments, hotel rooms, houses and storage sheds is more common than people imagine, according to experts, and without proper cleanup the chemicals linger and expose people to health risks.

Experts say the law requiring Texas home sellers to disclose knowledge of a house being used as a meth lab is not strong enough to protect buyers.

House Bill 23, introduced this session, would require landlords to disclose previous use of leased premises for manufacture of methamphetamines.

Under Texas law, if buyers suspect improper disclosure, they can file a complaint with Texas Real Estate Commission, and the issue can be investigated. The Texas Property Code also requires the seller's real estate agent to disclose any significant defect.

TRENDS

Trulia Sees Surge in Consumer Real Estate Interest

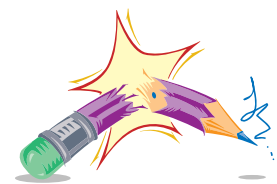


The online real estate information site Trulia.com reports a surge in the number of consumers doing property searches on the site, as well as a substantial increase in consumer networking.

The company said page visits were up 40 percent in January compared to a year ago and that activity on its blogs and question-and-answer sections was up by 115 percent.

Trulia co-founder Pete Flint said he had been concerned that traffic would be down because of the economy. “In reality, consumers were engaged more than ever and we believe the dramatic increased engagement is a good indication that consumer optimism is on the rise,” he said.

Surprised? Real Estate Agents Have Stressful Jobs

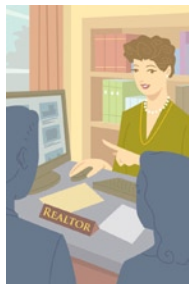


As if you needed a study to tell you, the employment Web site CareerCast.com has named “real estate agent” as one of the top five most stressful jobs in the country.

The site, which lists 200 jobs, said the top five most stressful were: Surgeon, airline pilot, photojournalist, advertising account executive and real estate agents. The least most stressful were: actuary, dietitian, computer system analyst, statistician and astronomer.



Realtor Member Numbers Decline



Membership in the National Association of Realtors has declined to 1,152,429 as of January, compared to a membership of 1,289,144 a year ago. At its peak in October 2006, NAR membership was 1,370,759. Many real estate professionals see the decline as

beneficial, suggesting those leaving the industry are mostly part-time sales associates who only do a few deals per year.

INTERNATIONAL

Buy a House, We'll Give You a Job



A real estate company in Shanghai is making a novel, if risky, offer to young homebuyers: Buy a condo, and we'll give you a job to pay for it. Shanghai Sanxiang Co., a large developer in the city, says so far it has hired eight of its buyers.

As unemployment goes up in the overbuilt city, millions of young people who were drawn to Shanghai during the boom are now returning to their homes in rural parts of the country. Sanxiang says it believes the market will turn by the end of the year and therefore will need the additional trained staff.

Only Royalty Can Afford Monte Carlo



Global Property Guide's 2009 list of the world's most expensive real estate markets shows that Monte Carlo is No. 1 at \$45,000 per square meter (a square meter equals .8361 of a square yard).

Following Monte Carlo were:

- * Central Moscow, \$20,853 per square meter.
- * London, \$20,756.
- * Tokyo, \$17,998.
- * Hong Kong, \$16,125.
- * New York, \$14,898.
- * Paris, \$12,122.
- * Singapore, \$9,701.
- * Rome, \$9,166.
- * Mumbai, India, \$9,163.

AGENTS' CORNER

For New Listings, Tap the FSBO Market



by-owners (FSBOs).

Working with FSBOs is an important source of business that most agents overlook. According to the NAR 2008 Profile of Buyers and Sellers, approximately 88 percent of all FSBOs ultimately listed with an agent. Of those who did not, a large proportion of these sales were actually intra-family transfers tied to a marriage, death or divorce.

"Even in a good market, many agents feel FSBOs are not worth the trouble. In today's market, they represent an even bigger challenge," said real estate author and coach Bernice Ross.

Here are the three strategies to help you convert FSBOs into closed transactions:

1 Make contact with distressed owners. Many FSBOs are facing foreclosure and have zero or negative equity. Selling their house without an agent is a last-ditch effort to avoid foreclosure. Actively search for FSBOs and expired listings to determine which owners are facing foreclosure. Approximately 25 to 30 percent of the time, the owner's contact information will be online. (If you don't subscribe to a service, you can check with a title company or sites such as Zabasearch.com or

123people.com for owner contact information.)

Next, contact the owners and explain the various options available to them. For example, if they can locate a buyer, they may be able to do a short sale. Another alternative is to work with a loss mitigation company or HopeNow.com to see if the foreclosure can be stalled and/or the loan worked out. They could also hire a consumer attorney to determine if the foreclosure proceeding can be stopped completely.

"Your role is to help the owner provide the best possible solution to the challenges they are facing," said Ross.

2 Suggest a lease-option agreement.

For sellers who still have equity, a lease-option can be an excellent choice, especially for properties requiring a jumbo loan. Lease-options require three separate agreements. The first agreement is for a standard lease. Agents get paid on the lease agreement as part of that transaction. Be sure you handle the security deposits and other aspects of the lease as if it were a stand-alone transaction.

You will also need a separate contract for the option to purchase. Unless your state or local board provides you with lease-option forms, you will need an attorney to draft the option agreement. Options are different from a "first right of refusal," where no money changes hands. Where you have an option, the buyer pays the seller a non-refundable amount of money that gives him/her the right to purchase the property at a predetermined price at a later date.

You will also need to negotiate a purchase contract. In addition to collecting a security deposit per the lease agreement, it's also smart to collect the earnest money deposit and place it in an escrow or trust fund account. The cleanest way to do a lease-option is to treat the lease and the purchase as two separate transactions.

"It's also smart to put a home warranty on the property to protect all parties involved," Ross added.

3 Show owners how to "FSBO." As counter-intuitive as it sounds, it's not a bad idea to provide a free seminar that shows FSBOs how to sell their home on their own. The first step is to invite FSBOs to a seminar where you explain all the steps that you take to market a property.

Provide your FSBOs with a list of all the

different places where they can post their listing at no charge. Next, have a mortgage officer explain the various loan programs available. It's also smart to provide a worksheet that shows what it will take for a buyer to qualify for a loan on the FSBO's property. Next, have an attorney explain the local, state and federal required disclosures, as well as pitfalls to avoid.

"Does this strategy work? Agents who are using the free-seminar approach are getting approximately a 20 percent conversion rate," said Ross. "If you're looking for more business in these tough times, FSBOs can be an important addition to your marketing plan for 2009."

Rise of the Buyer's Agent?



Buyer's agents could become "more the norm in the next three to five years," Frank Urso, president of the Multiple List Service of Long Island, told the *New York Times*.

In a recent article, the *Times* discussed the rise of buyer's agents or brokers, who represent the buyer's interest in a real estate

transaction. In Long Island, the number of buyer's brokers is still relatively small, but the number of buyers seeking agent representation has grown.

According to the National Association of Realtors' 2008 Profile of Home Buyers and Sellers, of buyers who used an agent, 61 percent chose a buyer's representative. However, there are buyer's representatives and exclusive buyer's representatives.

Many buyers don't realize that even if they work with an agent to show them properties, the relationship is not binding unless the broker and buyer sign an agency disclosure contract, said Urso. "The broker that has the listing is always working for the seller and his agents are working for the seller," Mr. Urso said. Even the so-called buyer's representative gets his/her commission from the seller and is legally obligated to represent the seller's interests.

However, with an agency disclosure agreement, the buyer's broker can disclose confidential information, such as the seller's financial situation, which can help the buyer in the transaction. Conversely, the buyer's broker cannot reveal information such as the maximum price a buyer is willing or able to pay for a house.

Several organizations have sprung up to promote the subspecialty of buyer's representative. REBAC, the Real Estate Buyer's Agent Council, is an offshoot of the NAR and claims to be "the world's largest organization of real estate professionals focusing on buyer representation." Members of National Association of Exclusive Buyer Agents (NAEBA) must be exclusive buyer agents and work "for an office that does not take listings of any kind and represents only buyers."



SMART'S
PUBLISHING

The information presented and conclusions stated in this newsletter are based solely upon our best judgement and analysis of information sources. It is not guaranteed information and is not necessarily a complete statement of all available data. Web site citations are current at time of publication but subject to change. This material may not be quoted or reproduced in any form, including copy machines or any electronic storage or transmission medium, in whole or in part, without permission from the publisher. A special edition of Real Estate Digest is available for real estate agents specializing in commercial property or high-end residential, and for mortgage brokers. Please call 866-762-7879 to order your personalized copies today.

All rights reserved.

©2009 Smart's Publishing

PO Box 276 • Ashland, Oregon, 97520

www.smartspublishing.com

866-762-7879

Judicial Title



YOUR TITLE EXPERTS

800 Westchester Ave,
Suite S-340
Rye Brook, New York 10573

Presorted STD
U.S. Postage
PAID
Permit #125
Medford, OR