In the Loop Realty Newsletter

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SO, HOW DOES IT FEEL BEING THE TURKEY?

BY: Albert M. Cerone, IFAS, FELLOW

GOBBLE, GOBBLE- Thanksgiving is the beginning of the wonderful year end holiday season; and, it is hoped that you all have a joyful and fulfilling one.

The headline is about our economic plight; and, brings to mind a saying my wife has when one of the kids say "I'm done.", when asked if they've eaten enough. Her stock answer is "Turkeys are done, people are finished." That says more than any of us originally thought.

As American citizens we hopefully are done and more hopeful that the nonsense in Washington and astronomical spending spree is over. And, as my very smart mother use to say when I was continuing to get in trouble, "enough is enough"; and, then I got whacked. Hopefully, the American public has whacked some of these politicians responsible for this extravagant spending.

NEW HOME SALES- Released on October 28th, the adjusted new home sales for September indicated a drop of 3.6%. Should we be bothered. Not really. The American public has become conditioned to believe statistics and, as intended by the suppliers, to accept the number without understanding. The 4th quarter of most years have reflected drops in sales. Why? Because it's the 4th quarter. The attention of the public is toward the holidays and most people don't want to start new home searches and closings and unexpected new home costs at this time, which also is the most distressing period for Americans. So, don't get too excited. Also, in September there was great concern as to whether the government would continue the $8,000 1st time homebuyer arrangement. A recent FNMA announcement of $6,500 assistance is much like the $8,000 1st time homebuyer arrangement. Unfortunately, for any of this to truly take hold, we need jobs. Without income, there is no housing market.

10.2% UNEMPLOYMENT- Announced last week this is not news but the impact must be considered. A supporter of the in place economic recovery and put a nice spin on it. Unemployment is a "lagging" indicator. In other words employment is also recovering and we will see the proof in a couple or three months. Odd! During the past two or so weeks, there have been substantial layoff announcements.

Retailers are cutting back dramatically on holiday hiring and also on merchandise purchasing. Their position is that the less merchandise, the greater the demand for smaller inventories and thus there will be no need to drop prices. Well, that's good for their bottom line, but not good for the consumer out of work or working for much less than they were accustomed. And you wonder why Walmart and the warehouse sales are up! Maybe if they lowered prices the factories would keep workers on the books and the public could af-ford more Christmas and Chanukah presents.

FROM HOMEOWNER TO RENTER- FNMA is looking to allow homeowners in a foreclosure position to rent their home. It's unclear how the program will work. It may be a "deed in lieu" of foreclosure. Fannie will become the homeowner and the homeowner will become the tenant. Of course the idea poses other problems. If the *tenant* is not the homeowner, then who is responsible for repairs. Fannie will need thousands of property managers for which it must pay and in its present financial condition, the only source of funds to flip that bill is …. YUP! You and me, the taxpayers. Just what we need! ***CON'T***

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CREDIT CARD RATES- All the major banks that stocked up on the bail-out monies are now financing home loans at very low rates. But they convinced the feds to extend their credit card rules banning rate increase, etc. until February. But as you know they already have raised their rates to nose bleed heights and are likely to raise them even more. They are setting everything they had planned for the next 3 years or so right now, so they are not affected by the change in the credit card laws. That's right, Washington and our representatives gave them all this time to accomplish this. So, what good was the credit card regulations? No good to the public but great for the administration so it can say "look what we did for you". What is sad is many Americans will actually buy that crock.

FORECLOSURES- It is reported that for the month of October the number of foreclosures nationally have dropped for the 3rd consecutive month. This does give some impetus to a possible housing recovery. However, unless the number of property owners "under water" or "upside down" dwindle, the foreclosure rate is meaningless. Also, foreclosures are after a long process. The real statistic which isn't available is how many foreclosure filings have been made during those months.

INTERESTING FACTS-

Did you know?:

Antarctica is the only continent that is not owned by any country

Antarctica gets lets than 2 inches of rain a year

During Winter the land mass of Antarctica expands by 40,000 sq. miles per day until it actually doubles the size of the continent.

Antarctica contains 90% of all the ice on the planet.

Cannes, France, the Summer playground of the rich is thought to be tropical, while it is 10 miles farther north than Milwaukee, Wisconsin.

If you combine, England, Wales, Scotland & Northern Ireland they are a bit smaller than the state of Michigan

Rome which is about the center of Italy is located at the same latitude as Chicago.

JOBLESS CLAIMS- Last week saw the lowest jobless claims number adjusted to 502,000 from 514,000. This is the lowest weekly number since week ending January 3rd. Economists, the "coin tossers" believe this is signaling the economic recovery. However, typically the number should be at about 450,000 before it can be claimed that it is a signal for recovery.

CONSUMER SPENDING-

The Commerce Dept. says that spending is down by 3.5%. It indicates that Americans are learning to do with less. Unfortunately, we need spending for the recovery.

DO I UNDERSTAND THIS CORRECTLY?

If you cross the N. Korean border illegally you get 12 years hard labor;

Iranian border– detained indefinitely

Afghan border– you get shot

Saudi border, you get jailed

Chinese border– you disappear forever

Venezuelan border– you're a spy and dealt with

Cuban border- you're a political prisoner forever

US Border– you get a job, driver's license, social security card, welfare, food stamps, credit cards, cell phone, subsidized rent or government loan to buy a house, free education and health care, your own DC lobbyist and sometimes you can even vote.

It doesn't take a genius! Will we ever learn … that's rhetorical. Take a look at your community colleges teeming with students "on the take" at our expense.

CONTINUING SAGA OF HVCC- My son sent me the article on the following page. Reading the newsletters he's become aware of the problem the country faces, let alone the appraisers because of this ridiculous "code". He also has first hand knowledge of the problems caused by an appraiser who undertook the assignment but without geographical competency or possibly just *incompetency*. Further investigation will tell the tale. But the reason I bring the topic up once again and include the article is that it apparently took the *Washington Post* this long to give it's readers a full understanding of the players and respective positions. Other media and the professions and businesses involved have been dealing with this overtly since at least May of this year. Te *WP* is anything but conservative oriented; and, held off until it realized that the American public on both sides of the political spectrum are being hurt by these ill intended manipulators, FNMA & Freddie Mac and political supporters. It's hard to believe the fight is still on and the battle lines are still drawn by special interest groups.

What is most frightening per the article is Congress is seeking to establish another federal agency to set up valuation rules and monitor and police the appraisers. Just what we need… another federal agency to waste money doing something they no nothing about.

Home appraisal system could be dustbin-bound

Kenneth R. Harney, Saturday, October 31, 2009

Could the controversial appraisal system imposed nationwide by mortgage giants Fannie Mae and Freddie Mac in May -- and now tied to lowball property valuations, busted home sale transactions and higher fees to consumers -- be on its way out?

It just might be. Under a bipartisan amendment approved Oct. 22 by the House Financial Services Committee, the "Home Valuation Code of Conduct" would be terminated early in the existence of a proposed new Consumer Financial Protection Agency.

The amendment would require the agency's director to replace the code with an improved set of rules developed through the regular administrative procedures, with public comment periods, used by all federal agencies. The valuation code, by contrast, was the product of a settlement among New York Attorney General Andrew M. Cuomo and representatives of Fannie Mae, Freddie Mac and the two quasi-private companies' regulator, the Federal Housing Finance Agency.

Cuomo agreed to back off from an investigation of Fannie's and Freddie's appraisal practices in exchange for their adoption of a set of valuation rules. The code's core purpose was to ensure appraiser independence from loan officers, lenders and brokers who wanted them to "hit the number" needed to get the mortgage funded, even if it meant inflating the actual value.

Though virtually no one disagrees with the goal of appraiser independence, critics say the code went overboard and created its own set of problems. According to home builders, real estate agents and consumers who signed protest petitions, the code has encouraged many lenders to use appraisal management companies, some of them owned by or affiliated with the lenders themselves.

Those management companies, in turn, often pay appraisers much less than their standard fees but hit home buyers and refinancers with full charges or higher at closing. An appraisal management company, for example, might pay $175 or $200 for a valuation the appraiser previously received $375 or $400 to complete. The management company then would charge the consumer $400 or more at settlement, pocketing a large portion of the difference.

Management companies argue that they bring significant value to the equation, assembling networks of appraisers, making assignments and handling administrative tasks. But realty agents and home builders say the system often causes more harm than good. The appraisers who are willing to work for rock-bottom fees tend to be less experienced and more likely to accept assignments far from their geographic areas of competence, they claim.

The National Association of Realtors and the National Association of Home Builders have conducted member surveys that found that the appraisal system often produces valuations below the agreed-upon price in sales contracts, causing delays and disputes among sellers and buyers. The organizations also say that management-company appraisers use inappropriate foreclosed and distressed-sale transactions as "comparables" in their valuations of houses being sold in non-distressed situations.

Mortgage brokers complain that the code has cut them out of their traditional role of choosing qualified local appraisers and has forced some loan applicants to pay for multiple appraisals. When applicants are quoted an unacceptable interest rate or fees by one lender, other lenders often won't accept the original appraisal. In other words, appraisals under the code no longer are "portable" as they had been traditionally, when brokers could send consumers' application files to multiple lenders using a single appraisal.

The net effect, said Roy DeLoach, executive vice president and chief executive of the National Association of Mortgage Brokers, "is that we now have a dysfunctional system that's holding back the housing recovery. Incompetent, low appraisals not only hurt individual sales, but depress property values in entire neighborhoods unfairly."

The amendment that would terminate the Fannie-Freddie code still has a long way to go before becoming reality. It was co-sponsored by Reps. Gary G. Miller (R-Calif.) and Travis Childers (D-Miss.) and is an outgrowth of an earlier bill that would have clamped an immediate 18-month moratorium on the code. That larger legislative proposal has 118 co-sponsors and could still move in the House independently. Legislation creating the Consumer Financial Protection Agency itself faces an uphill battle. Though the House Financial Services Committee bill has the strong endorsement of President Obama and could pass the full House as part of a larger regulatory reform package, its future is uncertain in the Senate, where big banks and mortgage companies are massing forces against it.