

# Real Estate Digest

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## Gain Seen In Pending Home Sales; Housing Affordability Sets New Record

**A**re we there yet? Both pending home sales and home affordability have taken a favorable turn in recent months, hinting at a possible pickup of sales activity, according to the National Association of Realtors. The Pending Home Sales Index, a forward-looking indicator based on contracts signed, is on the rise, but it still has a lot of steam to pick up before returning to normal.

“More buyers are getting into the market to take advantage of stimulus incentives and much improved housing affordability conditions, but it will take a few months before we could see this turn up in measurable sales contract activity. But recent increases in shopping activity are hopeful indi-

cators that we’ll see additional sales gains,” said Lawrence Yun, NAR chief economist.

The stars couldn’t be aligned better for home buying, according to NAR President Charles McMillan. “The drop in mortgage interest rates and home prices mean the buying power of a typical family has never been better. If you have a good job and long-term plans, it’s unlikely that you’ll find a much better time to buy a home. This is especially true for first-time buyers who can qualify for an \$8,000 tax credit this year, have a great selection of homes to choose from, and are in a favorable negotiating position.”

### Affordability shines

There’s good news on the affordability front as well. With the decline in housing prices, home affordability is at record

levels, according to the National Association of Home Builders. The NAHB says 55 million families — half of all U.S. households — can afford today’s \$200,000 median-priced new home. The trade group says that is an increase of 17 million families since 2007.

“Homes in many areas are now selling for less than replacement construction costs — clearly this is an abnormal situation which will change once inventory is drawn down and supply and demand come closer into balance,” said NAR’s McMillan.

### Stabilization near

Yun, however, said he expects housing inventories to rise through early summer from a normal seasonal pattern of more sellers appearing in the spring.

“With the positive housing stimulus incentives now in place, we expect home sales to gain momentum in the second half of the year with first-time buyers absorbing a lot of the excess inventory,” he said. “Under these conditions, we should see price stabilization in most markets by the end of the year.”

## MARKETS

### El Paso Awaiting Housing Boom



While much of the nation suffers through

the housing doldrums, El Paso is on the brink of a surge, thanks to the U.S. Army. As military bases around the country close, Fort Bliss in El Paso is expanding to accept those displaced soldiers.

Housing lenders say the community needs another 8,000 housing units in the next few years to house the additional military personnel and their families. The \$3.4 billion those families are expected to pump into the local economy also should boost home buying by non-military personnel.



## Iowa Farm Land Prices Decline



So much for the bio-fuels bubble. The Iowa Farm and Land chapter of the Realtors Land Institute reports the price of Iowa farm land has fallen 7.6 percent since September, the

first drop in nine years.

Officials say a wide number of factors — low commodity prices, depressed markets and economic volatility — all contributed to the decline. They also cited speculators who drove up the price of corn used for ethanol and then sold when the price of oil began dropping. The price of “high quality” cropland fell from \$5,619 per acre to \$5,297, a six percent decrease.

## Second-Home Sales See Continued Price Decline



The median price of a vacation home was \$150,000 in 2008, down 23.1 percent from \$195,000 in 2007. The typical investment property cost \$108,000 last year, which was 28 percent below the 2007 median of \$150,000.

NAR said vacation-home sales dropped 30.8 percent to 512,000 last year from 740,000 in 2007. Investment-home sales fell 17.2 percent to 1.12 million in 2008 from 1.35 million in 2007.

Despite the slide, NAR economists said they expected sales to improve as more people move into the typical second-home buyer age group. Currently, 39.2 million U.S. residents are ages 50 to 59 — a group that dominated second-home sales in the first part of this decade. An additional 44.8 million people are between 40 and 49, and another 40.7 million are 30 to 39.

## REO Sales Impacting Home Prices



The number of real estate owned (REO) sales in the nation is having a dramatic impact on the sales prices of homes, according to a report by Lender Processing Services.

Non-REO sales prices in Riverside County, Calif., for example, declined 28 percent in 2008 compared to 2007, but when REOs are factored in, the price decline was nearly 34 percent. In the Phoenix area, non-REO prices declined 19 percent but when REOs are added, the drop was closer to 29 percent.

### TRENDS

## Vacant ‘House-Sitting’ Strategy on the Rise



Vacant homes often don’t appeal to buyers. So, these days, some real estate companies are getting house sitters to help keep the home maintained and give it that lived-in feel.

The house-sitting strategy is being used with foreclosed homes and involves allowing people to live in the property for little rent (sometimes as low as \$400 per month) in exchange for house-sitting the residence. Typically, the house sitters or caretakers are responsible for keeping up the home and paying for utilities and any homeowners’ association fees.

They aren’t usually offered a lease term and they’re required to move out with as little as five days’ notice if the home sells.

ABC News reports that the concept was introduced in this economy because foreclosed homes are at risk of vandalism.

“Obviously, when there is nobody living in them, the whole neighborhood could lose value,” said Christine Lohkamp of Homes in Transition, a company based in Albuquerque, New Mexico.

Homes in Transition says that homes with sitters can sell for 20 percent more and 30 percent faster. The service costs nothing for the homeowner and is actually designed to alleviate many of the costs associated with maintaining a vacant property because they are paid for by the resident property house sitter.

Some companies offer the house sitter the option of paying into a monthly maintenance service program so that when household problems occur, the general contractor associated with the company can fix them.

## California Realtors Put Safety Net Under First-Time Buyers



Following on the heels of automobile manufacturers, the California Association of Realtors has launched a program to help first-time homebuyers stay in their homes if they lose their jobs. The purpose of the program is to take some of the fear out of home buying.

The CAR Housing Affordability Fund Mortgage Protection Program will support first-time buyers with as much as \$1,500 per month for six months. The association is dedicating \$1 million to the program and believes as many as 3,000 families could be helped this year.

A qualified co-buyer also can participate in the program and receive a monthly benefit of \$750 per month for up to six months. Program benefits also include coverage for accidental disability and a \$10,000 death benefit. For more information, see: [www.CAR.org](http://www.CAR.org)

## Wealthy Chinese Eye Bargain U.S. Prices



Amid a downturn in real estate prices, some wealthy Chinese are signing up for home-buying tours to the



## MORTGAGES

### Homeowners Need Patience With Loan Modifications



Understandably, homeowners who apply for a loan modification tend to get a little antsy

and perhaps even annoyed when they apply for a loan modification and then fail to hear anything for several weeks, especially if they continue to receive late payment notices and nasty phone calls from collection agencies.

How long will it take? The loan modification process typically takes 30 to 90 days, depending mostly on the lender and the homeowner's ability to efficiently work through the process with an attorney or other loan modification representative.

The key to remember: The loan modification timeline is not set in stone. The more complex the situation or the greater the degree of concessions needed from the investor, the longer the process takes. Borrowers with a lot of collateral issues can see their loans take longer than what has become the typical 30- to 90-day timeframe.

A professional can often reduce the amount of time required by processing paperwork efficiently, presenting an application exactly the way the lender wants it, and knowing from past experience what the lender is able and typically willing to agree to. Although each borrower's situation is unique, knowing the measures the lender is willing to take for similarly situated borrowers can be a real time saver.

## AGENTS' CORNER

### Special Skills Needed When Working with Distressed Seller



Distressed sellers and properties need special care and handling. Here are seven things to remember, according to

United States, and Chinese media tout the trend as another sign of strength from what's now the world's third-largest economy behind the United States and Japan.

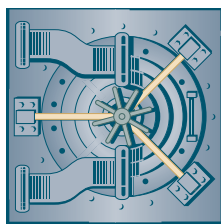
On a recent broadcast, China Central Television's popular Oriental Horizon program dedicated half an hour to the topic of house-hunting tours to the United States. The tours also have been the subject of numerous newspaper articles, some of them suggesting that the buying power of newly rich Chinese might help salvage U.S. real estate woes.

The U.S. real estate slump has made property in major cities seem cheaper than in China's larger cities, real estate professionals said.

"If you take a brand new apartment in a first-tier city, like Beijing, Shanghai or Guangzhou, you can buy a lot more equivalent in the United States," said Anna Kalifa, a vice president of business development at GTC Real Estate China, a development arm of the Kardan Group, based in the Netherlands.

## LAW

### Realtors (Finally) Push Banks Out of Brokerage



The National Association of Realtors has won its eight-year battle to keep banks out of the brokerage business. The appropriations bill passed earlier

this year by Congress includes a permanent ban on the Treasury Department and Federal Reserve Board from allowing national banks to either own or operate real estate businesses, which NAR has contended would have eventually led to banks controlling the brokerage industry.

The issue came up in 2000 with adoption of the Gramm-Leach-Bliley Act, which allowed the Treasury and Fed to decide which business activities were "financial in nature" and therefore eligible for bank participation. The Treasury and Fed initially said broker-

age was financial, which prompted NAR to use its lobbying clout in Congress to delay implementation of that decision. Although winning temporary bans for several years, until this year NAR had been unable to make the ban permanent.

### No Recourse for Man Who Moved Into Wrong Condo



A Denver man bought a condo, moved into unit No. 4, made thousands of dollars worth of improvements and even periodically lamented what a wreck unit No. 5 was...

that is, until he was told he had moved into the wrong place.

The condo owner's actual home was unit No. 5. But after spending more than \$30,000 remodeling unit No. 4, the man went to court to try to remain in the improved condo, but that petition has been denied.

### Church Begins Rehab On Wrong House



A well-meaning church in Anderson, Ind., is embroiled in a dispute with a property investor over rehab work started on a

home that had been donated to the church. The work was done on the wrong house. A damaged, abandoned property that was in foreclosure was donated to Christ Temple church. A member of the church went out to the neighborhood and found a boarded-up home, and went to work.

The church member pulled off the boards, took down the doors and was pulling off the trim when the owner-investor arrived. After police sorted out the details, it turned out the foreclosed home was four houses away. The investor now wants the church to replace the doors on the home and fix other damage, as well.

real estate educator and author Marylyn B. Schwartz.

- 1 **Don't tell someone they may be eligible for a short sale unless you know that they have a legitimate hardship that may qualify.** "Just being short of money is not equal to a hardship under the bank's definition, [which includes]... death, job loss, serious illness, absolute necessity to move to care for an ailing relative," said Schwartz.
- 2 **Never tell the client that you can speak with the bank on their behalf.** That requires written consent by all parties on the deed and then verification by the bank. Recommend instead that the client get a skilled short-sale attorney involved at the earliest possible stage. "You can be held liable for all false or misleading statements you make to a client and or the bank," said Schwartz.
- 3 **Don't accept bids from buyers time pressured to buy.** Short sales may take up to six months to complete. Impatient buyers will back out due to frustration over bank delays. That could cause an unnecessary foreclosure or scare away other potential offers.
- 4 **Have the seller or the seller's attorney get the bank's short sale requirements ASAP.** "Nothing can be done before your clients and you know what the requirements are. Tell the sellers they should gather all of their financial papers, such as bank statements, stock certificates, other investments/assets...for the past three months."
- 5 **Be sure you comply with MLS rules regarding co-broker notification.** NAR has a suggested policy statement on how to handle this with MLS rules. All offers should be presented with an estimated HUD statement attached. Without that, replies will be greatly delayed.
- 6 **If the buyer is not 100% pre-approved, don't even bother.** Homes with more than one lien can be much more difficult to process through a short sale.
- 7 **Make sure you are covered by your broker's E&O policies.** Many E&O providers have created guidelines for companies who allow agents to become involved with the short-sale market. "There is a great deal of liability associated with this complicated process," said Schwartz.

You can make a viable profit center out of working distressed properties; just be sure you handle them correctly.



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