



# Realty & Valuation Newsletter

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Amerival

## MEMORIAL DAY

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**MEMORIAL DAY-** Yesterday my wife and I watched a documentary on PBS which showed the military cemeteries throughout Europe the sites for fallen United States soldiers predominantly from WWII . It was impossible not to shed tears. I hope we all took a few moments yesterday to reflect on the 100's of thousands of young men and women who fought so valiantly so we could enjoy the freedoms we have in our country, the United States. It's unlikely that many Americans did not have family members who served in WWII and possibly made the ultimate sacrifice. I thought back to those in my family who left willingly and proudly and spent years fighting, from the Pacific to Sicily and at Normandy. A cousin, Frank Cambria, who spent 7 months in a German Prison Camp after being shot down over France; and, another, Lou Cambria, who was awarded a Silver Star for leading the charge to the German machine gun nests at Normandy and engaging in hand to hand combat and winning the fight. That's just two of several. We owe all these soldiers our respect and thanks because without them we may not be in our beautiful country today.

**HOUSING PRICES TAGGED TO RENTS-** Recently Deutsch Bank completed a study which tracked housing prices to rents which was a position taken by a Yale economist, Robert Shiller. The point of comparison is the cost of rental vs the cost of payments associated with similar housing in any given locale.

As home ownership costs surpass the cost of renting similar housing the value of housing decreases. Using the extreme scenario as a means of understanding this position, it becomes clear. Compare renting a house for \$1,800 per month to ownership monthly costs of \$2,600 and it is recognized that the privilege of ownership is much more costly than paying a set fee each month for the same livability. Thus, the nearer the costs are to each other, the higher the value of housing and conversely, the greater the differential of cost of homeownership vs rental of similar housing, the lower the value of housing. Deutsch Bank used 1999 as the starting point as there was a nearer relationship of 87% of cost of rental versus owning. By 2006 that relationship fell to below 60% which made home ownership a much less attractive reason to own; hence, the beginning of the dramatic slide in housing prices.

The more recent findings of Deutsch Bank indicated again a much closer relationship of cost of home ownership by 3rd quarter of 2009 which reflected an 83% ratio of cost of rental to the cost of homeownership.

Some further understanding and how the result came about. Between 1999 and 2007 rents increased by about 32% but the cost of homeownership increased by 105% or about 3 times. That substantial difference brought about the down fall of the housing market. During that time span, as the gap of costs widened, the buying public recognized it was no longer financially viable to invest in housing. The only equalizer was and is to lower the cost of those ownership costs; and, that can only primarily be accomplished by lowering the prices of housing and making homeownership more desirable and certainly more financially feasible.

Courtesy of

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**FANNIE MAE HELPFUL AGAIN?-** Just when you thought you've heard it all, the giant mortgage lender and loser, Fannie Mae, proposes to make matters worse. For real estate brokers and anyone who is in the financial loop of making loans, hold on to your hats. Fannie Mae has formulated an action to assure they don't make any unworthy loans. Well, we can't think that is wrong, but the way they intend to go about it is ridiculous; and, will financially endanger the public and any *on the street* lender and those whose' business relies on these home mortgage loans.

The plan is to enact a cut off point for the credit worthiness of the intended borrowers. Whatever the credit score is at the time the loan is processed, must be in place at the time of closing. Now, realize that a credit score can change on the amount of credit card debt or for that matter the number of credit cards one may have. This means, that when you make application for a home loan which is accepted, you must make sure every payment due any creditor must be made on time. You cannot take out another credit card or any form of indebtedness; and, most certainly do not incur any further debt. If your credit score changes for the worse to any degree, Fannie Mae can immediately cancel your mortgage. How important is this? Well, if the mortgage rates have gone up and your credit report inches down by merely 1 point, Fannie Mae is not responsible for accepting the loan. This is a great way for them to insure they always get the highest rate possible at any given time. Of course your deal is dead in the meantime and your life can easily be upside down..... for that 1 point.

**SHORT SALE DILEMA-** Almost as a follow-up to the above, this is disturbing and for the attorneys handling short sale transactions, it is suggested that you become proactive in assuring that your clients do not become victimized. Many lenders including banks that needed a bail-out are reporting lack of payments by the seller in the short sale as still delinquent; and, so doing for as long as 10 months after the short-sale closing. These people will never get their credit in order with this type erroneous reporting. So, it is imperative that the attorneys handling the closings obtain written declaration that there shall be no further delinquency reporting for the seller's account.

**UP AGAIN, DOWN AGAIN-** Housing prices are truly an example of relativity.... well at least from a locational scenario. While Phoenix and Las Vegas, two of the hardest hit housing markets over the past few years are facing declines once again due to the end of the tax credit, Connecticut is experiencing rising home sales and values by as much as 40—50% as to sales of single family housing and condos. So, it's relative as to location which solely, as we all know, is the 3 most important factors in housing values.

**DEALING WITH STRESS-** Here's a great understanding of stress.

A lecturer explaining stress management, raised a glass of water and asked, 'How heavy is this glass of water?' Answers ranged from an ounce to 30 ounces.

His response was, 'it doesn't matter. It depends on how long you try to hold it. Should you hold it for a minute, that's not a problem, as the weight is inconsequential. Should you hold it for an hour, your arm will begin to experience pain. If you hold it for a day, you'll likely need an ambulance.'

Now in each of the above cases, the weight of the water remains the same, but the longer you hold it the heavier it seems to be. This is the same with stress. In order to lessen the burden of the stress you must put it down for awhile and rest before holding it again. When you are refreshed, you once again can manage the burden of the stress you are undergoing. Try to locate your stress. If it's at work, then leave it at your desk when you go home. Tomorrow you'll be much more likely to deal with it better than today. If the stress is at home, then leave it at the front door when you leave for work and you'll be much more apt to successfully deal with it when you come home that evening.

Accept that some days you are the pigeon; and some days you are the statute.

Always keep your words sweet, just in case some day you may have to eat them.

If you can't be kind, at least have the decency to be vague.

When everything is coming your way, you're in the wrong lane.

*Have an awesome day and know that someone has thought about you today...*