



In the Loop Realty Newsletter

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HAPPY NEW YEAR?????

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IS IT TO BE OR NOT TO BE- THAT IS THE QUESTION- I presume only time will tell, as history has proved over the years. It is unlikely that the generations of the ages of up to 50 years old have ever experienced financial times as we are experiencing today. These are frightening times for those unfamiliar with the '40's and early '50's. And, unless you have experienced the depression which is reserved for those at the age of +/- 80 years old, you have no idea of the horror these economic times can create.

As for advice, I have only one piece and it's for only one person, and that's Obama. I strongly urge him not to show up on the 20th of January. Congress has already played every political card it can and they have all failed and will continue to fail. However, free enterprise, corporate manipulations and American ingenuity coupled with hard work will make it right for our country. When it does, the politicians and the president and his appointed vocal chords will scream his unearned praises from every bell tower.

ABOUT NEW JERSEY!- Here's an interesting statistic. In 2008 there were just over 11,000 moves of families per the two major moving companies. 40% were those moving in.... And yup, 60 % moving out. Not surprising with the likes of Corzine. At least Obama showed sense enough not to appoint him as Sec. of the Treasury in November '08. The state is broke, property taxes will further burden a beleaguered population with sky high property taxes. Many New Jersey municipalities are facing substantial shortfalls in their revenue to cover municipal services. For those of you involved with your municipalities, demand to know what is and can be done to control the financial bleeding. Don't be shocked to find that the unions are the least cooperative in curbing costs. Some towns have discussed with the police and other services' unions reduced work days and salary cuts only to

be turned down with a flat "no". I was surprised to learn the salaries of the police in some of these towns. Thank goodness for volunteer firefighters and EMT's . How does that old saying go, "will the last one out of New Jersey please shut off the lights"?

But don't despair, New Jersey is not the worst off state or is it anywhere near the top of that list.

DEEP IN-TROUBLE STATES- The seven states undergoing the worst economic times are those that were most affected by the housing market slump. They are, Florida, Southern California, Northern Michigan, parts of Illinois and Indiana, Arizona and Nevada.

For those with money, these are great property investment areas. Florida property values are still falling albeit there are investors buying up some of the depressed properties. What most don't realize, it's not the number of sales, other than for reducing inventory,

which is important, it's the sale prices. In a recent interview of the CEO of a large mortgage brokerage firm, it's the appraised values that are destroying the housing comeback. Once again, ignorance is bliss. Appraised values are based on sales and if the majority of properties are being sold under duress, than that **IS** market. Now you understand that the market comeback is the reason for the continued market downturn. And, that is what must happen to eventually remove the large inventory of housing. Yes, the cure is more pain and it can't be avoided.

ANY RELIEF POSSIBLE?- Yes, there is. However, it is a combination of a variety of solutions which are to be tested. To date nothing has

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worked. The banks and mortgaged backed securities investment firms have hoarded the bailout monies. Without infusing these funds back into the marketplace, the recovery cannot truly begin. So, the government and quasi federal agencies, FANNIE MAE and FREDDIE MAC, have opted to spend the time reviewing and implementing more restrictive lending criteria. Sad but true, the factor left out of the equation is the lack of credit worthiness and /or equity position of the public in their existing houses. The three credit companies have escaped the focus of the angry American people. Their criteria to meet credit worthiness is obsolete in the economic times of the past year and now. So, mortgage interest rates can be 1% and most will still be unable to qualify for mortgages. Even those who could qualify, if their existing mortgage loan vs property value is upside down or underwater, they also are not able to refinance.

The question is what to do? The answer is a series of fixes. First, Fannie Mae, & Freddie Mac should be forced to extend all Arms Mortgages and Interest Only Mortgages coming due in the next two years for at least 2 years post due dates. No increases in interest rates and the opportunity of the property owners under financial stress due to lower income scenarios to adjust the mortgage payments to an affordable level with the original lenders, Fannie & Freddie and others involved in the financing absorbing 50% of the losses per the original mortgage conditions. This puts the onus on all the participants who created the problem in the first place. After all it's tax payers money which gave them their added life. So, why shouldn't they help those who helped them. Kind of simplistic but so very true, don't you think?

NEW HOME SALES- November new home sales hit an 18 year low. They are down 2.9 % since October. One must question the rationale of builders who may be building on speculation. There are places in the United States in which there is no marked downturn in property values. The adjusted annual sales of new homes through November is 407,000 units which is the mark for the 18 year low.

Obama is considering tearing down unsold new constructions that are less than a certain percentage complete. Seems to me it may make more sense for the government to pay for the labor and materials to complete the dwellings and then sell them and hold the mortgages. Why, because it will put people to work, provide housing for those who need it. Possibly, of the inventory there are some upscale dwellings near completion. Well, the government could buy them at 70 cents on the dollar (+/-) from whatever bank is holding them and let the bank which participated also in this housing debacle assume the 30 % loss. The property could be sold with the government providing the financing for a short term, say 5 years, at which time the property owners could refinance and pay the balance. No losses need be incurred. But the more of the inventory converted to usable properties and cash is exchanged, jobs will be created, which is integral to the economic recovery. In the interim a moratorium on all new construction not under specific order and financing in place would cease. Thus, reduced inventory, no financial gambles on future sales in these difficult times. Also, new construction in adult communities should also be halted. These too should be on specific order only.

EVERYONE NEEDS A LAUGH-

Would you believe?:

If you yelled for 8 years, 7 months and 6 days you'd have produced enough sound energy to heat one cup of coffee. [move over Starbucks].

Banging your head against the wall burn 150 calories an hour. [I should be 12 lbs.]

Right handed people live on the average 9 years longer than left handed people. {if you're ambidextrous do you split the difference?}

Student: Teacher would you punish me for something I didn't do?

Teacher: Of course not!

Student: Good , cause I didn't do my homework.

Do you know how to save a drowning lawyer?

Ans: Take your foot off his head

Do you know how to save a drowning lawyer?

Ans: No

Retort: Good!

Men who have pierced ears have a better chance at marriage. They have experienced pain and have bought jewelry.

Bigamy is having one wife too many. So is monogamy! [it's not mine!]

I don't work out. My philosophy is : No pain. No Pain.

And: This mess will be over in the 4th quarter of 2009. I have this on good authority... Right, not an economist.

Have a Happy, Healthy, Safe and Prosperous 2009.