

Real Estate Digest

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Housing Market Poised for Slow Rebound

Interest rates low, businesses are enjoying robust profitability and their balance sheets are in the best position they've been in for years, said Mike Zandi, chief economist for Moody's Economy.com. That's helping with employment, which turned positive in the spring for the first time since the economic crisis began and is now seeing about 125,000 net jobs added a month, he said.

Inventory excess

Even with those good signs, agents and brokers are unlikely to see home prices reach a level that balances with the country's growing population for several more years. It'll take that long to work through the country's large overhang of inventory from high foreclosure rates.

There are almost 4.5 million distressed residences in the United States today, meaning the homes are in foreclosure or the owners are several months behind on their payments, Zandi said. The housing market can't

return to equilibrium — which Zandi defined as something over 7 million sales a year to meet population demand — until that overhang is addressed.

In the meantime, those distressed homes are keeping downward pressure on prices. He doesn't think values will start to show any signs of improvement across the board until next year.

MORTGAGES

Mortgage Rates Might Not Be Low for Long



Signs of improving economic conditions could lead

Federal Reserve Chair Ben Bernanke to raise key interest rates, driving up mortgages, said Stephen Stanley, chief economist at Pierpont Securities LLC.

Despite a temporary market downturn due to the end of the federal homebuyer tax credit, many leading indicators suggest improvement in the economy and housing market. Analysts, however, warn that rebound will be slow and it may take a year or two before the real estate market is hitting on all cylinders again.

By the end of this year, practitioners should see 5.4 million existing-home sales and home price growth of up to three percent after a slight post-tax credit hangover, said NAR Chief Economist Lawrence Yun.

Housing prices are expected to increase 12.4 percent between 2010 and the end of 2014, predicts MacroMarkets, which sur-

veyed more than 100 analysts and market strategists.

Tax credit catalyst

The federal homebuyer tax credit has been essential for getting buyers back into the market, stabilizing inventories, and shoring up prices, Yun said. He estimated that the credit brought more than four million households into the market since it was enacted about two years ago. That includes about one million who otherwise wouldn't have bought.

More fundamental to the improving housing picture is the increasing strength of the economy, which is on track to expand by 3.1 percent this year after shrinking 2.5 percent last year.

With inflation tame and in-



The evidence includes more consumers paying their bills on time. Past-due accounts at American Express declined 34 percent compared to a year ago, and Target Corp. reported its lowest delinquency rate in two years during the second quarter.

In another sign of economic improvement, fewer banks reported tightening lending standards this month, one reason consumer borrowing rose for the second time in three months.

NAR housing economist Mark Zandi said he believes interest rates will remain low for the remainder of the year, but could start accelerating in 2011 and 2012. Both Zandi and Yun agreed that better employment numbers are the key to the overall housing recovery. Yun said he believes demand for housing will improve throughout the year, draining off inventory before more foreclosures hit the market next year.

Foreclosure Activity Decreases Three Percent



Foreclosure filings—including default notices, scheduled auctions and bank repossessions—decreased three percent in May 2010 from

the previous month, an increase of less than one percent from May 2009. One in every 400 U.S. housing units received a foreclosure filing during the month.

“The numbers continued and confirmed the trends we’ve been noticing: overall foreclosure activity leveling off while lenders work through the backlog of distressed properties that have built up over the past 20 months,” said James J. Saccacio, chief executive officer of RealtyTrac.

“Defaults and scheduled auctions combined increased by 28% from 2007 to 2008 and another 32% from 2008 to 2009—creating a build-up of delayed bank repossessions. Lenders appear to be ramping up the pace of completing those forestalled foreclosures even while the inflow of delinquencies into the foreclosure process has slowed.”

Short Sales: Look What a Year Can Do



Just a year ago, when pre-foreclosure and foreclosure properties were entering the market in unimaginable numbers, many real estate agents were estimating six to 10 months at best to complete a short sale.

Now, some are beginning to see closings in as few as 10 weeks.

That’s good news for sellers, the housing market and the U.S. economy. The improvement is a product of a few key developments creating momentum in the lending industry. First, banks are starting to adjust to the market and becoming more proactive in creating systems and solutions for homeowners in distress. Second, and arguably more important, the U.S. Treasury has enhanced the guidelines and incentives for banks that are committed to improving the loan modification and short sale processes.

The Home Affordable Foreclosure Alternatives (HAFA) program, announced in November 2009 and fully implemented in April of this year, is the government’s answer to the problem. It’s a supplement to the February 2009 Home Affordable Modification Program (HAMP) that outlines a separate set of criteria for short sales or deeds-in-lieu to address the group of homeowners who are facing foreclosure because loan modification hasn’t worked out.

“HAMP was a well-intentioned, albeit slow, start to helping at-risk borrowers. Unfortunately, the guidelines for modifications leave out many distressed homeowners who are eligible but are not successful in supporting a new loan,” said Margaret Kelly, CRB, chief executive officer of RE/MAX International, Inc.

HAFA provides that missing next step for homeowners who are not approved for modifications. Now, they can pursue a short sale in a more timely and orderly manner.

Here are some of the ways the HAFA program is already improving the process:

- ✳ Standardizes paperwork and timelines
- ✳ Requires lender response on an offer within 10 days

- ✳ Allows for pre-approval on pricing of a short sale
- ✳ Eliminates deficiency judgments on first mortgages
- ✳ Offers \$3,000 in relocation assistance
- ✳ Pays servicers \$1,500 toward administrative costs

“Although there’s still a tremendous amount of work ahead, I’m confident that we’re making progress in the distressed property market,” Kelly added.

TRENDS

Affordability Still High Across the Nation



The National Association of Home Builders reports that low interest rates, low housing prices and high inventories are combining, for the fifth

consecutive quarter, to make housing the most affordable it’s been in decades.

The trade association’s Housing Opportunity Index showed that 72.2 percent of all new and existing homes sold in the first quarter of 2010 were affordable to families earning the national median income of \$63,800.

Indianapolis continues to be the most affordable market. Almost 95 percent of all homes sold were affordable to households earning the area’s median family income of \$68,700.

The New York City area and suburbs continued to be the least affordable, where fewer than 21 percent of all homes sold were affordable to those earning the region’s median income of \$65,600.

Sellers Remain Optimistic About Pricing



A new homeowner confidence survey released by Zillow.com suggests homeowners continue to be overly optimistic about valuing their own homes.

Although Zillow statistics indicate 65 percent of homes lost value in



LAW

Squatter Claims Adverse Possession in Seizing Home



A real estate agent in Deltona, Fla., reports having problems getting a squatter out of a house. The squatter claimed she is entitled to the property under Florida's adverse possession law.

The agent discovered the squatter and others living in the large home when she saw a cable TV installer at the house. The squatter had changed the locks and had the utilities turned on.

The home was foreclosed on in 2008. The squatter argued that under the adverse possession law, she was entitled to the property because it was empty when she moved in. The law actually states a property must be empty for seven years and that whoever occupies it must pay taxes on it.

The squatter was evicted.

AGENTS' CORNER

Five Ways to Gain More Clients



Greater competition, smaller market share, Internet-empowered clients — these are some of the challenges of selling real estate today. Errol Samuelson, president of REALTOR.com identified ways real estate pros can address these challenges

and instantly attract more quality leads — that is, buyers or sellers serious about entering a transaction.

Here's a look at the top challenges and fixes:

1 Gaining Audience: In 2001, 48 percent of buyers purchased properties their practitioners found for them. That figure dropped to 36 percent last year.

"You have a larger audience out there of people finding homes themselves and bringing

the first quarter of this year, only 50 percent of owners believed their homes had declined. About 23 percent believed their property value had stayed the same and 27 percent believed it had increased.

The survey also revealed pent-up seller desire to put their homes on the market this year. The poll found about seven percent of owners (about 5.3 million homes) were "very likely" to list their homes in the next 12 months and another eight percent described themselves as "likely" to attempt to sell their properties in the coming year.

2009: People Are Moving Again



Need more proof the recovery is underway? The U.S. Census Bureau is bolstering the notion with new statistics

showing that more people moved in 2009 than in 2008.

The government's statistical branch said 11.9 percent of the population moved in 2008 — the lowest rate since it began tracking the data in 1948. In 2009, the moving rate had picked up to 12.5 percent.

Data showed that in 2009, 67.3 percent of all movers stayed within the same county; 17.2 percent moved to a different county in the same state; 12.6 percent moved to a different state; and 2.9 percent moved to the U.S. from abroad.

Minorities Hit Hardest By Housing Recession



NeighborWorks America, which operates the government's National Foreclosure Mitigation Counseling program, reports an extraordinarily high number of African Americans have received counseling through the service, and minorities in general have received more than half of the counseling offered by the program.

Although African Americans represent only nine percent of homeowners, 26 percent of those receiving counseling as of May were African American. NeighborWorks said when

Hispanics, Asians and other minorities were added in, 52 percent of all counseling went to minorities. Nearly 1 million households have received foreclosure counseling to date.

MARKETS

Post-Tax Credit Buyers May Save Money



Missing the tax credit deadline might have seemed like a big mistake to some homebuyers, but waiting could have been the smartest thing to do.

Interest rates have fallen so dramatically since April 30th that the typical purchaser of a \$350,000 home, financed with a \$280,000 mortgage, would have saved a bundle by waiting until May.

At April's average rate of 5.34 percent, a homebuyer would have locked in a 30-year fixed rate loan with a monthly payment of \$1,561.82.

The same borrower could have snagged a 30-year fixed rate loan at a rate of 4.625 percent in May and paid \$1,439.59 per month. That's a \$1,467 annual savings. Over 30 years, it's a \$44,003 savings, dwarfing the tax credit.

Senior Housing Still Flat



Builders involved in the senior housing market say their business remains down and won't recover until more older adults are able to sell their homes so they can

move into 55+ housing.

The NAHB's 55+ Housing Market Index was at 19 in the first quarter of this year, compared to 17 in the first quarter of 2009. An index of 50 would indicate as many builders foresee positive trends as negative trends.

NAHB's Chief Economist, David Crowe said, "Since the builders' potential buyers are having difficulty selling their existing property, they are unable to move to a more appropriate home."

them to their agents,” Samuelson said.

The Fix: Web sites that publish content, news stories, market stats and trends generate lots of traffic, but visitors tend to read one article of interest and then leave the site. Instead, build a site that focuses on searches and listings.

“These sites tend to keep visitors engaged for longer periods of time — often the visitors are in the early stages of looking for a home,” said Samuelson

2 Contact: People are twice as likely to phone an agent rather than use e-mail when looking at homes online. When a potential client does make a call, statistics show agents only answer 30 percent of the time. Furthermore, 45 percent of the calls go to voicemail (but over half won’t leave a message); 17 percent ring but voicemail never picks up; and 8 percent of callers get the wrong number.

The Fix: If you can’t be there to answer, make sure someone can. And respond to voicemails right away.

3 Communication: First-time buyers made up 47 percent of the market last year. Your job is to communicate with relevance to the people who are buying.

The Fix: Approach communication as a way to help potential clients understand the home-buying process. “Don’t forget to put your contacts into a database — it’s too hard to do it any other way,” Samuelson said.

4 Cultivation: Agents need to tailor their approach to grow relationships with potential clients in ways that are lasting and meaningful.

The Fix: Mixing up your forms of communication can make a huge impact on interest level. “Sure, use regular phone calls and e-mails, but also send quick messages on personal matters. Use market trends as a conversation starter. Meet in person for coffee; introduce the human element,” said Samuelson.

5 Transactions: According to the 2009 NAR Buyers and Sellers Survey, 21 percent of homeowners don’t hear from their agent again after a sale is complete. Approximately 43 percent hear from their agent occasionally, 13 percent monthly, and nine percent weekly.

The Fix: “Continue your cultivation after the sale, which is becoming easier than ever with social networks and blogs, because referrals remain your best source of new leads.”



SMART'S
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