

# Real Estate Digest

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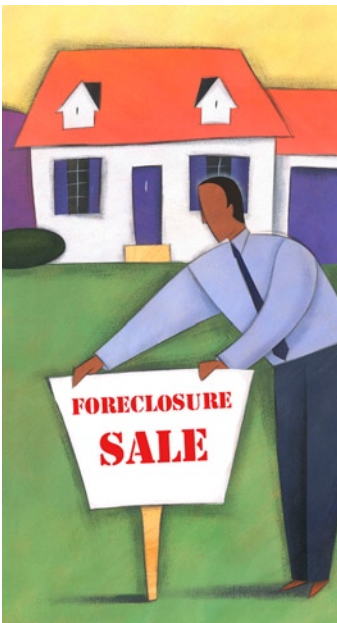
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Title Company Edition

April • 2010

Volume 36 • Number 4



## New Guidelines and Incentives Ease Short Sales

out funds must comply. Even when certain banks do push for faster short sales, there is so little consistency among mortgage negotiators that analysts believe it may be difficult for the new deadline measures to be applied or enforced evenly.

In a short sale, the homeowner sells the property for less than what is owed on the mortgage, and the lender forgives the difference. Gary Balanoff, a real-estate agent and analyst, tells his clients to expect at least a 60-day wait when they try to buy or sell a home via a short sale. And as Treasury's expedited short sale process emerges in April, he said, he's not going to tell his clients anything different.

"It's a very tough process to get some degree of standards," Balanoff said of short sales. "I think this will help—it will put more pressure to comply and get quicker results. Three or four months of waiting for an answer is not doing anyone any good—even lenders."

Frustrated buyers sometimes walk away during the delays. In

some cases, lenders insist that the borrowers share in the financial loss, which holds up the transactions even longer. As a result, homes stay on the market, prolonging the housing downturn.

### Incentives all around

The Treasury rules, in addition to imposing a 10-day deadline for bank decisions, call for sellers to receive \$1,500 in moving allowances—and for the sellers to not have to repay any of the debt. Also, lenders will get \$1,000 to cover administrative and processing costs, while investors owning the mortgages will receive a maximum of \$1,000 for allowing as much as \$3,000 of a short sale's proceeds to be distributed to less senior lenders.

The 83 loan servicers participating in the Obama administration's Making Home Affordable loan modification program are required to follow the guidelines for all borrowers who have requested short sales or who did not complete loan modifications.

### MORTGAGES

## Bankers Predict Low Interest Rates Through 2010



The Economic Advisory Committee of the American Bankers Association is forecasting continued slow recovery throughout 2010, but little job growth. The committee of bank economists believes that national growth will be in the range of 3.1 percent—

enough to keep strengthening the economy but not enough to bring unemployment down from its current 10 percent rate.

On the positive side, the economists believe the slow growth will keep inflation down, which will allow the Federal Reserve to keep interest rates low.

## Mortgages Becoming Easier to Obtain



In some parts of the country, borrowers with good credit are more likely to be able to borrow 95 percent

**F**inancially stressed homeowners left hanging while their banks consider whether to approve the short sales of their properties may benefit from new federal guidelines that give lenders a 10-day limit in which to respond to purchase offers.

The rules from the U.S. Treasury, which also allow financial incentives for both sellers and lenders, could figure prominently in a number of housing markets, where a significant percentage of existing-home purchases involve a short sale.

### Wait and see

The effect of the new rules will likely be somewhat limited because only banks that owe the federal government TARP bail-



of the purchase price than they were just a few months ago.

In Florida and other troubled markets, credit remains tight and mortgage companies continue to scrutinize property appraisals, which makes it difficult for some borrowers to get financing. But in most areas of the country where prices are stabilizing or falling only slightly, standards are relaxing.

“We are starting to see moderation,” said Neil Librock, head of credit risk for Wells Fargo & Co.

## Industry Faults New Home Appraisal Regulations



Are home appraisal regulations that took effect last year just making things worse?

The Appraisal Institute and the NAR say these changes aren't good

for either consumers or appraisers because they result in appraisers being assigned to unfamiliar areas and uninformed, low-ball appraisals.

The Title/Appraisal Vendor Management Association, the trade association of the real estate settlement services industry, says the third-party firms have well-qualified appraisers doing the work and if appraisals are low, it's only because home prices have fallen.

“It is mistaken to say appraisal management companies are the cause of these values. It's the market,” says Don Blanchard, former president of the association and general counsel of Lender Processing Services, which provides appraisal services.

### MARKETS

## Researchers Name Top Price Gain Prospects for 2010



Baton Rouge, La., should see the best home price gains in the country this year, followed by

Columbia, S.C.; Fort Worth, Texas; Houston and Little Rock, according to the real estate research company Local Market Monitor, which watches some 300 markets around the country.

At the bottom of its list was Bakersfield, Calif., followed by Bradenton-Sarasota, Fla.; Fort Lauderdale, Fla.; Fresno, Calif., and Las Vegas.

“Significantly, we now see Santa Ana-Anaheim among those top markets, with Los Angeles not very far behind, as demand for housing from population growth absorbs excess inventory in Southern California,” said company president Ingo Winzer.

## Half-Built Homes Can Be Bargains... with Strings Attached



First came foreclosures, then short sales. Now we are seeing more half-finished homes for sale. Purchasing a partially built home is nothing new; during

the housing boom, many new-home contracts were signed even before a slab had been poured. The difference now is that the builder might no longer be around to finish the job, particularly if it's a house started by a custom builder that subsequently lost clients, financing or its entire business.

Nationally, the percentage of incomplete houses among new homes listed for sale rose from 39 percent to 43 percent between January and October 2009, according to the U.S. census. Though those numbers included homes under contract and still under construction, they also included unfinished homes abandoned by builders and placed on the market by banks.

Many more small, custom-home builders have had to walk away from projects than have large, production-home builders, said Jim Lewis, president of Charles Wayne Consulting in Maitland, Fla. Still, several sizable home-building companies with financial problems have left clusters of partially built houses across the country since the housing bubble burst.

“The new owner is certainly buying a lot

of unknowns and would have to get someone in there—a construction type—and see what remains to be completed and, in some cases, to repair the damage that has been done because the house has not been completed,” Lewis said. Such houses typically aren't heated or cooled, so if they are carpeted, they could have mold problems. If roof shingles are not all in place, the structure may have some wood rot.

Buying an incomplete construction project is not for everyone, Price said. Buyers who haven't had a house built for them before may be leery of such an undertaking, and out-of-town buyers may conclude they don't have the right kind of local contacts to get the work finished correctly.

It's recommended that buyers fully explore a property's title before purchasing an incomplete house—and be doubly cautious about liens involving the Internal Revenue Service, because those can be difficult to clear. Looking beyond the complications, though, “shell” homes can be a bargain.

### GOVERNMENT

## HUD Urging Buyers to Stick With Exclusive Buyer Agents



The National Association of Exclusive Buyer Agents is urging new homebuyers to read HUD's newly revised pamphlet on home buying, pointing out that the booklet touts the value of hiring exclusive buyer agents.

The decade-old government publication “Shopping for Your Home Loan—HUD's Settlement Cost Booklet,” has been revised to include a number of insights on home buying and obtaining loans.

It now includes this observation: “If you want someone to represent only your interests, consider hiring an ‘exclusive buyer's agent,’ who will be working for you.”

NAEBA President Benjamin Clark praised the federal agency, saying, “We are pleased to see that the wisdom of having someone in your corner and on your side is being conveyed to buyers by HUD.”



## Montana Realtors Seek Permanent Ban on Transfer Tax



The Montana Association of Realtors is attempting to put a permanent end to legislative attempts to pass a transfer tax on real estate, asking that the question be put to the voters next year as a constitutional amendment.

The Legislature has voted down transfer tax bills eight times in the past eight years, but legislators keep bringing back the tax as a way for the state to make money.

The Montana association argues that transfer taxes would put a burden on homebuyers and sellers, and would further depress an already difficult market. The MAR proposal must go through several reviews before it can be put on the ballot.

## FHA May Give Breaks to Families Repairing Chinese Drywall



The Department of Housing and Urban Development has asked the FHA to help its homeowners who may be feeling the strain of dealing with Chinese drywall.

FHA families may be eligible for assistance to help them rehabilitate their properties. FHA also is reminding its approved lenders that they are to offer special forbearance for borrowers confronted with the sudden effects of damaging drywall products in their homes, including the financial hardship associated with related home repairs.

It has been determined that Chinese drywall, imported from 2001 to 2005, can cause corrosion in homes, specifically on copper electrical wiring and in air conditioners.

## TRENDS

### Best Bang for Your Buck? Exterior Remodeling



Despite a slow market and a slight decrease in the resale value of most remodeling projects, the smartest home improvement investments may also be some of the least expensive. Results from NAR's Remodeling Cost vs. Value Report show

that small-scale exterior projects are the most profitable at resale.

On a national level, eight out of the top 10 projects in terms of costs recouped were exterior replacement projects that cost less than \$14,000. Certain types of door and siding replacements, as well as wood deck additions, all returned more than 80 percent of project costs upon resale. A steel entry door replacement—a new addition to this year's list—recouped 128.9 percent of costs, followed by upscale fiber-cement siding replacements at 83.6 percent. Wood deck additions recouped 80.6 percent of costs.

"Once again, this year's Remodeling Cost vs. Value Report highlights the importance of a home's first impression," said NAR President Vicki Cox Golder.

On a national level, the project with the biggest improvement from 2008 was the attic bedroom addition, recouping 83.1 percent of remodeling costs compared to 73.8 percent in 2008. The only other interior project that landed in the top 10 was a minor kitchen remodel with 78.3 percent of costs recouped.

Other exterior projects in the top 10 include midrange vinyl and upscale foam-backed vinyl sliding replacements, which returned more than 79 percent of costs. In addition, several types of window replacements—midrange wood, midrange vinyl, and upscale vinyl—all returned more than 76 percent of costs upon sale.

The least profitable remodeling projects in terms of resale value were home office remodels and sunroom additions, returning only 48.1 percent and 50.7 percent of project costs.

Regionally, cities in the Pacific states of Alaska, California, Hawaii, Oregon and Wash-

ington once again outperformed the rest of the nation in terms of remodeling costs recouped upon resale.

## AGENTS' CORNER

### Find Interested Sellers Via Canceled Listings

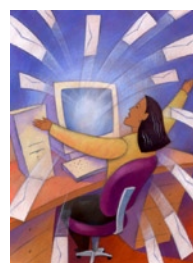


Potential buyers in today's market are having trouble finding something to buy in many markets.

Sellers have taken listings off the market hoping that late spring and summer will arrive with better sales prices.

One way to expand the available homes for sale is to search in the MLS for listings that appear to be temporarily off the market or recently canceled. Real estate pros can contact these sellers and see if they'd be interested in having them show their home and, perhaps, entertain an offer. The appeal for many sellers is not having to put their homes back on the market, and may be enough to persuade them to accept a realistic price.

### No Cost E-mail Campaign Still a Valuable Marketing Tool



Twitter, Facebook, RSS feeds...whatever happened to good old-fashioned e-mail? It's still around and as powerful as ever.

"You can build an effective campaign for nothing other than a few hours work. And you'll clean up your database to boot," said Steve Hundley, the founder and CEO of the real estate training firm 1parkplace, inc. [sic]

**1** Create a "Real Estate Market Update" for the season and e-mail it to all your non-industry contacts. List all sales, current listings and any local trends you personally have witnessed. The key is to paint a positive picture of the market and make sure to promote the ability to locate these great

investments right from your website.

Your e-mail should specifically contain the following:

- ✓ The address of each listing and sale
  - ✓ The bedrooms, baths and square footage
  - ✓ How many days on market
  - ✓ The sales (on solds) or listing price
  - ✓ Your calculated price per square foot
  - ✓ A 2009 real estate year in review, including your assessment of market conditions and how investors are finding this the best time in a very long time to own multiple properties
  - ✓ Why your website is the place to find any information on real estate
  - ✓ A request and link for feedback about your site
  - ✓ Invitation to subscribe to your Facebook business page. (If you don't have one set up, make this one of your objectives for 2010.)
- 2** Send out your real estate marketing message on the first day of each season to your entire contact database. Look out for bounced back e-mails.
- 3** The next step is critical—reach out to

everyone by phone, verify they received your e-mail message and ask if they are interested in any investment opportunities.

- 4** On bounced back e-mails, call to correct their e-mail address then resend your update and follow-up with step 3. If you can't reach them by phone or e-mail, then delete them from your database. You want a clean database.

While you're at it, every quarter do the following:

- ✓ Implement the suggestions and feedback from the real estate marketing exercise you embarked upon above.
- ✓ During this time, begin perfecting your social marketing skills. Make sure to submit an update via your Facebook page at least once per week. Consider a local real estate blog for your community.

"Our best advice on your real estate marketing in 2010 is to focus on going deep into your contact database to maximize the communication between you and your contacts," said Hundley.



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