



# In the Loop Realty Newsletter

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*Amerival*

**Your One Stop  
Valuation Center**

## **THINGS ARE GREAT!!!!**

by: Albert M. Cerone, IFAS, FELLOW

### **APRIL FOOLS!!!!**

Things are not great around the real estate market, but there is enough effort being put forth by hedge funds and major lenders and some Wall Street investment groups to prop up the subprime market, although not at its old lending practices. This is good news. The concept of subprime was good, the regulations initiated by lenders and accepted by investors was horrific. I believe there will be a comeback and I don't think it will take as long as some suggest. Over 1/2 the subprime lenders are out of business and should be. Unfortunately, the people who worked for them lost jobs. Knowing something about the inner workings of a subprime organization, I tell you that the internal underwriting terms sucked. It was giveaway time. There was enormous pressure on the underwriters, process and reviewers to "make things

Work. Fortunately, there were some in the ranks that refused to buckle under, but they were only a bandaid on a river of bleeding.

Today there's a whole new "vision" from the same who spewed these wrist cutting mortgages to unsuspecting homeowners. Now, they condemn the past errors of subprime of which ironically none take responsibility. I guess they were all unsuspecting...even as they cashed their checks.

A new world is about to evolve. It appears that there will be new lending practices and they will protect the public more. Here's the irony. If there are less houses for sale, because people can't afford to move, values will stabilize and as new homebuyers enter the market, the mortgages available will be safer vehicles. This will create greater sales activity this benefits the general economy without inflationary spiral.

Jeffrey Mezger, CEO of the 5th largest US homebuilder, announced that the 1st Qtr '06 suffered an 84% plunge in earnings due to lack of demand for new housing. He anticipates this to continue through 2007. However, new orders only declined 12% which was a rebound from 43% and 38% for the last 2 Qtrs Of '06. Cancellation rate also returned to a normal rate of 31 % from 53% and 48% the last 2 Qtrs of '06. Spring is upon us and there will be some rebound in sales of both new and re-sale dwellings.

### **Tax Assessments vs Market Value**

Ladies and gentlemen, this week I was told by a person undergoing a divorce that their attorneys agreed to use the tax assessment as the indication of market value of the marital domicile. This is astonishing!! Under no circumstance should a tax assessment be used as any indication of market value. Some

wrongfully believe the equalization ratio developed by the county brings the assessments current. Equalization rates are broadly based using all property types. They are also never truly current. Tax assessments are termed "true value" never "market value" because assessors could never appraise every property in their municipality or city. This is not a failing, just a reality of reasonability. Most assessors are excellent at what they do, but not for decisions on your client's financial position.

**Only 4 words end in "dous"....**It would be *tremendous* if you use an appraiser for your R.E. needs and *horrendous* if you don't. The results will be *stupendous* if you do and *hazardous* if you don't.

Courtesy of

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## For & Agin’-

A study completed by First American Corelogic, a real estate information corporation, predicts that 1.1 million of the 8.37 million adjustable mortgages originated between 2004 and 2006 will end up in foreclosure over the next 6 to 7 years.

Senate Banking Committee Chair, Sen. Christopher J. Dodd (D-Conn) is asking all parties (lenders, FHA, regulators, investors, etc.) to work in concert to assist homeowners with sub-prime mortgages. Dodd blames regulators for being merely spectators during this subprime frenzy initiated by lenders. A plan to draft a new predatory lending bill is underway. He termed the past lending practices as “abusive and unsustainable lending.” Many of us were screaming this in 2004 & 2005 but were shouted down by the mortgage lenders as alarmists out of touch with reality. One mortgage lender told me in 2005, “I don’t care. I’m making as much as I can this year and then I don’t have to worry about next year. Let the borrowers worry. After all, they signed the papers not me.”

While Sen. Dodd asks for help, The president of NAMB warns of rushing to judgment and prescrib-

-ing new restrictions that could “unfairly curtail access to credit.” Well, they found a friend in Rep. Barney Frank (D-Mass) who is seeking a study (yup another one) based on NAMB president’s statements to a House oversight committee,” that we should consider other factors like bankruptcy reform, credit card debt, low savings rates, and decreasing home values, as well as illness and other life events that could explain recent increase in foreclosures.” I wonder if “other life events” include breast implants, penile enlargements, cosmetic surgery to name a few?? Will lenders *ever* own up to their greed driven practices????

## Current Mortgage Rates a/o March 25, 2007

Loan Type	Rate	Points	Previous Week	One Week Change
30 Year FRM	6.14%	0.4	6.14%	0.00%
15 Year FRM	5.88%	0.4	5.86%	0.02%
1 Year ARM	5.42%	0.7	5.47%	-0.05%
5/1 Year ARM	5.90%	0.6	5.90%	0.00%

Source: Freddie Mac Primary Mortgage Market Survey

Fed Prime Rate	8.25%	--
30 Year Treasury	4.70%	--

**Mortgage rates** ratcheted down last week according to the results of Freddie Mac's Primary Mortgage Market Survey. Rates have generally been on an upward trajectory since the mid December.

Frank Nothaft, Freddie Mac vice president and chief economist said, "News of moderate employment gains in January led to a halt in the recent upward trend of interest rate movements. The 111,000 jobs added last month were fewer than had been anticipated, while the unemployment rate edged up unexpectedly."

## SOUND ADVICE

For homeowners who believe their house values will not drop, please try to re-buy your house for what you think it’s worth with no down payment; and, discover if you can either afford it or qualify for a mortgage. There lies the answer about why values will come down. If people cannot afford a product, it does not sell. If it doesn’t sell, it will come down in price until it does sell. SIMPLE???? (Carolyn Anguiano)

Today is no different than 30 years ago. Only 2 things stop a piece of realty from selling. Price or Price. Many years ago, while attempting to list a property for sale, the owner said it was worth \$225,000. We let the listing go. However, for 5 years & 15 brokers later, he did sell his house for \$225,000. To this day I bet he still thinks he was right all along.