

## January 2012 Archives

### Home prices dropped in Nov. in most U.S. cities

WASHINGTON (AP) – Jan. 31, 2012 – U.S. home prices fell for a third straight month in nearly all cities tracked by a major index. The declines show that most homeowners are not reaping the benefits from some signs of an improving housing market.

Prices dropped in November from October in 19 of the 20 cities tracked, according to the Standard & Poor's/Case-Shiller home-price index released Tuesday.

The biggest declines were in Atlanta, Chicago and Detroit. Phoenix was the only city to show an increase.

The decline partly reflects the typical fall slowdown after the peak buying season.

Still, prices declined in 18 of the 20 cities in November compared to the same month in 2010. Only Washington and Detroit posted year-over-year increases. And prices have fallen 33 percent nationwide since the housing bust, to 2003 levels.

The Case-Shiller index covers half of all U.S. homes. It measures prices compared with those in January 2000 and creates a three-month moving average. The November data are the latest available.

Home values remain depressed despite some hopeful signs at the end of last year.

Sales of previously occupied homes rose in the last three months. Homebuilders are more optimistic after seeing more people express interest in buying this year. And home construction picked up in the final quarter of last year, which helped housing contribute to broader economic growth.

Home prices tend to follow sales, which are still below healthy levels. And a large number of vacant homes are sitting idle on the market, which means prices will likely stay unchanged for several years, said Paul Dales, senior U.S. economist at Capital Economics.

"The most likely scenario in the U.S. is that in 2012 prices will bob around a bit, with one month's gain being reversed the next month," Dales said. "But in general, over the next couple of years, house prices will do nothing more than remain broadly stable." Dales said prices might not rise consistently until 2015.

Prices are especially low in Cleveland, Detroit, Las Vegas, Phoenix and Tampa, which reached their lowest points since the housing bust more than four years ago.

Washington, New York, Los Angeles and San Diego have suffered the smallest declines.

Economists say home prices are likely to begin rising first in hard-hit cities in Arizona, California, Florida and Nevada.

Conditions are also improving for those in a position to buy a home. Job growth is up, prices are down, mortgage rates are at record lows and rental prices have risen sharply since the housing bust.

Still, many people can't afford to buy or are unable to qualify for a mortgage. Some people in a position to buy are holding off, worried that prices could fall even further.

A full housing recovery could take years, economists say.

Many economists say the U.S. could be experiencing what similarly occurred in Britain in the 1990s, when it took four years for home prices to rise again after falling prices left homeowners with little financial

equity in their homes.

Prices could also fall further once banks resume millions of foreclosures. They have been delayed because of a government investigation into mortgage lending practices that have dragged on for more than a year. Foreclosures and short sales – when a lender accepts less for a home than what is owed on a mortgage – are selling at an average discount of 20 percent.

A deeper recession in Europe could also cause U.S. banks to tighten their lending standards, causing home sales and prices to drop.

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## **First-time buyers more willing to compromise**

WASHINGTON – Jan. 30, 2012 – When it comes to space and upgrades, first-time homebuyers are more willing to compromise than repeat buyers, according to the National Association of Realtors®' (NAR) 2011 "Profile of Home Buyers and Sellers."

While first-time buyers have big wish lists too, they seem most driven by finding a home that offers a reasonable monthly mortgage payment.

"Single homebuyers tend to value affordability above all when choosing a home and a neighborhood," says Jessica Lautz, NAR's manager of member and consumer survey research. "They also focus more on living some place convenient to friends and family, as well as entertainment and leisure activities."

The median age of first-time homebuyers is 31, and about 26 percent are married with children.

First-time homebuyers tend to rate energy efficiency high on their wish list, as well as simple, no-hassle technology use in their house, the study finds.

But "even if they like the idea of solar panels, first-time buyers are not likely to spend an extra \$20,000 to have them," says Stephen Melman, director of economic services for economics and housing policy for the National Association of Home Builders.

First-time buyers also are willing to compromise on space: The median-size of a home purchased by a first-time buyer is 1,570 square feet.

Overall, "the top three things that buyers want are a great room instead of a formal living room, a walk-in closet in the master bedroom and a laundry room," says Melman. "First-time buyers want the same thing, but they are more likely to be satisfied with a small laundry room without an attached mudroom, and with a smaller master bedroom and a smaller walk-in closet."

But one thing first-time buyers aren't as willing to compromise on: Buying a home that needs a lot of repairs.

"Buyers that don't have any experience with home maintenance tend to be afraid of renovations, so home sellers should be sure to fix everything they can and make minor home improvements in order to appeal to first-time buyers," Melman says.

Source: "Size Matters Most to First-time Buyers," HSH.com and Fox Business News (Jan. 26, 2012)

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## **2011's foreclosures lowest in four years**

IRVINE, Calif. – Jan. 26, 2012 – RealtyTrac released its Year-End 2011 U.S. Foreclosure Market Report today. It shows a total of 2,698,967 foreclosure filing actions – default notices, scheduled auctions and bank repossessions – reported on 1,887,777 U.S. properties in 2011, a decrease of 34 percent in total properties from 2010. Foreclosure activity in 2011 was 33 percent below the 2009 total and 19 percent below the 2008 total.

In 2011, 1.45 percent of U.S. housing units (one in 69) had at least one foreclosure filing during the year, down from 2.23 percent in 2010, 2.21 percent in 2009, and 1.84 percent in 2008.

Total U.S. foreclosure activity and the U.S. foreclosure rate in 2011 were both at their lowest annual level since 2007. However, Brandon Moore, chief executive officer of RealtyTrac, says the decline in foreclosures can be blamed mainly on an inefficient foreclosure process.

"The lack of clarity regarding many of the documentation and legal issues ... means that we are continuing to see a highly dysfunctional foreclosure process ... particularly in states with a judicial foreclosure process," Brandon says. "There were strong signs in the second half of 2011 that lenders are finally beginning to push through some of the delayed foreclosures in select local markets. We expect that trend to continue this year, boosting foreclosure activity for 2012 higher than it was in 2011 – though still below the peak of 2010."

### **December activity hits 49-month low**

Foreclosure filings were reported on 205,024 U.S. properties in December, a decrease of 9 percent from November and 20 percent from December 2010. December's total was the lowest monthly total since November 2007.

December default notices decreased 19 percent from the previous month and were down 23 percent from December 2010; Scheduled foreclosure auctions decreased 12 percent from the previous month and were down 24 percent from December 2010; and bank repossessions (REO) increased 10 percent from the previous month but were still down 12 percent from December 2010.

### **Florida No. 7 in number of foreclosure actions**

More than 6 percent of Nevada housing units (one in 16) had at least one foreclosure filing in 2011, giving it the nation's highest state foreclosure rate for the fifth consecutive year despite a 31 percent decrease in foreclosure activity from 2010. Despite a 28 percent drop in foreclosure activity from November to December – caused largely by a 41 percent drop in scheduled foreclosure auctions – Arizona registered the nation's second highest state foreclosure rate for the third year in a row, with 4.14 percent of its housing units (one in 24) with at least one foreclosure filing in 2011.

California logged the third-highest number of foreclosure actions in 2011 with 3.19 percent – one of every 31 housing units. Georgia ranked fourth with 2.71 percent of housing units (one in 37) in the foreclosure process; Utah ranked fifth with 2.32 percent of its housing units (one in 43) in the foreclosure process.

Other states in the top 10: 6) Michigan (2.21 percent), 7) Florida (2.06 percent), 8) Illinois (1.95 percent), 9) Colorado (1.78 percent) and 10) Idaho (1.77 percent).

### **Florida No. 3 in time it takes to process a foreclosure**

Nationally, it took an average of 348 days to complete the foreclosure process in 2011 fourth quarter, up from 336 days in the third quarter and 305 days in the fourth quarter of 2010 – a 24 percent increase.

The average foreclosure process in New York has increased 37 percent during the time period and took an average of 1,019 days to complete. New Jersey documented the nation's second longest average foreclosure process, at 964 days.

Florida documented the nation's third longest average foreclosure process, at 806 days.

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## **Interest rates will stay low, low, low**

WASHINGTON – Jan. 26, 2011 – Consumers and businesses can brace for another two years of exceptionally low interest rates after the Federal Reserve said Wednesday it is likely to keep its rates below 1 percent until late 2014 because of the economy's continued weakness.

The decision means the era of historically low rates on loans – and savings – that the Fed kicked off at the peak of the financial crisis in late 2008 will run longer unless the economy improves faster than Fed policymakers predict.

The Fed said unemployment would stay near its 8.5 percent level through the end of this year and could still be in the range of 6.7 percent to 7.6 percent at the end of 2014. Housing remains depressed while growth in business investment has slowed, it said.

Meanwhile, inflation is staying below 2 percent.

Fed Chairman Ben Bernanke left open the possibility that the Fed could do more to fight joblessness, even at the short-term risk of inflation above the bank's 2 percent annual target.

"There has been some encouraging news recently," Bernanke said at a press conference. "There are positive signs, no doubt. At the same time, there are mixed signals," as indicators such as retail sales growth have been disappointing, he said. Policymakers are also worried about Europe's financial crisis, he said.

The Fed's moves, and especially its decision to discuss its thinking about rate policy much more publicly than it has in the past, are laden with consequences for savers, borrowers and consumers, said PNC Financial chief economist Stuart Hoffman.

"It means that if you own certificates of deposit and you've bemoaned low rates, bad news – you're going to get that this year, next year and the year after," Hoffman said. "If you're a borrower, very low mortgage rates are going to be here for a while. Some people may delay making decisions, but other people will plan for the future" and prepare either to buy or renovate homes, he said.

Bernanke acknowledged that savers are hurt by the low rates. "We realize that low interest rates impose a cost," he said. "The savers in the economy are dependent on a good economy to get a good return."

Wall Street reacted favorably to the news, pushing stocks higher and interest rates lower. The Dow Jones industrial average climbed 83 points to 12,759.

The yield on 10-year U.S. Treasuries, which closed at 2.06 percent Tuesday, dropped as low as 1.91 percent before settling at 1.99 percent.

Most Fed governors think the economy will grow by 2.2 percent to 2.7 percent this year, with unemployment at 8.2 percent to 8.5 percent and core inflation at 1.5 percent to 1.8 percent, the Fed said.

## **Fla. No. 5 nationally as 'best for business'**

WASHINGTON – Jan. 26, 2012 – Wyoming, Florida and Texas rank among the 10 best states for taxes on business, while companies in states like New York, New Jersey and California have a far less pleasant tax climate, according to the Tax Foundation's State Business Tax Climate Index, now in its 8th edition.

The Tax Foundation says it looks at dozens of state tax provisions to create the ranking –a single easy-to-use score that measures each state's tax climate against every other state. While some similar studies focus on residents' tax burden they pay each year, the Index focuses on how a tax system enhances or harms a state's businesses.

"Even in our global economy, a state's stiffest and most direct competition often comes from other states," says Tax Foundation economist Mark Robyn. "State lawmakers need to be aware of how their states' business climates match up to their immediate neighbors and to other states in their region."

### **The 10 best states in this year's Index**

1. Wyoming
2. South Dakota
3. Nevada
4. Alaska
5. Florida
6. New Hampshire
7. Washington
8. Montana
9. Texas
10. Utah

### **The 10 lowest ranked states in this year's Index**

41. Iowa
42. Maryland
43. Wisconsin
44. North Carolina
45. Minnesota
46. Rhode Island
47. Vermont
48. California
49. New York
50. New Jersey

The Tax Foundation has monitored fiscal policy at the federal, state and local levels since 1937. A copy of the latest report is available on the Tax Foundation's website.

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## **Economic survey: Growth will ebb**

McLEAN, Va. – Jan. 23, 2012 – The U.S. economy will slow this year after a flurry of stronger growth in late 2011, leaving the 8.5 percent unemployment rate about where it is now on Election Day, according to USA TODAY's quarterly survey of economists.

The economy will slow to 2.2 percent annual growth in the first half of 2012 after an estimated 3.1

percent gain in fourth-quarter gross domestic product, according to the median forecast of the 48 economists surveyed.

The biggest reason for slower growth is that a late-2011 bounce back from the effects of the Japanese earthquake last March won't last, according to Diane Swonk, chief economist at Mesirow Financial. Slower growth will help keep unemployment at 8.4 percent or higher through year's end, economists predict.

"The little improvement we saw was partly catch-up; the retail recovery at Christmas was more hype than reality," Swonk says. "Consumer confidence is still at recession levels, just not at depression levels."

The good news:

- The risk of a U.S. recession is falling. The median estimate of USA TODAY's panel calling it only a 22 percent probability in the next 12 months.
- Europe's financial crisis will shave only a quarter of a percentage point from this year's U.S. growth, the economists said.
- More than 90 percent of the economists think home prices have bottomed out, or will by the end of this year.
- The Federal Reserve won't raise interest rates until the second half of 2013, half the experts says. Almost as many say it will be 2014 or later.

The shaky news:

- Job growth will slow to a monthly pace of 144,000 new jobs early this year, rising to 165,000 a month in the fourth quarter, the panel predicted. The economy produced an average of 137,000 new jobs monthly in the fourth quarter, driven by December's gain of 200,000.
- Unemployment won't reach a healthy level until 2014 or later, the economists unanimously agreed.

The uncertainty has Wall Street betting that the Federal Reserve will do more to rekindle the economy, possibly as soon as the meeting of the Fed's Open Market Committee Tuesday and Wednesday. It might decide to pump as much as \$1 trillion into the economy by buying mortgage-backed bonds from banks and institutions, Miller Tabak & Co. economic strategist Andrew Wilkinson says.

"The Fed is underwhelmed by the recovery," he says. "They see the recovery hampered by the housing market, which is not going away anytime soon, and it's causing employment gains to be lightweight."

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## **Waters muddy over where land ends, begins**

TALLAHASSEE, Fla. – Jan. 23, 2012 – It's a murky line between really good fishing and trespassing.

A measure moving in the Florida House seeks to clarify just where that line is – more specifically, where the state's waterways end and where abutting private property starts.

The issue is vital to people who own property on a riverbank or lake shoreline – how much property they pay taxes on, for example, depends on where their property stops. But it's also important to boaters, hunters and fishermen who fear losing access to swamps – prime habitat for many of the things they're looking for.

Sometimes non-tidal swamps aren't there in the dry season, but are in the wet – and future access to this land will depend on whether the high water mark or the low water mark – or something in between – is used as the demarcation point. It's a highly contested issue, and the subject of a bill that cleared a committee stop Tuesday, but only after conflicting testimony about what the change would do.

The measure (HB 1103), approved last Tuesday by the House Agriculture Subcommittee on a 9-4 vote, seeks to set out the "ordinary high water mark," which is where the federal government says the public's sovereignty ends. However, state law doesn't define "ordinary high water mark" or how to determine where it is.

A couple court cases tried to define property boundaries, and the bill's backers say it tracks those court opinions. The bill says the ordinary high water mark is the "highest reach of a navigable, non-tidal water body as it usually exists when in its ordinary condition and is not the highest reach of such water body during the high water season or in times of freshets."

The bill also acknowledges that the ordinary high water mark is a moving boundary and spells out that officials must determine where it is based by a mark on the soil – a change in the soil from where it is usually wet to where it is usually dry.

Preston Robertson of the Florida Wildlife Federation says the new definition will allow the line to be marked lower – allowing more land to be considered private, rather than part of the publicly-owned waterway. The measure would take "tens of thousands of acres that everybody now enjoys and put it in the hands of private landowners," Robertson said.

Legislative staff acknowledges that the ordinary high water mark won't be the highest water level. It doesn't take in "swamp or overflowed lands," according to the Agriculture Subcommittee's staff analysis. "The ordinary high-water mark is to be found between such lands, and the area occupied by the water for the greater portion of each average year," the analysis says.

The exact line is important to landowners for several reasons, said Jim Handley, executive vice president of the Florida Cattlemen's Association. "You can't use property as collateral" if you don't know if you own it, he told the committee this week. "It's a concern of ours if somebody is trespassing and gets injured, who is liable?"

He rejected an assertion by hunters and fishermen that agricultural landowners are simply trying to increase their holdings.

"This is not a land grab, this is an opportunity to show a clear definition of what folks have been paying property taxes on," Handley said. "... Nobody's trying to move the line, they're trying to define the line."

Trespassing is a major concern of boaters and sportsmen's groups, which have for several days been sending around mass emails to draw attention to the issue. Hunters carrying rifles, or even boaters simply legally carrying a concealed weapon, may be charged with trespassing for fishing on low water they've fished on for years.

"If they have to worry about a line that's now moving, they're subject to a third degree felony with armed trespass," Robertson said.

In the House, the bill is awaiting a hearing in the Civil Justice Committee.

Source: News Service of Florida, David Royse

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## **Citizens backs off pricey replacement costs**

TALLAHASSEE, Fla. – Jan. 23, 2012 – An issue discussed at the recent Florida Realtors Mid-Winter Meetings appears resolved, at least for now. Citizen's Property Insurance Corp. – the state-owned insurer of last resort – relied on a single vendor, 360Value, to estimate a building's replacement costs that, in turn, impact the amount of property insurance an owner had to buy.

A number of Realtors and homeowners, however, felt that 360Value overestimated replacement costs, forcing owners to overpay for insurance. Consequently – and in response to criticism from Florida Realtors, homeowners, the media and others – Citizens says it will now consider other sources when calculating replacement cost, including other software firms, appraisers, contractors and more.

"Florida Realtors has followed Citizens' actions closely, and we discussed replacement costs at the recent Mid-Winter Business Meetings," says Florida Realtors Senior Vice President of Public Policy John Sebree. "This issue is important to Realtors, homeowners and buyers, and we're pleased with Citizens' decision to expand replacement cost appraisals."

As a state-owned insurer, Citizens cannot raise rates beyond 10 percent per year; but critics of the replacement cost appraisals claimed Citizens found a way to raise rates by skirting the yearly cap – simply force policyholders to buy more coverage than needed.

In response, Citizens said that wasn't true, and that replacement cost differs from market value. Buying a foreclosed home, for example, many times costs less than the money it would take to build that same home.

The problem started in late 2010 when Citizens started to use 360Value exclusively. Homeowners could not get alternative appraisals if they disagreed with the values released by the vendor. Effective now, however, Citizens will still use data from 360Value, but it will also accept the following to calculate replacement costs:

- Estimates from other vendors, such as MSB and e2Value
- An appraisal from someone licensed to estimate insurance reconstruction costs, which can be different than market value
- A general contractor, architect or engineer estimate, providing it includes a contract price for reconstruction and an itemized list of features in the home
- A property inspection report, providing it's been conducted within the previous 12 months

Citizens officials have not said how they will deal with past problems, however. Some owners balked when their insurance premiums went up based on new and higher replacement cost estimates, but they continued to pay the higher premiums anyway. Under the updated rules, it's not clear if Citizens will make a new estimate retroactive, and, if so, whether a property owner can expect reimbursement for premiums already paid.

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## **3 ways to sell a home that's not selling**

NEW YORK – Jan. 20, 2012 – Surveys suggest that a high number of real estate deals are falling apart due to financing issues, and today's sellers might need to get creative if they want their property to sell. Options to consider:

- Sellers could back a second mortgage for the buyer at an amount that enables the buyer to meet the lender's downpayment requirements, providing the lender agrees.
- Sell the home "subject to the existing mortgage," which means the buyers take over the sellers' existing mortgage payments for a specified time, after which time they must obtain a new loan. This arrangement relieves sellers of their mortgage debt and helps buyers with credit scores too low secure a traditional loan. And while it forces buyers to get a mortgage as specified in the contract, experts say banks will not foreclose if payments are made on time.
- Sellers willing to finance the sale can unload properties for a low downpayment by adding a sweat equity clause to the contract, which requires the buyers to bring the home into tip-top shape. The renovation details are written into the contract, and buyers must complete the repairs by the agreed-upon date to qualify for long-term seller financing.

Source: RealtyBizNews (01/16/2012) Robinson, Donna

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## **Fewer layoffs, lower inflation give economy a lift**

WASHINGTON – Jan. 20, 2012 – The economy is off to a fast start in 2012.

The outlook for hiring is improving now that unemployment benefit applications are near a four-year low. Inflation is tame, business travel is rising and the depressed housing market is showing signs of improvement after three dismal years.

That's the picture shaped by a flurry of data Thursday. And it follows other reports showing the economy started the year with vitality. Companies are hiring more workers, consumer confidence is up, factories are cranking out more goods and bank lending is on the rise.

Economists are optimistic. But they caution that it is too early to say the recovery is accelerating.

"There's no doubt that the economy is getting better, we just shouldn't get carried away," Mark Vitner, an economist at Wells Fargo, said. "We haven't shifted into a higher gear."

Even with six months of solid job growth, unemployment remains painfully high at 8.5 percent. Inflation-adjusted wages fell over the past year. Housing continues to weigh on the economy. And a recession in Europe is expected to weaken growth in the U.S. and abroad.

Still, Thursday's reports were encouraging:

- Fewer people sought unemployment benefits last week than at any time in nearly four years, the Labor Department said Thursday. Applications last week totaled just 352,000 after the biggest seasonally adjusted drop in more than six years.

The four-week average, which smoothes out fluctuations, dropped to 379,000, the second-lowest such figure in more than three years. When weekly applications fall consistently below 375,000, it usually signals that hiring is strong enough to push down the unemployment rate.

- Manufacturing expanded in the Northeast in January, according to surveys by the Federal Reserve banks of New York and Philadelphia. That follows a report from the Fed that said factory output across the country surged in December by the most in a year.

- Inflation appears to be peaking after rising steeply last year. Consumer prices were unchanged in

December, in part because gas is cheaper. Lower inflation gives consumers more spending power and allows the Fed more leeway to keep interest rates low.

- Total spending on business travel rose 7.6 percent last year, the Global Business Travel Association said last week. That helps companies like Southwest Airlines, which reported higher fourth-quarter profit and revenue.

- Union Pacific Corp., the nation's largest rail operator, says it transported more cars, oil, industrial parts and chemicals in the final quarter of last year. CEO Jim Young predicted "slow but steady economic growth in 2012."

- JPMorgan Chase, the nation's largest bank, said its lending to businesses rose 12 percent in the October-December quarter compared to the same period a year earlier. Tight credit has been a major reason why smaller businesses have been unable to expand and hire more workers.

A recovery hinges on strong job growth. Hiring was solid in the final six months of last year, capped by December's net increase of 200,000 jobs.

Still, the job market has a long way to go before it fully recovers from the damage of the Great Recession, which wiped out 8.7 million jobs. More than 13 million people remain unemployed. Millions more have given up looking for work and so are no longer counted as unemployed.

And wages aren't keeping up with inflation. The department said in a separate report Thursday that average inflation-adjusted hourly earnings dropped 0.9 percent last year.

Without more jobs and higher pay, consumers might have to cut back on spending. That would weigh down growth next year. Consumer spending accounts for about 70 percent of the economy.

Another major hurdle is housing. In December, builders ended their third straight year of dismal home construction. And 2011 was the worst on record for single-family home building, the Commerce Department said.

Still, signs of improvement surfaced toward the end of the year, when builders started more single-family homes in each of the last three months.

And the average rate on the 30-year mortgage fell to a record low of 3.88 percent this week, according to Freddie Mac, the eighth record in the past year.

So far, low rates have done little to boost home sales. But a survey of homebuilders this week showed many are more optimistic about this year after seeing a rise in the number of people looking to buy.

"We expect further sustained gains in starts and permits over the next few months; a real recovery is getting started," said Ian Shepherdson, chief U.S. economist at High Frequency Economics.

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## **Florida's housing sales activity higher as 2011 ends**

ORLANDO, Fla. – Jan. 20, 2012 – At the close of 2011, Florida's existing home and condominium markets reported higher sales compared to the previous year, according to the latest housing data released by Florida Realtors®. It was the third consecutive year for statewide home and condo sales activity to end the year on a positive upswing – higher year-over-year sales also were reported at the close of 2010 and 2009, records show.

Looking back on 2011, Florida's existing home sales rose 8 percent for the year, with a total of 185,921

homes sold compared to 172,462 homes sold in 2010. The statewide existing home median price for 2011 was \$131,700; it was \$135,900 in 2010 for a 3 percent decrease. In Florida's condo market, a total of 87,581 units sold statewide in 2011, a gain of 15 percent compared to 76,209 units sold in 2010. The statewide existing condo median price in 2011 was \$88,300; it was \$90,000 in 2010 for a 2 percent decrease.

Sixteen of Florida's metropolitan statistical areas (MSAs) reported higher existing home sales at the close of 2011 compared to 2010; the same number of MSAs also reported higher existing condos sales.

"Florida's economy is continuing to strengthen, which is good news," said 2012 Florida Realtors President Summer Greene, regional manager of Better Homes and Gardens Real Estate Florida 1st in Fort Lauderdale. "Many people are hoping to take advantage of the current record low mortgage rates and affordable conditions to find their Florida dream home – but overly restrictive lending requirements continue to create barriers to homeownership for qualified homebuyers. To re-energize the housing market and the economic recovery, we need improved access to affordable financing options for qualified buyers and investors."

In December, a total of 15,290 existing single-family homes sold statewide, a decrease of 2 percent from the 15,546 homes sold in December 2010. The statewide existing home median sales price last month was \$134,300, up 1 percent from the \$133,000 reported in December 2010, according to Florida Realtors' data. The national median existing single-family home price was \$165,100 in December, according to the National Association of Realtors® (NAR). The median is the midpoint; half the homes sold for more, half for less.

In the year-to-year comparison for statewide existing condo sales, a total of 6,836 units changed hands last month, compared to 6,985 condos sold in December 2010 for a decrease of 2 percent. The statewide existing condo median sales price in December was \$91,900, up 4 percent from the \$88,400 reported a year earlier. The national median existing condo price was \$160,000 in December, according to NAR.

"Although sales were down slightly in December, they're up strongly for the year, which reinforces the reality that Florida is in a slow real estate recovery," said Florida Realtors Chief Economist Dr. John Tuccillo. "Our expectation is that recovery will continue through 2012. The major obstacle in the market is the inadequate accessibility to financing. Prices are moderating, but we don't expect too much movement owing to the continuing significance of distressed properties."

In December, the interest rate for a 30-year fixed-rate mortgage averaged 3.96 percent, down from the 4.71 percent average during the same month a year earlier, according to Freddie Mac. The annual average rate for a 30-year mortgage in 2011 was 4.45 percent. Florida Realtors' sales figures reflect closings, which typically occur 30 to 90 days after sales contracts are written.

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## **Attorney Q&A: Why not a cashier's check for closing on home?**

FORT LAUDERDALE, Fla. – Jan. 17, 2012 – Question: I am getting ready to close on my new home. The settlement company is insisting that I wire the funds prior to the closing. The contract allows for a cashier's check, but the company will not accept that. What's the big deal? – Ray

**Answer:** Recently, most settlement companies and attorneys have gone to a "wire only" policy for closing funds. There has been a spike in fraudulent cashier's checks and money orders, greatly increasing the risk to the closing agents.

By accepting your file to work on, the closing company tacitly agrees to abide by the terms of your contract, which allows for cashier's checks. But your contract also will speak to collected funds being

necessary to complete the closing. Since collecting cashier's checks can take five days or more, this will delay your closing and possibly even jeopardize it.

If you insist on using a certified or cashier's check, you will need to make sure the closing company has it before the closing. Because this is unrealistic given the last-minute nature of most closings, you will probably need to send a wire. Remember that your settlement agent is asking for the wire to protect all of the parties involved in the transaction, so it's best for you to go with the flow.

About the writer: Gary M. Singer is a Florida attorney and board-certified as an expert in real estate law by the Florida Bar. He is the chairperson of the Real Estate Section of the Broward County Bar Association and is an adjunct professor for the Nova Southeastern University Paralegal Studies program.

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## **Housing outlook is more upbeat**

NEW YORK – Jan. 17, 2012 – Optimism is building that the housing industry is nearing a bottom – finally.

Home sales and homebuilding are forecast to rise this year after sliding steeply the past five years in housing's worst downturn since the Great Depression.

Recovery is expected to be slow, and home prices are widely expected to fall this year. But investors are betting on the start of an upturn, bidding up home builder stocks and causing them to outperform the broader stock market.

Chief executives are more positive. JPMorgan Chase's Jamie Dimon said last week that housing is near its bottom but could stay there a year. Stuart Miller, CEO of home builder Lennar, said the market has started to stabilize because of low prices and record-low interest rates.

Market researcher RBC Capital Markets has also turned from a "bearish" view on housing to saying that 2012 "will mark a step in the right direction."

Many economists expect home prices to fall more this year because of foreclosures and other properties sold at very low prices.

As foreclosures pick up this year, "prices will drop," says Stan Humphries, Zillow chief economist. He says home prices won't bottom until later in 2012 or next year.

On average, prices have fallen by about a third since 2006.

"This year will feel a lot better to builders, investors and real estate agents than to consumers," says Jed Kolko, economist for real estate website Trulia.

Housing's outlook is brightening with signs of a better economy. Last month, U.S. employers added 200,000 jobs, and the unemployment rate fell to 8.5 percent, lowest in nearly three years.

While an economic shock could derail progress, "there's now more evidence of improvement in the economy, and housing will follow the economy," says David Crowe, chief economist at the National Association of Home Builders. More improvement is expected for:

Sales. Existing home sales will rise 12 percent this year after a 2 percent increase last year, and new home sales, coming off a horrid year, will jump 74 percent this year, Moody's Analytics predicts.

November's existing home sales hit their highest mark in 10 months, and new home sales were the year's second best, IHS Global Insight says.

Construction. Single-family housing starts will rise 37 percent this year, Moody's predicts, after falling 9 percent last year.

Home builder stocks are on a run. The S&P 1500 homebuilding index is up 38 percent since mid-October, vs. 7 percent for the S&P 500.

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## **Program educates public on foreclosure scams**

WASHINGTON – Jan. 16, 2012 – According to Loan Modification Scam Alert, a program backed by NeighborWorks America and supported by the U.S. Congress, there is a new foreclosure filing every 15 seconds in America.

NeighborWorks is working with 235 community-based affiliates to educate and protect homeowners from unethical practices. The program says it has three goals: First, alert homeowners about scams. Second, help them spot a scam before it's too late. Third, encourage them to report scammers to the authorities. The campaign hopes to educate owners at higher risk of scams by telling real-life scam stories in fliers, postcards, door hangers, e-cards, posters, print advertising, local PSAs, events, word of mouth and social media.

### **Three signs of a scam**

According to Loan Modification Scam Alert, foreclosure scams generally have three possible red flags:

- The company asks for a fee in advance.
- The offer comes with a guarantee that a foreclosure can be stopped or a loan modified.
- The homeowner is told to stop paying the mortgage and, in some cases, told to pay the foreclosure relief company instead.

Since the U.S. has a new foreclosure filing every 15 seconds – more than 6,100 per day – and more than 4.5 million households at risk, scam artists see an opportunity, and Florida remains the top state for foreclosure-related scams.

"Loan modification scams are proliferating at a rapid pace," the program claims on its website. "Every day, more homeowners are falling prey to the slick advertising and sales pitches that guarantee to keep them in their homes. Many scam artists are openly taking advantage of people in difficult circumstances – online, on the telephone, and sometimes audaciously knocking on doors."

For more information, to read stories of harmed homeowners or to report a scam, visit the Loan Modification Scam Alert website. (Link underlined to: <http://loanscamalert.org/>)

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## **At Miami economic forum, a sense of cautious optimism**

MIAMI – Jan. 16, 2012 – Condo Vultures founder Peter Zalewski sees more confidence in the real estate market this year, as high-rise towers return and prices for luxury real estate inch off a bottom. That could

be a problem.

"My biggest concern for 2012 is bravado," he told an audience during a Friday morning panel discussion on the development industry. "You are starting to see some egos return. You're starting to see some optimism in pricing."

Optimism – or what passes for optimism in the post-bust South Florida – set the tone for the Greater Miami Chamber of Commerce's second annual economic forum.

Bankers said they had money to lend, but few businesses profitable enough for safe loans. Builders said they were almost certain housing prices have finally hit a bottom.

Trade and tourism watchers said foreign buying power continues to shield South Florida from the full impact of domestic economic woes.

Zalewski, who started his Vultures brokerage six years ago in anticipation of a historic real estate bust, specializes in distressed real estate. With condo towers in pre-sales once again and some going vertical, he warned that developers may once again be over-estimating demand for pricey apartments.

"There's been a lot of hoopla. If these things stall in their tracks, it could create some bad buzz that I think would take us a long time to recover from," said Zalewski, who also writes a monthly column for The Miami Herald's Business Monday magazine.

Several speakers at the daylong event at Jungle Island shared an outlook that conditions have improved enough to make 2012 a turning point, with growth slowly gaining steam toward normalcy. But memories of past optimism tempered some of the rosy comments.

Ramiro Ortiz, a Miami banker turned consultant, opened a finance and retail discussion by reminding the audience that, in the same room last year, speakers were bidding good riddance to 2010 and expecting a strong 2011.

"Here we are a year later," he said. "I would say good riddance to 2011."

Among the highlights from Friday's forum:

- Miami-Dade's retail industry is performing well. Allen Morris, CEO of the Allen Morris Co. commercial brokerage, said retail vacancies were a fraction of the office sector. Only about 4 percent of Miami-Dade's retail space is available, compared to about 14 percent for office. Industrial space falls roughly in the middle at 8 percent vacant.

- Bank executives insisted they want to lend money, but that demand from small businesses is too low.

"Whoever wants it, come and get it," said Adolfo Henriques, president of Gibraltar Private Bank in Miami. "We are flush with cash."

He said his staff rarely hears from stable businesses looking for a loan to fund growth. Instead, most loan requests come from marginal companies needing cash to survive.

- Don't expect a housing rebound to spark a big return to hiring in the building industry. Carlos Gonzalez, head of the Southeast Florida division for Lennar, said the national homebuilder expects to expand in 2012. But its payrolls won't, at least not locally.

"I don't see any hiring this year," he said. "I am growing my business."

- The construction industry shakeout continues. Ed McNeil, head of Florida operations for Turner Construction, said the widespread failures of contractors in commercial building did not materialize in 2009 and 2010, despite a nearly idle industry. But in 2011, firms began to go bankrupt and he expects more in 2012. "How long can you hold your breath in this distressed market?"

- Presidential politics looms large in predicting the future of finance. Ken Thomas, a local banking consultant, said he expects the Federal Reserve to continue pumping cash into the financial system by launching a third effort called "quantitative easing" or "QE3."

Thomas said the influx of cash should help the economy in the short term, boosting President Barack Obama's reelection chances. The president appoints the Fed chairman, currently Ben Bernanke.

"Ben Bernanke wants to keep his job," Thomas said. "No Republican will keep him. The only one who will is Obama."

- Corporate America seems extremely poised for major hiring and spending.

James Glassman, an economist with JPMorgan, presented data showing national business profits were up at levels far above past recoveries. He expected that to spark more hiring, particularly among younger workers, who have been hit hardest by the unemployment crisis. As younger workers feel secure in their careers, first-time homebuyers should surge after years of delayed purchases.

He compared the current dynamics to the 1950s, when homebuying soared as an entire generation of young people made up for lost time.

"The recession is doing to our young people what the war did to the baby boomers," he said, referring to the generation born after World War II as the country returned to normalcy. "Young people are seeing their situations improve the most."

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## **Rental history: More important in getting a mortgage**

NEW YORK – Jan. 11, 2012 – Borrowers who have a history of paying rent on time may see a boost to their credit score.

Experian, a leading credit report company, added a section to its credit reports last year that reflected on-time rent payments, which helped give a boost in the credit scores to some on-time rent payers. Now the two other major credit-reporting companies are following suit.

CoreLogic and FICO recently announced that they're also adding a score that reflects payment histories from landlords, The New York Times reports.

"Evidence of positive rental payments could be a plus for consumers," Joanne Gaskin, FICO's director of product management global scoring said.

Nearly half of high-risk consumers saw an increase of 100 points or more after their rental history was added to their credit report, says Brannan Johnston, the managing director of Experian's rent bureau. Consumers with average or higher credit scores, on the other hand, did not see any major difference.

The change also benefits former homeowners who went through a foreclosure. They may be able to rebuild their credit histories quicker now by showing they are "very responsible renters," according to Tim Grace, senior vice president of CoreLogic.

Source: "A Good Rental History Can Help Borrowers," The New York Times (Jan. 5, 2012)

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## **Jobs outlook brightens as confidence begins to rally**

WASHINGTON – Jan. 11, 2012 – After nearly three years of unemployment, David Mote will be back at work next week, overseeing construction of a medical school building in Dothan, Ala.

Mote, whose \$2,000 weekly salary was cut to \$360 in unemployment benefits before he lost even that 10 months ago, can again contemplate going out for dinner and taking in a weekend football game. "It feels great," says Mote, 52. "I've got a job. I got my (health) insurance back."

His employer, Batson-Cook of Atlanta, called Mote back to work amid a surge in health care and apartment construction as young adults who had doubled up with relatives find jobs and move into their own homes.

After losing 2.2 million jobs in the economic downturn, the construction industry is projected to add 113,000 this year, more than doubling last year's pace and placing it among the fastest-growing sectors, according to a 2012 job market forecast by Moody's Analytics. Even a moderate rejuvenation of the troubled sector – thanks largely to a multifamily building boom – helps the economy because of its ripple effects across industries such as furniture, steel and concrete.

The job outlook has brightened the past two months as higher consumer spending, improved business confidence and a stock market rally have somewhat eased concerns about further shocks from Europe's financial turmoil.

Economists recently surveyed by the Associated Press expect employers to add 2.1 million jobs in 2012, an average of 175,000 a month. That would top the monthly pace of 136,000 last year and 78,000 in 2010, though still fall short of the 250,000 to 300,000 needed to cut unemployment quickly.

The USA has recovered just 2.6 million of the 8.8 million jobs lost in the recession.

"It's not going to be a breakout year," says Mark Zandi, chief economist of Moody's Analytics. Moody's projects job gains of about 130,000 a month – about 1.6 million for the year – in line with 2011.

Moody's also predicts:

Three categories – professional and business services, education and health care, and leisure and hospitality – will lead job gains, collectively producing more than 1 million. The booming energy sector will also continue to hire.

Sun Belt states hammered by the recession – Florida, Arizona, Georgia and Nevada – will rebound some as an easing of the foreclosure crisis lets homeowners move more easily. All four are projected to be among the 10 fastest-growing job markets.

Rust Belt manufacturing bastions such as Illinois, Ohio and Indiana will generate jobs more slowly as the European financial crisis hampers exports.

Driving the improvement in overall job growth is a pickup in hiring and confidence among small businesses as banks modestly ease credit standards. Small firms, particularly start-ups, typically account for two-thirds of the new jobs created in a recovery. Also, productivity gains that have allowed companies to do more with fewer workers are slowing, government reports show.

"Small businesses are being more aggressive" than large ones, says consultant Harry Griendling of DoubleStar.

A wild card: The retirement of Baby Boomers could help trim the jobless rate even without blockbuster job growth, says Dean Maki, chief U.S. economist for Barclays Capital.

The optimism is heavily tinged by caution. Many experts expect payroll growth to slow the first half of the year amid an expected drop in exports and a pullback in consumer spending. With real income growth running at a tepid 1 percent annual rate, Americans had to dip into savings to fuel their holiday buying binge – a trend that many analysts say can't be sustained.

And many businesses are hesitant to ramp up hiring significantly amid lingering concerns about Europe's debt crisis and a presidential election year that will leave battles over taxes and regulation unresolved.

A survey of 18,000 employers released last month by staffing giant Manpower underscores both buoyancy and prudence. Employers' hiring outlook for the first quarter was at its highest since 2008. At the same time, the level of employers unsure of their hiring plans was the most since 2005.

### **Big companies cautious**

Many large companies, in turn, are holding off on permanent hiring and relying heavily on contractors and temporary workers to complete projects, says Janette Marx, senior vice president of staffing company Adecco. The good news: That's fattening payrolls for third-party providers, such as engineering and accounting firms.

While big corporations are hiring cautiously, they're sitting on record cash reserves and driving job growth more than consumers, who make up 70 percent of the economy but remain burdened by debt. Companies, for instance, are boosting travel budgets and shifting their computer software systems to remote, cloud-based networks.

The expenditures are forcing professional and business services to beef up staffing. Cleveland-based accounting firm Cohen & Co. is enlarging its 250-employee staff by about 10 percent this year as highly profitable corporations seek to reduce taxes, weigh mergers and navigate increasingly complex banking rules stemming from financial reform, says CEO Randall Myeroff.

Engineering firm Black & Veatch, of Kansas City, with about 6,000 U.S. employees, plans to add several hundred this year as utilities retrofit power plants to meet stricter pollution limits and smartphone carriers expand networks, says CEO Len Rodman. Yet that's far less than the 1,000 U.S. employees the firm added last year. Rodman worries that electricity providers could rein in spending if the European crisis hurts their customers' exports. "We have taken a conservative approach," he says.

Health care providers are scrambling to meet the needs of an aging population. Philadelphia-based Genesis HealthCare, whose 40,000 employees provide rehab services in nursing homes in the Eastern U.S., is expanding to Arizona, New Mexico and Oklahoma, hiring 10,000 workers. "The Baby Boomers are getting older," says Vice President Mike Guglielmo.

Hotels, meanwhile, are looking for bellhops, front desk clerks and maids as companies replenish travel budgets slashed in the recession and tourism picks up moderately. That's a boon for Texas, where a population boom and business growth feed off each other. Joseph DePalma, president of DePalma Hotel, says occupancy at his eight franchise hotels in Texas has risen to about 65 percent from 55 percent the past year. "Companies are back to traveling again," he says. DePalma plans to increase his Texas staff of 1,200 by more than 100 this year.

Texas is again projected to top the nation in total job gains, with more than 200,000.

Meanwhile, North Dakota, home to one of the nation's biggest untapped oil reserves, is expected to lead in the pace of job growth, at 2.8 percent. Continental Resources is adding 50 to 75 workers to its existing base of about 160 in the Bakken oil field as it drills about 240 new wells, says Chief Financial Officer John Hart. Much of the activity has been fueled by benchmark crude oil prices that have hovered around \$100 a barrel. "I have a better return that enables me to take a risk," Hart says.

The frenzy has turned North Dakota, with a population of 684,000, into a job hunter's magnet that added 17,000 workers last year, a 4.5 percent gain. Continental's recent advertisement for a computer specialist drew 518 applicants from as far away as South Africa.

### **Uneven job growth**

Not every sector is expected to grow robustly. Retailers likely will pull back hiring as consumer spending moderates, according to the Moody's study. State and local governments will continue to shed jobs amid budget constraints, though likely at a slower pace than last year. And factory payrolls could flatten or even contract slightly amid a slowdown in exports.

Some manufacturers plan to add workers because they can't wring more output from existing ones. Paulson Manufacturing in Temecula, Calif., laid off more than half its 220 employees in the recession, though revenue fell just 25 percent. The company, which makes face shields for industrial and public safety use, installed automated technology to boost efficiency and got more out of each worker, helping it increase profits, says CEO Roy Paulson.

But with sales expected to rise about 15 percent this year, Paulson plans to hire 12 to 15 employees.

"We might have worn out some of these people a little bit," he says. If he forced his workers to shoulder a still bigger burden, "Worker compensation costs go up and your sick rate goes up."

Even more encouraging: Small businesses – which create an outsize share of jobs – appear to be launching and expanding again. The number of establishments opening hit a record low of 1.1 million in 2011's first quarter, the most recent data available, according to the Labor Department. But anecdotal evidence suggests the pace of business start-ups has increased lately, says Dane Stangler, research director for the Kauffman Foundation, which studies entrepreneurship. The International Franchise Association expects the number of U.S. franchise locations to rise 2 percent this year after dipping three years in a row.

Franchise company Driven Brands, which owns Meineke and Maaco, sold more franchise licenses in November than in the past five years combined, says CEO Ken Walker. "We are beginning to get businesses financed," he says.

Franchisee Stephen Keel, who owns a Maaco auto body outlet in Catonsville, Md., sought for a year to move it to nearby Randallstown and add a Meineke auto repair shop at the new site. But he couldn't get a \$1.7 million loan from seven banks despite a \$2.2 million appraisal of his planned new land and building.

Recently, he snared a loan from Susquehanna Bank and plans to add four to seven workers to his 12-employee staff after he opens the new location in April.

"I was tickled to death," Keel says. "It was a very long, dreadful, painful process."

## **How much does it really cost to rebuild your home?**

TALLAHASSEE, Fla. – Jan. 9, 2012 – Some homeowners have had to beef up the amount of property insurance they buy to cover what they say are inflated cost estimates to rebuild their homes.

It's a double whammy for homeowners because for many, rebuilding costs didn't go down when the economic downturn lowered construction costs over the past few years.

Take John Hutelin, a pilot in Plantation whose premium increased 24 percent, to \$3,873, after Citizens Property Insurance recalculated the cost to rebuild his home.

"That's how they're increasing premiums," Hutelin said. Rebuilding costs are one of two ways state-backed Citizens can get around a law capping its annual premium increases at 10 percent.

Citizens spokeswoman Christine Ashburn denied that, and said the insurer wants customers to have enough coverage, which many didn't have after the hurricanes of 2004 and 2005.

Citizens, the largest home insurer in Florida, started changing its rebuilding costs in late 2010, moving to 360Value, an estimating software by Insurance Services Office. Rebuilding costs determine how much coverage a homeowner has to buy for the main structure of the home, the largest part of a typical policy.

In a recent statement, Citizens acknowledged "publically expressed concerns about some of the replacement cost valuations" and said it would compare the software's estimates for a sample of homes in South Florida and the Tampa area to those produced by a competitor and by general contractors.

Mike Fulton, an assistant vice president of the ISO subsidiary that produces 360Value, said the scrutiny is welcome: "We are confident this review will ... show that 360Value is the most closely aligned with the actual insurance repair market."

Many insurers use ISO products, including 360Value. Paul Mack, president of Mack, Mack & Waltz insurance agency in Deerfield Beach, said policyholders with private insurers complain about rebuilding costs, too – even when 360Value's competitors do the estimates.

But Citizens' customers have been vocal about the new rebuilding cost estimates.

"I have received a torrent of phone calls, e-mails and letters from homeowners and insurance agents" about Citizens' rebuilding cost estimates, Sen. Mike Fasano, R-New Port Richey, wrote in a letter last month. He urged the Senate insurance committee to question Citizens.

Americans for Insurance Reform, a national coalition of consumer advocacy and non-profit groups recently produced a report that criticized regulators for allowing insurers to base rates on data from ISO, alleging it's "industry-controlled" because it was formed by the industry before spinning off into a private company.

ISO denies that insurers control it, describing itself as "an independent advisory organization."

Fulton said 360Value has other customers, such as contractors, so it can't be subject to the whims of particular group, such as insurers. It's also used by insurance adjusters, who have an incentive to charge less.

The problem, Fulton said, is that home values are plummeting but rebuilding costs are not, and many

people don't understand the difference. "This is at the heart of the issue and the concerns voiced in Florida," he said.

360Value estimates a home's rebuilding costs in part by using an index that captures changes in reconstruction costs based largely on actual repair estimates.

Homeowners who think their rebuilding costs are high can do what Hutelin in Plantation is doing: appeal to the state and be prepared to shop for insurance.

Hutelin paid \$200 for an appraisal in June because he was shopping for insurance and found premiums varied depending on the insurer's estimate of rebuilding costs. Citizens sold him a policy in August based on the appraisal.

Four months later, the insurer estimated his home would cost \$354,400 to rebuild – or 23 percent more – and backdated an increase in his premium to August.

"Imagine getting a bill from the grocery store four months after the fact because produce cost more than they expected," he wrote in an email.

Citizens' Ashburn said the estimate increased because photos showed Hutelin's house is considered "standard," not "economy," quality, with wood flooring, granite countertops and a 249-square-foot porch. "The appraiser based his determination on the market value, which we were unable to accept," she said. Citizens will consider appraisals done following the insurer's guidelines, she said.

Scott Taylor, president of Taylor Made Appraisals, did the report and said it was done correctly. The report used a replacement cost estimator by a competitor of 360Value and lists the quality of the house as "good."

He said he did between 50 and 75 appraisals for Citizens policyholders last year and only a couple were not accepted, although some people had to fight the insurer to get them approved.

Hutelin has asked his agent and the state for help, but if that doesn't work, he says he'll be right back where he was last summer: shopping for property insurance.

Insurance consumers can file complaints to the state by clicking "Need Our Help?" at <http://www.myfloridacfo.com/consumers/>. People without Internet access can call 877-693-5236 or 850-413-3089 .

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## **Top 10 real estate websites in November**

***\*\*Sue's listings are linked to these sites and more!\*\****

SEATTLE – Jan. 5, 2012 – Experian Hitwise, a web metrics firm, released its November rankings for real estate websites' popularity, and Yahoo Real Estate held the top spot in for the fifth consecutive month, despite a slight drop in visits to 7.02 percent from 7.9 percent in October.

Rounding out the top five: Realtor.com, Zillow, Trulia and MSN Real Estate. AOL Real Estate held steady in the No. 6 spot, while Homes.com fell to No. 7. The rest of the top 10 sites are Rent.com, ZipRealty and MyNew Place.

The top 10 realty websites account for almost 39 percent of traffic to real estate sites during the month,

whereas the next 10 most popular sites – including LoopNet and Redfin – attracted only 9.4 percent of traffic.

Hitwise reports a two-second drop in the amount of time visitors spent on real estate websites last month to 8 minutes, 53 seconds. The most popular search terms were “zillow” and “realtor.com,” accounting for more than 1 percent of search clicks each.

Source: Inman News (12/22/11)

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## **5 insurance mistakes consumers make**

NEW YORK – Jan. 5, 2012 – Many people make a New Year’s resolution to cut back on expenses, but according to the Insurance Information Institute (I.I.I.), there are smart ways to reduce insurance costs and some not-so-smart ways.

I.I.I. issued the a list of top consumer mistakes followed by practical ways to trim costs:

1. Insuring a home for its real estate value instead of for the cost of rebuilding. With the real estate market in a slump and home prices down in parts of the country, some homeowners think they can reduce the amount of insurance on their home too, the I.I.I. says. But insurance is designed to cover the cost of rebuilding, not the sales price of a home. Make sure you have enough coverage to completely rebuild your home and replace all your belongings in the event of a disaster.

A better way to save: Raise your deductible. An increase from \$500 to \$1,000 could save up to 25 percent on your annual premium.

2. Selecting an insurance company by price alone. It’s a good idea to also make sure the company is financially sound and provides good customer service.

A better way to save: Check the financial health of a company through independent rating agencies, and ask friends and family for recommendations. You should select an insurance company that has a reputation for excellent customer service and will respond to your needs and handle claims fairly and efficiently.

3. Dropping flood insurance. Damage from flooding is not covered under standard homeowners and renters insurance policies. Coverage is available from the National Flood Insurance Program (NFIP) as well as from some private insurance companies. Many homeowners are unaware they are at risk for flooding, but in fact 25 percent of all flood losses occur in low risk areas.

A better way to save: Before purchasing a home check with the National Flood Insurance Program (NFIP) to see whether it’s located in a flood zone. (Some mortgage lenders require coverage, if so.) If you already own a home in a flood zone area, look at home mitigation efforts that can reduce the risk of flood damage and consider purchasing flood insurance.

4. Purchasing only the legally required amount of liability for your vehicle. In today’s litigious society, buying only the minimum amount of liability means you’re likely to pay more out-of-pocket if you are sued – and those costs may be steep. The insurance industry and consumer groups generally recommend a minimum of \$100,000 of bodily injury protection per person and \$300,000 per accident.

A better way to save: Consider dropping collision and/or comprehensive coverage on older vehicles worth less than \$1,000.

5. Not buying buy renters insurance. A renters insurance policy covers your possessions and additional living expenses if you have to move out of your home due to a disaster. Equally important: It provides liability protection in the event someone is injured in your home and decides to sue.

A better way to save: Look into multi-policy discounts. Buying several policies with the same insurer, such as renters, auto and life, generally provides savings.

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## **How long will low mortgage rates last?**

WASHINGTON – Jan. 4, 2012 – For nine consecutive weeks, the 30-year fixed-rate mortgage has been hovering at or below record lows of 4 percent, pushing housing affordability for homebuyers even higher.

But will these low rates stick around much longer?

The Federal Reserve has vowed to keep rates low through 2013 so rates likely will hang around for a few more months, at least, but whether mortgage rates will stay at the current record-lows, many experts say it's unlikely.

The 30-year fixed-rate mortgage is expected to inch up to an average 4.5 percent for 2012 and increase to 5.4 percent in 2013, according to Freddie Mac economists' forecasts.

While that forecast means rates are expected to move higher in the coming months, the rates will still be low by historical standards, economists told the Los Angeles Times. For comparison, 30-year rates averaged more than 16 percent in 1981 and 1982. What's more, until 2000, rates typically were above 8 percent, Freddie Mac notes.

However, many homebuyers have been unable to take advantage of the low rates. Lenders' tighter underwriting standards for loans following the housing crisis shut out some buyers who have poor credit, low downpayments or unsteady employment.

Freddie Mac had predicted that home-purchase applications would comprise two-thirds of all mortgage applications by the end of 2011. But the Mortgage Bankers Associations says that about 80 percent of the mortgage applications instead came from homeowners who wanted to refinance.

Source: "Low Mortgage Rates Likely to Continue Through 2012, Experts Say," Los Angeles Times (Jan. 3, 2012)

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## **Retirees could again lead Fla. rebound**

WASHINGTON – Jan. 4, 2012 – While international buyers have been heralded as the leaders of a Florida real estate rebound, a recent Census Bureau report on migration trends indicates that U.S. residents from northern climates are once again heading to Florida for retirement.

Between April 1, 2010, and July 1, 2011, Florida welcomed 256,000 new residents, or roughly 560 new Floridians each day. Texas grew by 529,000 residents, and California came in second with 438,000.

In total population, Florida retained its No. 4 status, but its 19.1 million residents moved closer to bumping New York, with 19.5 million residents, from its No. 3 spot.

Florida ranked No. 3 for attracting new international residents, behind only California and Texas. However, the Sunshine State ranked No. 2 in attracting residents from other U.S. states. During the 15 months of the Census study, 119,000 moved to Florida from other states, a number surpassed only by Texas' 145,000 new residents.

The state's growth according to the Census Bureau surpassed earlier estimates by the University of Florida's Bureau of Economic & Business Research, and Sarasota's Herald-Tribune dug a little deeper to find out why. They found that the UF study relies mainly on new electric utility hookups to judge population growth, while the Census Bureau relies largely on tax returns and Medicare data.

Since the Census Bureau numbers were roughly twice UF's figures, the Medicare data may have made a difference – implying greater demand from retirees – said University of Central Florida Economist Sean Snaith. "I think with the recovery of the wealth, at least through the rebound of the stock market, that has helped the flow of retirees resume," Snaith said.

Source: Herald-Tribune, Dec. 21, 2011, Doug Sword

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## **Citizens Property Ins. raising costs by looking at details**

TALLAHASSEE, Fla. – Jan. 3, 2012 – Florida-owned Citizens Property Insurance can increase its rates no more than 10 percent per year, but the company has two options that allow it to raise rates without impacting that cap: nixing discounts some homeowners receive for hurricane mitigation efforts and increasing a home's replacement cost in the premium calculation.

### **Hurricane mitigation discounts**

Florida homeowners get a property insurance discount if their home has added features that help lower potential damage from a storm. To receive the discounts, homes must first be inspected, and a number of policyholders have done so. However, Citizens claims that the original inspections have listed hurricane mitigation upgrades that don't exist, and many homeowners don't deserve the discount.

As a result, Citizens is reinspecting homes, and, according to the Palm Beach Post, only about one in three homeowners keeps a hurricane mitigation discount after the reinspection. About 78,000 Florida homeowners have been reinspected so far, and the ones that lose a discount end up paying about 24 percent more – an additional average of \$717 per year. Up to 200,000 total homes are slated for reinspection before the end of 2012.

### **Replacement costs**

Even though home values have decreased, many owners have watched their replacement cost – the amount it would take to rebuild a destroyed home following a disaster – increase. And as the replacement cost increases, the cost of property insurance increases. For some policyholders, their home's replacement cost is double its value in today's market.

Citizens says it used a private vendor, 360Value, to calculate replacement costs. However, Citizens says it will reevaluate the calculations for South Florida and Tampa homeowners this month.

"In light of publicly expressed concerns about some of the replacement cost valuations generated by 360Value, Citizens will supplement its normal contract monitoring to include a targeted review to validate the accuracy of 360Value outputs," Citizens said in a release.

Source: Palm Beach Post, Dec. 22, 2011, Charles Elmore

## **UF survey: Florida consumer confidence jumps in Dec.**

GAINESVILLE, Fla. – Jan. 2, 2012 – Consumer confidence among Floridians rose three points to 69 in December, reflecting cautious optimism in the economy, according to a recent University of Florida (UF) survey. Though the latest figure is only one point below the level set in December 2010, it marks the highest rank in the past nine months.

The index used by UF researchers in the survey is benchmarked to 1966, which means a value of 100 represents the same level of confidence for that year. The lowest index possible is a 2; the highest is 150.

The survey result comes from five measured indexes, and four of the five rose while one declined.

The index that gauges whether Floridians think their personal finances have improved from a year ago rose one point to 53. Attitudes about the soundness of the U.S. economy jumped six points to 59. Confidence in the economy's performance over the next five years also rose three points to 71. Finally, survey takers overall perception that it's a good time to buy "big ticket" items such as washing machines and laptops went up sharply by seven points to 85.

The index that fell measured survey takers' attitudes about their personal finances one year from now, declining two points to 78.

Taken as a whole, the UF survey reflects a changing mood that matches growing confidence across the nation, says Chris McCarty, director of UF's Survey Research Center in the Bureau of Economic and Business Research. Both younger and older respondents interpreted some Florida economic factors positively in December, which has not always happened; and men were more positive than women by a margin of 71 points to 67.

"Floridians are most likely optimistic about continued improvement in the employment situation," McCarty says.

The decline in unemployment in November was 0.4 percent, and the first time in many months that sectors other than tourism led the way in employment increases. McCarty says that employers in trade, transportation and utilities employed 34,800 more workers from October to November. However, he cautioned that many of these new jobs were in retail trade and may reflect holiday seasonal hiring that could disappear in early 2012.

McCarty also suggested several other reasons for the change in mood. Retailers are offering big seasonal discounts to shoppers and mortgage interest rates are low, for example. In addition, he says housing prices may have "bottomed out" for a while, hovering about around \$130,100 for a single-family home. Gas prices are down, too. A gallon cost about 15 cents less than it did in November, though prices are expected to rise in 2012.

Stock prices were unsteady but did not sink in the wake of bad economic news coming from Europe, as some economists expected. Media reports about the U.S. Congress' wrangling over debt and spending issues also didn't sour consumer confidence. "Contrary to our prediction, the impasse of the Super Commission regarding deficit reductions came and went with very little concern from consumers," McCarty said.

Overall, the mood for December is modestly upbeat, McCarty says.

The UF survey was conducted between Dec. 11 and Dec. 22, and reflects the responses of 411 individuals statewide.

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