

Real Estate Digest

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Can You Earn More By Understanding The Psychology of Real Estate?

A number of universities are putting the psychology of real estate under the microscope with some surprising results. Researchers are finding everything from how a buyer perceives his agent to how a seller prices her home plays an unexpectedly large role, according to a report in *SmartMoney*.

“When the market was going up, these questions were mildly interesting,” says Michael Seiler, a professor of real estate at Old Dominion University and the coauthor of numerous studies in the field. Today, with the market wobbly, “they’re much more relevant.”

Here's a roundup of some pertinent findings.

Choose Your Words Carefully. When selling, advertising that a house has recently been painted seems like a no-brainer. But in a study that looked at nearly 60,000 residential real estate transactions in Texas, listings that mentioned new paint, new carpet and/or roof work sold, on average, for slightly less than those that did not.

Advertisements that tout new features could set off alarm bells. If a seller says everything is new, a buyer might wonder why everything needed to be replaced—and

whether there are other defects lurking.

Study co-author Thomas A. Thomson recommends sellers take the simpler route: Let potential buyers be surprised by the quality of the home instead of disappointed by how average it is compared with its description.

Looks Do Count. Do buyers pay more when sellers' real estate agents are attractive? Apparently so: An Old Dominion study suggests that, put bluntly, the more attractive a male finds his female agent, the higher the price he'll probably be willing to pay. Women also seem to be susceptible to attractive female agents, although not to the degree that

men are. (Neither women nor men seem to respond much to attractive males.)

Welcome, Out-of-Towners! Out-of-state buyers tend to pay more than locals for properties of equal value, particularly when they come from states with higher real estate prices, according to a study from Brigham Young University. Researchers there found that, on average, out-of-state buyers paid more than five percent more than their in-state counterparts in a rush to find homes fast.

The Downside of Upbeat. A big part of any decision to sell a house is where a homeowner thinks prices are heading. And sellers are—perhaps naively—optimistic. A recent survey found that people were about five times more likely to say their own homes would see their prices increase in the next 12 months than they were to say that of their neighbors' homes.

An over-optimistic seller could wind up waiting for a higher price that will never arrive. But pessimists should tread just as carefully: An overly downbeat seller could wind up dumping a house at a price far below what it could fetch a year or two later.

MORTGAGES

HUD Offers Refi Option to Some Underwater Borrowers



HUD says that FHA is now offering some underwater non-FHA borrowers the opportunity to qualify for a FHA-insured mortgage. The FHA Short Refinance option, originally announced in March, has

been put in place to help the Obama administration meet its goal of stabilizing housing markets by offering a second chance to help between three million and four million struggling homeowners.

To be eligible for a new loan, the owners must be current on their existing mortgage and their lender must agree to write off at least 10 percent of the unpaid principal balance of the first mortgage.

The homeowners must qualify for the new loan under standard FHA underwriting requirements and have a credit score of 500 or higher.

Fannie Mae Wants Lenders to Check Buyers For Last-Minute Loans



Fannie Mae is urging lenders to pull last-minute credit checks on homebuyers, hoping to cut down borrowing that takes place after mortgage financing is approved that

could jeopardize the owner's ability to pay, according to the *Washington Post*.

The newspaper said, however, that lenders balked at making the checks because it slowed the lending process. In response to those complaints, the *Post* said Fannie decided not to mandate the policy, but only “encourage” lenders to do credit checks as close to closing as possible.

TRENDS

Is a Housing Shortage Coming?



It seems farfetched at the moment, but some experts are say-

ing that the next big real estate problem could be a shortage of homes. Only 672,000 new homes were started in April. That's less than half the number needed to meet the country's average population growth.

In the past, an average of more than 1.3 million households have been built each year, creating demand for 1.5 million new homes. In 2009, only 398,000 new households were formed, according to the Census Bureau.

"The decline in household formation is artificial," says James Gaines, a real estate economist with Texas A&M. "The young are moving in with their parents. There's even doubling up among working-class people. There's a pent-up demand coming if and when the economy recovers."

Some economists believe this analysis fails to take into account the changing economy or the large inventory of vacant properties. But Gaines and others say these factors are unlikely to significantly drive down demand.

Homeowners Still Love Their Houses



Despite declining home prices, 90 percent of Americans don't regret buying their current

home, according to a survey for [Bankrate.com](#).

Among the nine percent who do regret the purchase, most say they are unhappy that they can't sell their home and move elsewhere or they can't afford their monthly mortgage.

Some 79 percent of those polled say they have a fixed-rate mortgage on their homes. Among those making over \$75,000 per year, 90 percent say they have a fixed-rate mortgage.

Consumer Outlook Mixed Over Next Six Months



A poll by the Certified Financial Planner Board of Standards indicates 44 percent of Americans believe the economy will improve over the next six months, and only

28 percent believe it will get worse.

While the general mood of the country was better, the Board found Americans less optimistic about their personal finances, with only 37 percent believing their bank accounts would improve by the end of the year. About 65 percent of those polled said their financial concerns today are greater than they were at the beginning of the recession.

MARKETS

Company Sees Broad Improvement in Home Prices



Clear Capital, a provider of property data, has released a Home Data Index showing that home prices have increased about 8.8 percent over where they were a year ago.

The study found that in the country's 15 top markets, prices typically were 12.6 percent above last year. The Midwest continued to lead the nation with price gains of 17.2 percent over last year, Clear Capital said. The other three regions experienced yearly prices more consistent with the national 8.8 percent year-over-year average increase.

The company said the REO saturation rate was reduced to 24.6 percent nationwide, a 3.2 percent decline.

10 Best Cities for Working Women With Kids



Forbes Woman calculated the best cities for working females raising children. To pick the 10 best, it factored

in crime rates, quality of the schools, availability of good healthcare, employment opportunities with high earning potential, and a budget-friendly cost of living.

Here are their picks:

- ✱ Minneapolis-St. Paul, Minn.
- ✱ Washington, D.C.
- ✱ Boston, Mass.
- ✱ Pittsburgh, Pa.
- ✱ Baltimore-Towson, Md.
- ✱ Denver, Colo.
- ✱ Hartford, Conn.
- ✱ New York
- ✱ Seattle-Tacoma, Wash.
- ✱ Buffalo-Niagara Falls, N.Y.

Study: California is Hot, Florida Not



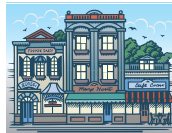
California is the nation's hottest home-buying market, with properties often receiving multiple offers, according to the online brokerage firm ZipRealty.

The company said its research showed that 91 of the country's 100 busiest ZIP Codes were in California.

The report compared home sale prices to original list prices based on MLS data in

5,400 cities. The survey found that homes in Florida were selling for the greatest percentage below list price.

Top 10 Best Small Cities for 2010



Money magazine has released its list of the best small cities in America. The list, which recognizes locales with great schools, safe neighborhoods, high employment rates and low crime, is a coveted honor and one that can have a significant economic impact on a growing community.

This year's top 10 winners are:

- 1 Eden Prairie, Minn.
- 2 Columbia/Ellicott City, Md.
- 3 Newton, Mass.
- 4 Bellevue, Wash.
- 5 McKinney, Texas
- 6 Fort Collins, Colo.
- 7 Overland Park, Kan.
- 8 Fishers, Ind.
- 9 Ames, Iowa
- 10 Rogers, Ark.

Chinese Government Teaching Citizens How to Buy U.S. Homes



The Chinese Ministry of Commerce has begun advising Chinese investors how to buy property in the United States. The Ministry-owned newspaper *International Business Daily* is publishing a series of tips on how to time the U.S. market and recommends cities where homes are a bargain.

According to the ministry, the highest priced homes in America are in San Francisco, New York and Los Angeles. It said prices in those cities are essentially the same as the Chinese cities of Beijing, Shanghai and Shenzhen.

LAW

NAR, Others, Attack Private Transfer Fees



A group of organizations led by the National Association of Realtors is asking Congress to ban so-called



“private transfer fees” that allow developers to collect money every time one of their homes is resold, typically for the next 99 years.

NAR, the American Land Title Association, the Center for Responsible Lending and a number of other groups have formed The Coalition to Stop Wall Street Home Resale Fees. They have sent a letter to Treasury Secretary Timothy Geithner, asking that the fees be outlawed.

New York-based Freehold Capital Partners is a leading proponent of the fees, arguing they will bring more investors into the property development arena. Opponents say the fees will cloud titles for generations and will become a disclosure issue for homebuyers.

Title Association Worried About Energy Efficiency Loans



The American Land Title Association is joining Fannie Mae in questioning the propriety of a special loan program that allows local governments to loan money to homebuyers so they can make their houses more energy efficient.

Property Assessed Clean Energy (PACE) loans are repaid to municipalities as part of the owner’s annual tax payments. If a home is resold, the tax remains on the house because the energy conservation measures remain with the home.

ALTA, however, questions whether clear titles can be given to new homeowners if they are encumbered by debt secured by a previous owner. Fannie Mae says it objects to the PACE loans because tax debt repayment is superior to bank loan repayment in case of default.

Proponents of the program say it adds value to the house, reduces energy costs, and can be treated as any other property tax assessment.

Home Rescue Scams Top Consumer Complaints



The Consumer Federation of America (CFA) reports consumer complaints have risen dramatically during the recession, and the fastest-growing complaint category is against companies that claim they’ll help homeowners save their properties.

“Consumers who are desperately trying to fend off collection agencies or save their

homes from foreclosure are prey to scammers who offer to help them and then take their money and run,” said Susan Grant, CFA director of Consumer Protection.

INDUSTRY

Practitioners Taking Cautious View of Market



A real estate technology company surveyed its clients and found their confidence in the market is dropping. Point2 Technologies’ National Real Estate Confidence Index, based on 1,255 clients surveyed over the summer, declined almost nine percent to 5.24 on a 10-point scale, with 10 reflecting optimism.

The pessimism is the result of “unabated pricing pressure caused by foreclosure and pre-foreclosure properties; a general sense that shadow foreclosure inventory is significant and could materially prolong current market conditions; a persistent, tough job market keeping more potential buyers on the sidelines; and the expired federal tax credit program that many respondents felt was a key catalyst to market activity,” Point2 said in a statement.

The findings line up with the REALTORS Confidence Index, which NAR updates monthly based on member surveys.

AGENTS' CORNER

Manage Your Social Media Presence For Time Savings and Effective Return



If you're just getting started in social networking, are still considering whether or not to jump in, or are skeptical of its value, here are five tips to keep in mind that can help you get business from these technologies without sacrificing a great deal of time and energy.

1 Have a Game Plan. Determine how many times you will post items on your status and what meaningful information you will post. Determine if you plan to host a blog and how often you'll add new posts to your blog, or if you'll add videos and other important information.

Initiating a game plan on how you approach social media will help keep you on the tasks involved while keeping in mind why

you are ultimately using it—to constantly remind your sphere of influence that you're an experienced real estate professional.

2 Remember: A Touch Is a Touch. One of the best prospecting techniques you have is working your sphere. When it comes to social media, you should search for people in your sphere and invite them to become part of your network. It's also worthwhile to create a group or list labeled "Sphere" or something similar for people in this group.

Once you have finished this, send a private message with a note of friendship to the people on this list. This entire process should only take five minutes or less, and it will pay big dividends over the long run.

3 Be Creative and Showcase Your Knowledge. One good way to position yourself as an expert in your market is to write blogs or produce videos on interesting information about your hometown or area. Share your knowledge with people in your network, especially in your marketplace.

Also, don't be afraid to share your passions outside of real estate. People like to do business with those they share an interest with, and when you can interweave your passion with your knowledge of the real estate market, you will find new clients in your market area that you can bond with for many years to come.

4 Pre-Post All Your Updates Once a Week. There are several software applications that will allow you to post your "tweets" or status updates to be broadcast at a later date and time. By using services like www.Twaiter.com, you can go online just once or twice a week and add all your updates about real estate trends, statistics and more in a short five- or 10-minute time span. This will show your network of friends that you have an interest in providing good quality information, but it won't take away important time during the day.

5 Access Your Entire Social Network in One Click. Rather than logging into each social network and posting several versions of the same update, you can go to one site and make one post, and multiple social networks will be updated at once. Two of these services are www.Ping.FM and www.HelloTxT.com. You can also upload a single video to numerous portals at www.TubeMogul.com.

Social media can do a lot for you. Wasting your time shouldn't be one of them.

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Judicial Title



YOUR TITLE EXPERTS

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