



In the Loop Realty Newsletter

September 1, 2008 Issue

Amerival

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Personality

LIAR, LIAR, PANTS ON FIRE!!!

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WOULD YOU BELIEVE???- As if we haven't heard enough about mortgage defaults, foreclosures and the housing market. There are now other terms which escaped the American public with regards to mortgages and the housing debacle of the 21st century.

We now hear about *Liar Loans* which are those loans which were known as "low documentation loans". These loans required little proof of income. One earning \$50,000 could claim on the application \$100,000. There were no checks as to the income. Credit scores could be low and all was well. These loans coupled with skyrocketing housing prices (not values) created much of the mortgage meltdown.

Then came the *Ninja* loan which was an acronym for *No Income, Job or Assets*. These loans were virtually "write your own" loans. So, a totally broke borrower without a job could obtain a 100% mortgage on a house having an unrealistic price (not value).

It is anticipated that over the remainder of the year there will be another \$100 billion of defaults from these loans. But!!! Many economists are predicting that the rebound can be as early as 1st or 2nd quarter of 2009. However, there are also predictions that the resurgence of housing prices may be as far away as 2015. I think that's absurd if you segregate housing from the rest of the economy. I believe the American public will be biting at the bit to get into the "next house" and will push the market into recovery. Once unemployment rebounds and the consumers have greater confidence the first move will be housing, not expensive clothing or material trappings. TV's and cell phones are joining computers in crashing price wars. It had to happen. As many are overseas products the Asian economies will be harder hit and that should help the balance of trade issue here.

UPSCALE DEPARTMENT STORES VS. WAREHOUSE OUTLETS- Costco is the fore-

-runner in this competition. Costco operates sales at a maximum of 15% profit over their cost. Nordstrom sells many of the same clothing items as Costco. The difference is about 50% in consumer cost. A \$200 pair of jeans at Nordstrom can be bought for \$100 at Costco. The upper income level families are feeling the economic pinch now also. They are becoming very price conscious. Costco is trading at about \$66 and some investors find it a good stock buy for stability and reasonable value increase. Talk to your broker or financial planner about this.

Mrs. Fields is going into bankruptcy. Allegedly it's because the mall stores are not producing and the reason given is that mall traffic has diminished dramatically. So, there is truth to the downturn in upscale buying and the public's new price conscious attitude. Lower pricing is because manufacturers have high inventory levels and are

curtailing personnel and re-considering market area locations in order to reduce the number of stores. In fact, the Catholic Dioceses are closing some churches and schools because the number of parishioners has dwindle and so have their collections. Yes, it also is because there are fewer priests to offer Mass. I believe we will see more of this type belt tightening in all segments of retail type operations. K-Marts and Target stores will have to reverse the trend they began several years ago to face-lift their stores to be more competitive with the Macy's, Nordstrom's etc. Watch they'll take on the look of the discount and warehouse operations in order to stay price competitive. Even New York City is experiencing a leveling off of retail and office growth. **CON'T**

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FANNIE & FREDDIE- It is reported that Fannie & Freddie stocks have plummeted to their lowest levels in 18 years. Freddie's stocks dropped about 20% while Fannie's are down 23 % as of this writing.

Apparently, the Fed's bail-out offer is what caused the dramatic downturn. Investors and stockholders saw the move as one of no confidence in the GSE's and sell-offs began. Now there's talk of nationalizing both Fannie and Freddie. Of course the question is will that be at the total expense of the shareholders as the stocks won't be able to be traded because they are then both federalized. What a mess. To worsen the matter, the lack of confidence in both GSE's has forced investors for mortgage purchases to raise their return on investment rate which in turn forces Fannie and Freddie to raise mortgage rates. The public is now forced to pay higher mortgage rates presuming they can even meet the more rigid qualifications. How does this play on the housing market? Not well. Until the public can afford and qualify for a mortgage, the housing sales will continue the freefall. It has been said by some pundits that housing prices will decline (nation wide average) by another 10—15 %. Frankly, there is one thing not factored in that result. That is the willingness for the public to accept much less for their dwelling. More and more people will not accept transfers or other conditions bringing forcing them to lower asking prices. The American public will always protect their home first.

LABOR DAY- Kids lament the coming of this day as it marks the beginning of the new school year. Parents celebrate it because it marks the beginning of the school year. We know so little about some holidays

we celebrate. Labor Day is always the first Monday of September and originated in 1882 by a labor union in New York City. It was marked a federal holiday in 1894. It was meant to give the working "man" (sorry girls) a day of rest to enjoy festivities aimed at creating a greater esprit de corps of the union members. Well, what it has really become is a late year new beginning. It's a day in which we should all consider how to re-invigorate ourselves; and, plan year end business strategies. 4th quarter results may be the most important of the year as it signals the tenor of the new year for which a strong 4th quarter is near a necessity. So, rest on the 1st of September but begin looking to the changes you need to make. Good Luck!

MORTGAGES- As of the third week of August mortgage applications are down to the level of December 2000. This means they are even worse than that as December has always been a slow mortgage market time. The last month is in the mid of the season when one would expect increases in applications. The appraisers are reporting mixed views. They are seeing spikes and lows on a weekly basis. From what I gather the spikes are not all full appraisal assignments, but snapshot valuations which in the scheme of some lenders suffices. They are also used in reviewing appraisals as many lenders are afraid of the exposure of making loans on "pumped" appraised values. However, the lack of mortgage applications means less work for many of the mortgage appraisers. For the less than ethical lenders, and some still exist, these appraisers are in the spotlight because it is easy to manipulate them. The cycle could start all over again.

THE ITALIAN GOLFER-

An 80-year-old Italian goes to the doctor for a check-up. The doctor is amazed at what good shape the guy is in and asks, 'How do you stay in such great Physical condition?'

'I'm Italian and I am a golfer,' says the old guy, 'and that's why I'm in Such good shape. I'm up well before Daylight and out golfing up and down the fairways. I have a glass of vino, and all is well.'

'Well,' says the doctor, 'I'm sure that helps, but there's got to be more to it. How old was your Dad when he died?'

'Who said my Dad's dead?'

The doctor is amazed. 'You mean you're 80 years old and your Dad's still alive. ! How old is he?'

'He's 100 years old,' says the old Italian Golfer. 'In fact he golfed with me this morning. And then we went to the topless beach for a walk and had a little vino and that's why he's still alive. He's Italian and he's a golfer, too.'

'Well,' the doctor says! , 'that's great, but I'm sure there's more to it than that. How about your Dad's Dad? How old was he when he died?'

'Who said my grandpa's dead?'

Stunned, the doctor asks, 'You're 80 years old and your grandfather is still living! Incredible, how old is he?'

'He's 118 years old,' says the old Italian golfer.

The doctor is getting frustrated at this point, 'So, I guess he went golfing with you this morning too?'

'No. Grandpa couldn't go this morning because he's getting married today.'

At this point the doctor is close to losing it. 'Getting married! ! Why would a 118 year-old guy want to get married?'

Who said he wanted to?

HAVE A GREAT WEEK!!!