

# Real Estate Digest

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## 2009 Year in Review: Turnaround Begins with Challenges Ahead

If you're looking for data that supports a 'down' year, you'll find it. And if you're looking for data that supports an 'up' year, you'll find it too. And this paradox — more than anything else — reflects the nature of the residential real estate market in the year 2009.

The good news is that there has been more good news to cheer about lately. Consider:

- The number of homes on the market is down 23 percent from the same time last year. A survey of MLSs in 25 metro markets found that San Francisco led the way in the decline in listings with 48.9 percent fewer listings than a year ago. And the supply of homes available for sale in 27 major metropolitan areas at the end of September was down 1.8 percent from a month earlier, according to *The Wall Street Journal*.

- Pending home sales have increased for seven straight months, the longest in the series of the index, which began in 2001, according to the National Association of Realtors. The index is at its highest level since March 2007.

- The Case-Shiller Home Price Index shows the value of homes in 20 metro markets rose 1.6 percent, the third consecutive monthly increase.

- New homes sales are ending the year up modestly, according to the Commerce Department and National Association of Realtors. New home sales were up 0.7 percent to an annual sales pace of 429,000 units.

- Prices in bellwether California, one of the nation's hardest-hit residential housing markets, are expected to rise slightly next year. The median sales price of an existing single family home in the state will rise 3.3 percent to \$280,000 in 2010, up from a projected median price of \$271,000 for 2009, according to a forecast by the California Association of Realtors.

### Challenges remain

There are still significant hurdles to overcome, starting with the continued high rate of foreclosures. The Office of Thrift Supervision reports that mortgage delinquencies and foreclosures are continuing to go up, despite government efforts to put a safety net under homeowners who are falling behind. According to the latest numbers, delinquencies and foreclosures in process increased to 8.5 percent and 2.9 percent of all serviced mortgages, respectively.

And the market will not really begin to surge until the employment rate, hovering at about 10 percent, starts to tick up, say economists.

### Reason for Optimism

Despite the challenges, the year is ending on an upturn.

“What the numbers mean is an increase in confidence from both the investment and home building sides of the market, a belief that we have hit a bottom in select markets and are beginning to see a rebound in better

locations,” said Tom Dallape, co-principal of The Hoffman Company.

### MORTGAGES

## NAR: Make FHA Loan Limits Permanent



The National Association of Realtors is urging Congress to make the current FHA loan

limits permanent to ensure liquidity in the housing market. In testimony before the House Subcommittee on Housing and Community Opportunity, NAR representative Boyd Campbell said FHA already had played a critical role in removing inventory from the market and should continue that role to help stabilize prices.

Current FHA loan limits are as high as \$729,750 in high-cost areas, and are set to expire at the end of the year and revert to lower amounts.



The present FHA share of the housing market is 25 percent, significantly up from three percent two years ago.

Campbell said FHA had “performed remarkably well through the housing crisis, compared to Fannie and Freddie, because FHA has never strayed from the sound underwriting and appropriate appraisals that have traditionally backed up their loans.”

## U.S. Data Show High Mortgage Denial Rate for Minorities



A Federal Reserve report on home mortgage data showed that blacks and Hispanic whites were far more likely than non-Hispanic whites to be denied last year in applying to refinance.

The annual report is based on data collected from more than 8,000 mortgage lenders nationwide under the Home Mortgage Disclosure Act of 1975, known as HMDA.

For applications to refinance conventional mortgages, those that aren't insured by the federal government, the denial rate for blacks or African Americans was 61 percent. That compares with 51 percent for Hispanic whites and 32 percent for non-Hispanic whites.

The gap may partly reflect the larger proportion of minority borrowers who got subprime loans during the housing boom and ended up in homes whose values have crashed.

The Fed report said the differences among races may partly involve factors that aren't measured by the HMDA data, including borrowers' overall debt burdens in relation to income and credit records. In addition, mortgage lending is more competitive in some areas than in others, and different groups of people may have different practices in shopping for loans.

The report also highlighted the hugely expanded role of the Federal Housing Ad-

ministration, a U.S. agency that insures lenders and loan investors against losses from mortgage defaults. About 22 percent of new mortgages for one- to four-family, owner-occupied houses in 2008 were insured by the FHA, up from 5.6 percent in 2007 and 3.5 percent in 2006.

## HUD Inundated With Loan Modification Requests



HUD has announced it has more than 500,000 trial loan modifications in progress under the Making Home Affordable program. The agency had hoped to have at least a half-million modifications in progress by Nov. 1 but managed to exceed that goal at least a month earlier. It now says modifications are being issued at a faster rate than they are coming in, suggesting the mortgage crisis may be easing. HUD said it was continuing to work on efficiency and responsiveness to borrowers.

### TREND

## Boomers Aren't Choosing Urban Retirement



Part of the prevailing wisdom of the now-late-lamented housing boom was the theory that baby boomers were ready to trade in their suburban ranch houses for an urban retreat, thus saving themselves from lawn maintenance and automobiles.

Now many of the condos that were built in urban centers in anticipation of that happening are sitting vacant.

“Someone who grew up living in 2,500 square feet with a driveway leading up to the front door isn't going to downsize to 850 square feet until he's ready for assisted living,” says Joel Kotkin, a scholar on urban development who wrote *The City: A Global*

*History*. “The new urbanists convinced the development community there was going to be this massive move that never happened, at least not yet.”

## List Prices Still Being Reduced to Attract Buyers



One in every four homes on the market today has had at least one price reduction and the total amount slashed nationwide is about \$28.4 billion. The average amount cut from listing prices is 10 percent, according to the real estate search engine [Trulia.com](http://Trulia.com) and confirmed by [Zillow.com](http://Zillow.com).

Trulia said the New England area saw the highest number of listings with cuts — about one in every three homes. Listings in the Western states had the largest percent reduction per house. The company said, however, that of the \$28.4 billion cut nationwide, 35 percent of that total involved properties in New York, California and Florida.

“Negotiating power is a clear reflection of inventory levels, which dropped nationally in August,” said Zillow Chief Economist Dr. Stan Humphries. “Tighter supply in some markets is translating into less of a discount off listing prices.”

### TECHNOLOGY

## Industry May Soon Get Its Own Web Extension



The *Kiplinger Newsletter* reports the number of Web site extensions like “.com”, “.org” and “.net” may soon be expanded to include many more — including “.realtor.”

The newsletter also said the public could soon see a number of trade-name specific

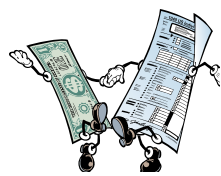


extensions — such as “.exxon-mobil” or “.amex,” as well other more general extensions, such as “.hospital.”

Focusing on “.realtor,” the newsletter said the Internet Corporation for Assigned Names and Numbers (ICANN) would “aim to award proposed names to logical recipients, such as giving the domain .realtor to the National Association of Realtors (NAR), even if several independent realty firms bid for the rights.”

## LAW

### Continued Tax Credit Could Create 334,000 New Buyers



Eighteen percent of likely first-time homebuyers consider a tax credit an important part of their decision-

making process. Four out of five potential first-time buyers, however, indicated they'd probably buy a home with or without the government help, according to a Zillow report.

The Zillow poll found that if the \$8,000 credit were extended (as proposed at time of publication) through next year, 18 percent of buyers would consider it a “primary influence” in their decision to purchase, 25 percent said it would be a “significant” influence, 27 percent said it would have “some” influence and 31 percent said a credit would have little to do with their decision. Zillow noted that the credit was the major reason to purchase for 18 percent of consumers, which would mean 334,000 new buyers in the market.

### EPA Publishes Guidelines For Meth Lab Cleanup



The Environmental Protection Agency has issued guidance for cleanup of methamphetamine labs that have become disclosure problems

for real estate agents.

The EPA document — Voluntary Guidelines for Methamphetamine Laboratory Cleanup — is based on a review of the best available science and practices for cleanup. Other topics include best practices for specific items or materials, sampling procedures, and technical resources.

Meth lab cleanup has been problematic for real estate agents and homebuyers who worry about what standards were used to clean up homes before they are returned to the market. More information is at [www.epa.gov/oem/methlab.htm](http://www.epa.gov/oem/methlab.htm).

## AGENTS' CORNER

### How to Use Bonuses And Incentives to Get More Clients and Sell More Homes



You've probably seen countless infomercials that include one or more special bonuses if you purchase the product being advertised.

“These successful marketing companies offer bonuses for one reason only: because it increases sales,” said Rob Minton, a real estate educator and coach.

And while it may cost you money to provide significant incentives, it's often cheaper than cutting commissions to make a sale.

“You'll be surprised to find that you can offer some very attractive bonuses with high perceived value that don't cost a great deal of money,” Minton added.

In addition to using incentives to attract new clients, you could also use them to reactivate old clients or unconverted leads. There are multiple ways to use incentives to drive home sales.

“The key to using incentives and bonuses is to create urgency to take action. You can see this displayed in infomercials when they limit the bonuses to a certain number of orders or a certain time period,” said Minton.

Someone interested in the product has to act quickly to get the special bonuses offered. Don't use a bonus or incentive without a time limit or restriction on the number of bonuses available. As an example, consider the following:

- ✦ The first three sellers to list their home within the next two weeks will receive a four-night, five-day Caribbean Cruise vacation getaway.
- ✦ The first three buyers who register to attend my special homebuyer workshop will receive a weekend trip to Disney World.

Here's the caveat, and it's a big one: If you decide to use incentives as a marketing tool for your business, be sure to disclose any incentives offered when selling a home. Incentives would be considered an “inducement” and must be disclosed, according to licensing laws in many states.

This disclosure shouldn't be anything difficult. Simply add a clause to the contract indicating that the buyer or seller received a special vacation package as part of their purchase or sale. As usual, discuss this strategy and any disclosure requirements with your real estate attorney.

### Four Ways to Use Zillow to Your Advantage



Zillow is a media site, or a marketing platform that consumers love and real estate professionals can utilize to connect with buyers, sellers and each other. Each month more than eight million users

come to Zillow with one common interest, real estate.

Here are four ways you can use Zillow to help you land listings and attract buyers.

- ✦ **Create a free profile.** Participating on Zillow all begins with the creation of a profile, which links to everything you

do on the site. To get started, click "Register" in the upper right hand corner and walk through the steps. If your brokerage or a syndication site is feeding listings on your behalf, be sure to register using the same email address as they have on record for you. (Zillow uses the email address to match listings to profiles.) Also, be sure to include your photo, all contact information, marketing text with unlimited links back into your Web site, geographic areas you work, and professional areas of specialization. Because your profile is automatically included in the directory, use relevant keywords that consumers will be using when searching for you.

✳ **Become a Zillow advisor.** Zillow Advice is an interactive forum where anyone can ask and answer questions. It is a great place to soft-sell yourself by leveraging your local real estate expertise. Your responses will be posted to the site, along with a link back to your profile. You are free to browse all the topics and discussions that are constantly added to the site. To use Zillow

Advice most efficiently, subscribe to be alerted via email whenever a question about a topic or geographic area you designated is asked. Simply go to Zillow Advice, type in a topic such as "short sales" or "Chicago." At the top of the search results, click the link "Get Email Alerts."

✳ **Use local real estate data.** Zillow produces monthly, interactive real estate market reports for the nation and more than 160 metro areas across the country, with home value information down to the neighborhood and ZIP code level. One thing that makes these reports unique is that Zillow looks at data from all homes on the site, not just the ones that are on the market or have recently sold. This data is useful when communicating your local real estate expertise to your clients.

✳ **Leverage Zillow's accuracy reporting.** Ever hear the question from buyers and sellers, "But Zillow said..."? Using the accuracy chart posted on the footer of every page on [Zillow.com](http://Zillow.com), you'll be able to answer this question by saying "Zillow also says they have an error

margin of X percent in our county, and are within five percent of a home's sale price X percent of the time."



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