



# In the Loop Realty Newsletter

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## ***BREATHE THE FRESH AIR OF FALL!!!***

*BY: Albert M. Cerone, IFAS, FELLOW*

***FEEL THE CHANGE IN THE AIR?*** After the sweltering heat and seemingly unending torrential rains, the cool air of Autumn is a welcomed relief. More importantly, there seems to be a change in the economic trend in the US. And it also seems apparent that the American public and businesses are bringing it about. Clearly, the statements from Washington and the various reporting agencies indicate that the Stimulus Packages really didn't work. One economist stated, that in the history of the world there's never been one case of a country spending it's way out of debt and financial woes. The American public knew that 9 months ago. Let's be honest, the troubles started with NAFTA and the Tarp for which both political parties were equally responsible. And, now the shotgun approach of this administration is prov-

-ing to be equally ineffective. Thank goodness for sound business heads of the American companies and the public. There is a rebound at hand and the US will get out of this mess. The big question is will the American public survive the enormous 9—10 \$trillion debt that will come to roost in 2013—2020 and that's presuming there will be no further debt.

***WHO IS THE AMERICAN PUBLIC?-*** They are "us", the every day people who are raising families, working hard, struggling each day to keep a job or keep a business going and far too many about 10% + trying to find work. There's an underground economy back in place. I bet everyone reading this knows at least one person working for cash or knows the business paying cash. Illegal yes, immoral... NO! Not in times like this with people needing to know when their next nutritious meal will be. Unemployment still doesn't count those who are out of benefits and those who have quit looking for the jobs they can do which no longer

exist. So, there are businesses who need this kind of help in order to stay in business. So, is that so wrong? These extra special efforts will keep the American public going and will get the economy going once again. The adage is, "God helps those who help themselves." Everyone of these "off the books workers" and businesses would rather be doing it legally, but the mismanagement of our country has stolen that route from them. But it will return and the federal coffers will begin to fill once again. This time, the American Public better be more involved and hold their senators and representatives feet to the fire; and, make them responsible.

I take my hat off to those at the town hall meetings who were irate. They are the American public and they have a right to be irate. It took that screaming to get the attention of the media and the politicians. They were the beginning of a revolution... not to overthrow our government but rid DC of the representa-

-tives we sent to Washington who were to protect us and help provide a better life for our families. Obviously, they have failed. If every American wrote to her / his Congress person and Senator telling them what they want from them and how they want them to vote, maybe they would start to listen. Recently, I wrote to my representatives, as I often do and requested a specific answer. I haven't received a specific answer, but I received rhetorical political diatribe for which I am now advising them that their lack of specificity has definitely changed my vote at the next election and I intend to advise all with whom I speak of the lack of response and my decision to change representatives. ***CON'T***

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**JULY HOME SALES UP-** Some uplifting news. July new home sales surged 9.6%, which is a sign that the housing market is finding its way up that sheer cliff of woe it reached at the beginning of the year. Yes, it is attributable to much lower sale prices by developers which is OK. Obviously, they must be making money or they wouldn't be selling the properties. So, what was removed? The greed factor. If one can make 15% profit and succeed, the 30—40% profit the developers were enjoying caused the collapse in the first place. Let's hope they can maintain perspective.

**SARASOTA, FLA HOME SALES UP-** Home sales rose 30% during July in this city which is good news for the real estate market. It's attributable to low sale prices and the glut of inventory. When the inventory is depleted, one can only hope the real estate sales people don't go back to their old habits of "get it before it's gone". Values should tick up because the bail out sale prices aren't market value either. Hopefully, they don't forget the role they played in bringing this "scratch and dent yard sale" condition into being.

**MORTGAGE PAYMENT INSURANCE FOR LOSS OF JOB-** This is brilliant and is in place in Wisconsin. A homeowner's warranty company has initiated this program along with Realtors

who realized that consumer confidence is a big drawback on the housing recovery in light of the high unemployment rate and anticipated future closings and layoffs. The insurance package is offered to sellers for a \$500 fee to help induce buyers. The policy which is termed *Job Loss Protection* supposedly covers job loss for a 6 month period within the 1st two years of ownership and will pay up to \$1,800 per month. That's quite an inducement and would help most who may suffer unexpected loss of income due to layoff or closings.

**NAHB CLOSED FOR COST SAVINGS-** The National Association of Home

Builders closed its corporate offices for a week in August and will do so again Thanksgiving Day week. It anticipates it will save millions which it desperately needs in order to stay in business. Other cost cutting measures have already been instituted. Home building has been one of the hardest hit sectors of the real estate market. When the economy returns to acceptable levels, it is hoped that all these associations remember this lesson that out of control spending will come back to haunt them.

**LOAN ORIGINATORS-** In the early part of this century these people were considered gold for the real estate business. Their efforts peaked in 2003 when they produced about \$4 trillion in business. But that was the

height of the refinance boom and only 35% of that total was through home purchases. 2009 originations is expected to reach about \$2.3 trillion but 70% will be for purchases. That indicates a rise in home purchase originations of about \$200 billion which is a good thing. Now, the 2009 production is being done by one third the number of originators. Let's see, the theory of competition is often related as "profitability creates competition, but excess or windfall profits, breed ruinous competition. Think back and you can see how the scams, lies and rush deals came about and eventually brought down the real estate market. If it's true that history repeats itself, we will see this again. The only means of control is stringent laws and regulations including educational requirements and background investigations. Licensing is being put in effect but if it's like the initial real estate appraisers' licensing requisites put in place, it will be marginally effective.

**35 year—\$75.8 billion study finds that exercise and diet are the key to weight loss.** [sorry, just trying to see if you're still awake]

**HOME PRICE INDEX-** According to S&P / Case-Schiller, home prices

increased in 18 of the 20 markets used as their base with only Las Vegas and Detroit falling according to a study culminated in this August. In Case and Shillers' opinions the worst is over for the economy. They opine that the economy is no longer in the direction of a deep recession, but rather is in the midst of a serious economic downturn. [don't you wish you could have thought of that?]. The feds don't share their enthusiasm of recovery. With unemployment at 9.5 % and expected to rise to 10% by years end, the recovery is not truly in place.

**UPSIDE DOWN-** Consideration of upside down positions by homeowners [when the mortgage amount is greater than the house value] is at 26% here in the U.S. This is the critical number to watch at year's end.

**EDUCATION IN THE U.S.-** According to the results of a standard study in 3 year increments by the *Programme for International Student Assessment*, the skills of 15 year olds in 57 countries is recorded and, the U.S. is ranked 29th and dropping.