

Economic growth is small but welcome

McLEAN, Va. – Sept. 30, 2011 – After a steady stream of confidence-sapping news, investors and consumers welcomed slightly more upbeat data Thursday that suggest that the economy, while sluggish, is still in growth mode.

None of the fresh economic readings on growth, jobs and borrowing costs points to a sharp acceleration soon. But together, they indicate that a much-feared double-dip recession is not a certainty, economists say.

The government revised the nation's economic growth for the April-to-June quarter to 1.3% from 1%. That tiny rise in GDP, while still far below the 3% to 4% growth rate considered healthy, was enough to boost hopes that the economy could avoid another recession.

"It's good news but it's not great news," says Edward Yardeni, chief economist at Yardeni Research. "The news has been awful on so many fronts that any ray of sunshine is welcomed."

Investors also got positive headlines on the European debt crisis. Germany approved changes that would bolster the firepower of the eurozone's bailout fund, a key tool needed to help Greece avert a disorderly default and keep its debt woes from infecting other European countries and causing a global slowdown.

That helped fuel a rally on Wall Street. Stocks, on track for their worst quarterly loss since 2008, rose about 1%. More good economic news is needed for investors to feel confident enough to buy stocks and keep the rally going, says Chuck Carlson, CEO of Horizon Investment Services.

For the first time since early August, initial jobless claims fell below 400,000 last week. Claims fell by 37,000 to 391,000. Still, job creation must rise and the unemployment rate, now 9.1%, must fall for the economy to gain traction, says Mark Zandi, chief economist at Moody's Analytics. "Either things improve, or we're going to go into the soup," he says.

Another potential plus came in the depressed housing market, where the average 30-year fixed-rate mortgage hit an all-time low of 4.01%, according to Freddie Mac. But despite the super-low rates, not all Americans will benefit, says Greg McBride, senior financial analyst at Bank-rate.com. The best rates are only available to those with good credit, proof of income and, if refinancing, plenty of equity in their home.

"Despite all the things we've been through – the Japanese earthquake, \$4 gas, policy mistakes in Europe – we're still growing," Zandi says.

Copyright © 2011 USA TODAY, a division of Gannett Co. Inc., Adam Shell and John Waggoner.

Buyers, sellers chafe at low home appraisals that hurt sales

FORT LAUDERDALE, Fla. – Sept. 30, 2011 – Low appraisals continue to block people from selling homes or refinancing mortgages, leaving many sellers and real estate agents unhappy.

"We really feel we're at the mercy of appraisers," said Randy Lane, a Broward County, Fla., homeowner whose sale fell through recently when two value estimates came in well below the negotiated price.

When a sale collapses because of a low appraisal, the buyer is angry for having agreed to pay more than the home is thought to be worth. Meanwhile, the seller puts the home back on the market and considers adjusting the price – all the while not knowing whether another potential sale will suffer the same fate.

A May 2009 law required that appraisers work independently and without undue influence from mortgage brokers, lenders and real estate agents. Mortgage fraud prosecutors say the overhaul was necessary to curtail conflicts of interest and bloated estimates that contributed to the housing debacle.

More than two years later, real estate professionals say the change has inadvertently led to inaccurate appraisals, which is delaying a housing recovery.

"This requirement is costing everybody, including the consumer, because we're not getting quality appraisals," said Tim Singer of Coldwell Banker in Fort Lauderdale.

Appraisers bristle at the criticism. While some concede that concerns about the law are valid, they also say real estate agents and sellers have vested interests that blind them to the reality of falling home values.

"Don't shoot the messenger," said Ken Chitester, spokesman for the Appraisal Institute, a Chicago-based association with 24,000 members nationwide. "It's very easy to point fingers, especially in a depressed market."

The abundance of foreclosures in recent years has dramatically reduced values, and appraisers say they can't help but factor in those comparable homes when they're preparing estimates.

But many of those homes are in disrepair, and real estate agents point out that appraisers often don't consider the condition of the properties, leading to unnecessarily low appraisals.

In home sales, buyers who need mortgages pay for the appraisals, which cost about \$350 in South Florida. Banks require them to make sure they don't lend more money than the homes are worth. Cash buyers typically don't request appraisals, real estate agents say.

For years, an appraisal was considered a formality. A mortgage broker would commonly suggest a business acquaintance to do the work, virtually assuring the appraisal, an opinion of value, matched the sale price.

The 2009 law put a stop to that by insisting on appraiser independence. It also discouraged prolonged communication between an appraiser and the real estate agent, who used to work more in tandem.

Many lenders now hire appraisal management companies, which randomly select appraisers. Real estate agents and others complain that the companies assign appraisers from out of the area who aren't familiar with specific neighborhoods.

Another complaint is that the management companies don't pay a fair wage, which deters experienced appraisers from accepting assignments.

The result: low valuations, real estate professionals say.

Charles Ware, president of Elite Appraisal Management Inc. in Michigan, said it's up to the appraisers to reject assignments if they aren't familiar with certain areas. His management company lets appraisers set their own fees. "We're not gouging," he said.

Nine percent of real estate agents reported delayed sales contracts in recent months because of low appraisals, according to the National Association of Realtors. In addition, 13 percent said a contract was renegotiated to a lower price because an appraisal came in below the agreed-upon price.

The Realtors' trade group didn't say how many sales were canceled by low appraisals.

Lane, the homeowner, said he interviewed five agents to help him establish a \$1.15 million asking price for his four-bedroom waterfront home in Fort Lauderdale.

After he signed a contract with a buyer, the appraisal came in \$500,000 below the agreed-upon price. A second appraisal was more than \$200,000 off.

At that point, the buyer backed out, and the home remains on the market.

Lane obtained copies of both appraisals, and he said the homes his was compared with weren't similar in location, lot size or square footage. In the second appraisal, two of the comparable homes weren't on the water, Lane said.

He insists the two appraisers didn't work hard enough to find similar properties.

"At least be fair," said Lane, 50, who wants to downsize into a condominium. "Take the time to do your job. Now we're praying for a cash buyer."

Appraisals are especially troublesome on short sales, when a lender agrees to let the homeowner unload the property for less than the mortgage amount, said Judy Trudel, an agent for Balistreri Realty in Lighthouse Point, Fla.

The seller's lender wants the home to appraise as high as possible to reduce the financial hit, but the buyer's lender hopes the appraisal comes in low, Trudel said.

Scott Dooley, a Fort Lauderdale appraiser, shrugs off the criticism, saying appraisal complaints come with the job and tend to increase in a down market.

"But once it stabilizes," he said, "things will improve and our jobs will be a little easier."

© 2011 the Sun Sentinel (Fort Lauderdale, Fla.), Paul Owers. Distributed by McClatchy-Tribune News Service.

NFIP gets brief extension; insurance industry remains concerned

WASHINGTON – Sept. 30, 2011 – On Sept. 29, the National Flood Insurance Program (NFIP) received a short extension as the U.S. House passed a stopgap funding measure to keep the federal government running through Oct. 4.

However, the NFIP, originally set to expire on Sept. 30, remains in limbo as the House considers a U.S. Senate bill that offers yet another short-term extension of the flood insurance program until Nov. 18.

Both the House and the Senate have bills that would extend NFIP for a longer period. A five-year extension has already passed the full House; the Senate has a bill that has not yet come up for a vote.

"We hope there is a window of opportunity on the Senate's floor schedule to move a bill forward," says American Insurance Association, "but it's too soon to tell if that will happen" when Congress returns in October.

If the flood insurance program expires on Oct. 4, homebuyers have a few options if they need coverage to secure a mortgage. Read more about it in an earlier Florida Realtors article, "[Closing in Oct.? Get flood insurance now.](#)"

Source: Business Insurance (09/29/11) Hofmann, Mark A.

© Copyright 2011 INFORMATION, INC. Bethesda, MD (301) 215-4688

Citizens adopts sinkhole inspections

TALLAHASSEE, Fla. – Sept. 30, 2011 – Effective tomorrow, Oct. 1, 2011, Citizens Property Insurance Corp. won't automatically cover sinkhole damage through an insurance rider in certain high-risk areas without a pre-coverage sinkhole inspection. While the inspection is a new requirement for the state-owned property insurer, many private insurers already require sinkhole inspections.

The change applies to all new policies in the affected areas – both existing homeowners applying for first-time sinkhole coverage and people planning to buy a home. Homeowners who currently have sinkhole coverage through Citizens do not need to schedule an inspection.

The new rule is effective for home purchases in four Florida counties: Hernando, Hillsborough, Pasco and Pinellas. The inspection applies statewide, however, if an answer is "yes" to any sinkhole-related question on the insurance application.

A Citizens-approved inspection firm must perform the sinkhole inspections. The homebuyer must pay half the inspection fee directly to the inspection company and Citizens will pay the other half, though the fee is non-refundable even if Citizens turns down the sinkhole coverage application.

"According to published information from Citizens Property Insurance, a sinkhole inspection report could take up to 30 days to complete," says Margy Grant, Florida Realtors corporate counsel. "To avoid any delays before closing, we advise Realtors to secure property insurance sooner rather than later."

According to Citizens, a negative sinkhole inspection does not automatically disqualify a home from coverage, but it makes the approval process more complicated.

Grant says that both residential purchase contracts available from Florida Realtors contain optional addendums that would protect buyers if they failed to secure sinkhole coverage. "Both the FAR-9 and the Florida Realtors/Florida Bar contracts allow a buyer to withdraw if they cannot get 'comprehensive' homeowner's insurance at an agreed upon price," she says. But Grant reminds everyone that they must use the correct addendum.

Citizens has posted a PDF list of frequently asked questions on its website about the new sinkhole policies. For more information, go to www.citizensfla.com.

© 2011 Florida Realtors®

Short sales lose appeal among first-time buyers

WASHINGTON – Sept. 29, 2011 – Short sale transactions are becoming less popular among first-time homebuyers. Buying a home in a short sale transaction may offer a huge bargain – sale prices average 27 percent lower than non-distressed properties – but more first-time home buyers say the processing delays aren't worth the trouble.

First-time buyers' share of all short sales dropped to 39.7 percent of transactions in August – a three-month drop and the lowest share ever recorded for first-time homebuyers, according to the latest Campbell/Inside Mortgage Finance HousingPulse Tracking Survey. In November 2009, first-time homebuyers' share of short sales reached a peak of 54.1 percent of all short sale transactions.

With bargain deals, why are short sales losing their appeal?

Buyers complain that short sale transactions take too long to close, with approval times often taking several months after a buyer submits an offer. Some buyers, frustrated at the delays, place offers on multiple properties with plans to close on whichever one is approved fastest.

The average time on market for short sales is 16.6 weeks, and the majority of that time is spent waiting for short sale approval, the HousingPulse Tracking Survey found.

Source: "First-Time Buyers Losing Interest in Short Sales," RISMedia (Sept. 26, 2011)

© Copyright 2011 INFORMATION, INC. Bethesda, MD (301) 215-4688

Need proof that Fla. home sales are up?

WASHINGTON – Sept. 28, 2011 – The value of home sales in Florida has gone up. For proof, look no further than doc stamp taxes, which are paid on all home sales. According to U.S. Census Bureau reports, doc stamp revenue rose 9.8% in the second quarter of 2011 compared to the same quarter in 2010.

Other state taxes also rose, the U.S. Census Bureau reported Tuesday as part of a national study that showed continued revenue gains nationwide.

Florida sales tax collections climbed 5.4 percent; Florida corporate income tax collections rose 5.4 percent year to year for the quarter ending June 30.

Nationally, corporate income tax collections shot up 20.4 percent while sales tax increases increased by 4.7 percent. Income tax collections were 16.3 percent higher in the quarter compared to 2010.

Stagnant property values continued to take a toll, however. Nationally, local governments collected \$85.9 billion of total property tax revenue, a decrease of 1.0 percent from the same quarter in 2010.

Source: News Service of Florida

Orlando Sentinel columnist Beth Kassab: Rentals market back on track

ORLANDO, Fla. – Sept. 28, 2011 – An investor paid cash last month for a four-bedroom, three-bathroom house with a three-car garage in the Lee Vista area and immediately had a pool of potential renters competing to move in.

"I stuck a sign in the yard, put it on the MLS and had two dozen showings within three days," said real estate agent B.J. Edens of Re/Max Town Centre, who handled the property. "Things are crazy out there ... I'm expecting it to continue for a little while until we start to see the loan market loosen up."

Today's rental market has the hallmarks of the frenzied housing market circa 2006, when buyers were willing to ask, "Where do I sign?" before they even walked through a property.

But this is no bubble.

This is the beginning of the correction of the market's radical over-correction.

Ever since foreclosures started rising, so did the demand for rental properties.

Thousands of former homeowners who either ended up in foreclosure or shed their house in a short sale are frozen out of the buyers' market until they rebuild their credit. Perfectly creditworthy people are

choosing to rent because they don't want to gamble on values taking another nosedive.

We're raising a generation of renters who are scared to buy after watching their parents struggle through the housing bust. At the same time, housing prices and interest rates are at historic lows.

All of that adds up to one very important fact that points – finally – to a healthier housing market: Investors can get good enough deals on houses and command high enough rents that being a landlord is no longer a losing proposition.

People are starting to make money in the real estate business again. And that's a step toward normal in an otherwise depressed market.

Scott Hampton owns a company that manages about 500 rental properties and launched a new division that charges would-be tenants a \$350 flat fee just to help them find a home.

"The houses go so fast. We're finding 70 percent of the people sign up for it," said Hampton of Hampton & Hampton Leasing & Management Inc.

Hampton, who owns the property management company with his wife, said they have hired seven leasing agents who charge a fee to help tenants secure a property. People are willing to pay because they often have trouble even getting a returned phone call from landlords who are overwhelmed with multiple inquiries from potential tenants.

Another good sign for housing: as rental rates increase, more people who have good credit and can qualify for loans at today's low interest rates will find it just makes more sense to buy. With rents hovering between 75 cents and \$1.50 per square foot, a monthly mortgage payment could be cheaper than rent.

"That will definitely be a factor again," said Maria Rampy Blanchard, general manager of Olde Town Brokers.

She said the number of rental referrals she receives has shot up and that the good properties get snapped up quickly, which allows some landlords to charge a premium.

"The inventory is low," she said. "They rent out almost immediately, definitely within a 30-day period."

And then there's the newest buzzword in the business, and perhaps the biggest sign that good rental properties are in demand – "foreclosure disclosure."

Some renters are so desperate for a good property at a reasonable rate that they are willing to sign a waiver acknowledging the house is in foreclosure, and they could be forced out before the end of their lease.

"We actually have forms for that now," Hampton said.

Copyright © 2011 The Orlando Sentinel, Orlando, Fla., Beth Kassab. Distributed by MCT Information Services

UF: Rise in Florida's consumer confidence

GAINESVILLE, Fla. – Sept. 28, 2011 – Florida's consumer confidence index rose this month to 64, up three points from a revised mark of 61 in August. However, confidence still remains low, according to the University of Florida (UF) survey.

Of the five components used by UF researchers to measure overall confidence, four edged upward. Expectations that personal finances would rise in the coming year went up five points to 78, and consumer anticipation that the U.S. economy will improve in the coming year rose by one point to 52. There was also a four-point increase to 66 in the overall expectation that the country will see economic gains during the next five years. Confidence that now is a good time to purchase retail big-ticket items, such as laptops and cars, rose six points to 74.

"It is not surprising that confidence rose this month as we get further from the debt-ceiling debate," says Chris McCarty, director of UF's Bureau of Economic and Business Research and Survey Research Center, which conducted the survey. "Confidence actually rose this month among both younger and older respondents."

The only component to show a decline in September was the perception that personal finances today are lower than a year ago. It fell by three points to 50.

According to the survey, Florida's seniors, whose perceptions accounted for much of the decline in August, remain pessimistic about the economy in both the short and long run. Confidence levels of those over 60 are at "record lows," McCarty says.

The ongoing national debate over spending cuts and entitlements is only partly responsible for sluggish confidence levels. Florida's unemployment rate also remained stuck at 10.7 percent for the past three months. In addition, a loss of government jobs along with those in other sectors offset employment gains in a rebounding tourist industry. Moreover, tourism itself could face temporary setbacks if economic troubles worsen in Europe.

Other indicators also affect the perceptions of Florida consumers. The median price of an existing single-family home in Florida went up slightly in August to \$137,500. A drop in gas prices since August was a typical market adjustment following Labor Day, McCarty says. Finally, a volatile stock market that sharply declined in July and took dramatic swings in August and September could also be taking a toll on confidence.

McCarty expects consumer confidence to remain lackluster until next year, given the looming deadline of Nov. 23 for the deficit reduction plan by the U.S. Congress' super-commission. He thinks it will reignite debates over federal spending and again shake consumer confidence.

The UF survey measures the mood of consumers 18 or older, living in households, who were randomly telephoned Sept. 11-22. The preliminary index for September was collected from 410 respondents.

The index is benchmarked to 1966, so a value of 100 represents the same level of confidence for that year. The lowest index possible is a 2; the highest is 150.

© 2011 Florida Realtors®

Home listing prices rising in Florida

ORLANDO, Fla. – Sept. 26, 2011 – Prices are rising in Florida.

Florida cities have had the largest year-over-year increases in average list prices, according to the latest real estate data from Realtor.com. Based on August data of 2.2 million listings in 146 markets, Florida cities make up nine of the top 10 places for highest year-over-year list price spikes.

Nationwide, the average list price is \$320,325, up 2.36 percent year-over-year.

Here are the top 15 cities boasting the highest percentage of year-over-year increases in average list

prices.

1. Miami

Average list price: \$640,332

Year-over-year increase: 27.4%

2. Fort Myers-Cape Coral, Fla.

Average list price: \$443,570

Year-over-year increase: 26.27%

3. Central-Fla. rural service area

Average list price: \$405,809

Year-over-year increase: 19.41%

4. Punta Gorda, Fla.

Average list price: \$267,066

Year-over-year increase: 16.37%

5. Macon, Ga.

Average list price: \$193,520

Year-over-year increase: 15.98%

6. Sarasota-Bradenton, Fla.

Average list price: \$466,785

Year-over-year increase: 15.86%

7. Naples, Fla.

Average list price: \$713,087

Year-over-year increase: 15.13%

8. West Palm Beach-Boca Raton, Fla.

Average list price: \$591,895

Year-over-year increase: 14.68%

9. Ocala, Fla.

Average list price: \$193,360

Year-over-year increase: 12.07%

10. Lakeland-Winter Haven, Fla.

Average list price: \$181,409

Year-over-year increase: 11.48%

11. Orlando, Fla.

Average list price: \$319,419

Year-over-year increase: 10.56%

12. Portland-Vancouver, Ore.-Wash.

Average list price: \$314,537

Year-over-year increase: 10.52%

13. Boise City, Idaho

Average list price: \$212,588

Year-over-year increase: 10.43%

14. Springfield, Illinois

Average list price: \$174,537

Year-over-year increase: 9.12%

15. Shreveport-Bossier City, La.

Average list price: \$211,414

Year-over-year increase: 8.34%

Source: Melissa Dittmann Tracey, Realtor® Magazine Daily News

© 2011 Florida Realtors®

How to talk your bottom-feeding buyer out of low-balling

CHICAGO – Sept. 23, 2011 – If agents are working with a house-hunter determined to secure a major bargain – and that client found a home that meets his or her needs – experts say agents should write up the buyer's low-ball offer no matter how unreasonable it is.

The big reason: An agent should recognize that the buyer is the boss and entitled to make whatever offers he or she wants. After all, the buyer hired the agent.

Furthermore, the agent doesn't know for certain that the seller will reject the offer, and trying to persuade the buyer to increase an offer more could generate complaints that the agent is working with the seller or the listing agent.

However, agents do have the right to end unsatisfactory client relationships. In this case, it might be the right move if arguing with the buyer isn't worth the energy or the hit to an agent's credibility.

Source: Realty Times (09/22/11) Allan, Jennifer

© Copyright 2011 INFORMATION, INC. Bethesda, MD (301) 215-4688

Survey: Households spend more on housing costs

WASHINGTON – Sept. 23, 2011 – Housing costs are taking a bigger bite out of households' incomes: More than a third of homeowners with a mortgage and more than half of renters paid 30 percent or more of their household income toward housing costs last year, according to new Census data released this week. National median household incomes have dropped the past year, causing more households to devote more of their income to household costs.

"Americans continue to struggle to pay for housing, especially renters," says Daniel McCue, research manager at Harvard University's Joint Center for Housing Studies.

Fifty-three percent of renters last year paid 30 percent or more of their household income on housing costs. That number has continued to grow over the last few years: In 2009, that number stood at 51.9 percent and 50 percent in 2008, according to the Census data.

Renters are expected to face higher costs this year too. Rents are forecast to rise about 4 percent and continue to rise in 2012, according to Stan Humphries, economist for Zillow, as demand increases from people who lost their homes to foreclosure.

States that spend the most on housing

Thirty-eight percent of homeowners paid 30 percent or more for housing, up slightly from 37.6 percent in 2009. The following are the states with the highest percentages of homeowners who spent 30 percent or more on housing in 2010:

California: 51.20%
Hawaii: 50.20%
Florida: 48.80%
New Jersey: 46.70%
Nevada: 45.20%

States with the highest percent of renters spending 30 percent or more on housing in 2010:

Florida: 60.40%
California: 57.20%
Hawaii: 56.20%
Michigan: 55.90%
Mississippi: 55.50%

Source: "Rising Rents Lessen the Affordability of Housing," USA Today (Sept. 21, 2011)

© Copyright 2011 INFORMATION, INC. Bethesda, MD (301) 215-4688

Fed: Tight credit, lack of equity hurt refinancing

WASHINGTON – Sept. 23, 2011 – About 2.3 million homeowners could have refinanced their mortgages last year if they didn't owe more than their homes were worth or if lending standards weren't so strict, according to a Federal Reserve study released Thursday.

Long-term mortgage rates are near record lows and have been below 5 percent for all but two weeks this year. The average rate on a 30-year fixed loan is now 4.09 percent.

But lenders typically require homeowners to have equity in their homes to refinance. And many lenders are approving only borrowers with high credit scores.

Roughly 22.5 percent of homeowners, or about 11 million, are "underwater" – they owe more than their homes are worth – according to CoreLogic, a real estate data research firm.

The figures don't show how many of the homeowners obtained loans during the housing boom, when lending standards were often lax. Many lenders offered loans to people with poor credit, no employment checks and little or no money down.

The Fed said about 4.5 million refinancing applications were approved last year. In a healthy housing market, that figure would be nearly 34 percent higher, it said.

The Federal Housing Finance Agency has said it's reviewing a program it launched two years ago to see if it might be expanded to let more homeowners qualify. The program, called Home Affordable Refinance Program, or HARP, lets people whose homes are underwater by up to 20 percent refinance at lower rates.

But to be approved for the program, homeowners must be current on their mortgages, which must date from 2009 or earlier.

As of July, about 838,000 homeowners had refinanced through the program. Officials had hoped at least 4 million Americans would take advantage of it.

The Fed's study reviewed information from more than 7,900 lenders. The number of approved mortgages fell from nearly 9 million in 2009 to fewer than 8 million in 2010. The peak was 15.6 million in 2005.

Copyright 2011 The Associated Press, Derek Kravitz (AP Real Estate Writer). All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Poll shows homeownership still American dream

SAN FRANCISCO – Sept. 22, 2011 – A recent survey by Trulia.com indicates that 70 percent of more than 2,200 adults polled continue to view homeownership as part of the American dream, with 59 percent of renters hoping to own a home and 80 percent of homeowners planning to make another property purchase.

Fifty-seven percent of homeowners said homeownership was a strong long-term investment.

Despite having a low homeownership rate, 65 percent of respondents between the ages of 18 and 34 said homeownership is part of their American dream; but many have had to delay home purchases to remain at or move back home with their parents.

Fifty-one percent of survey participants said saving for a downpayment is their biggest obstacle to homeownership, while 36 percent pointed to qualifying for a mortgage, 34 percent singled out poor credit, 31 percent cited existing debt, and 13 percent said falling home prices stood in their way.

Most respondents preferred smaller homes in urban areas close to their jobs.

Source: Las Vegas Review-Journal (09/21/11) Smith, Hubble

© Copyright 2011 INFORMATION, INC. Bethesda, MD (301) 215-4688

More home sellers paying full real estate commissions

FORT LAUDERDALE, Fla. – Sept. 22, 2011 – Someone selling a home is more likely to pay a full real estate commission today than during the housing boom, when discounts ruled and most properties sold quickly.

Commissions have steadily increased in recent years, despite a rash of foreclosures and falling home values that have left sellers with little spare cash to pay a broker.

The average commission nationally at year-end 2010 was (higher than) 2005, according to Real Trends, a publishing and consulting company based in Castle Rock, Colo.

In the housing frenzy of 2000 to 2005, sellers often questioned the value of agents. The number of brokers ballooned, and the competition for listings led some agents to cut commissions.

But when the housing market soured beginning in 2006, agents couldn't leave the profession fast enough, and it became much harder to sell homes. Agents say sellers have since grown more appreciative of what they do.

"Sellers are very happy to pay the full commissions, even though they're getting less money for their homes," said Claire Sheres of Coldwell Banker in south Palm Beach County, Fla.

"They're not quibbling ..." added Scott Agran, head of Boca Raton, Fla.-based Lang Realty. "They're saying, 'What can you do to sell my house for the highest price and in the quickest amount of time?'"

Agents now have to spend more time and money marketing the properties, and their jobs aren't limited to finding buyers and securing contracts, said Beverly Rothstein of the Christopher White Group in northwest Broward County.

Agents also have to help arrange financing and title insurance to keep the sales moving toward the closing table.

"No one really has given me any grief about commissions," Rothstein said. "In this market, your best friend is your real estate agent."

Robin Craig didn't think she'd need an agent to sell her two-bedroom cottage in Fort Lauderdale's Victoria Park. So in May she created a website and flyer and stuck a sign in her front yard.

But for Craig, a 43-year-old accountant, negotiating with prospective buyers' real estate agents was challenging, and so was coordinating the many showings. Three weeks later, with the house still unsold and a deadline looming for her to move to a new job in Atlanta, Craig hired Tim Singer of Coldwell Banker.

She said she'll happily pay the ... commission on the \$529,000 listing.

"I underestimated the amount of time that was involved," she said. "And he's got market data and experience that I don't have."

Agents say they typically avoid showing homes that owners are selling themselves. Some of the sellers are hostile toward agents and have no intention of paying a commission to the buyer's broker, Singer said.

Jon Holbrook, president of Delray Beach, Fla.-based BuyOwner.com, said he encourages his clients to work with buyers' agents and come to terms on some sort of compensation, should a sale result.

Still, with dwindling home equity an issue in South Florida and across the country, sellers would be wise to try selling their homes on their own, Holbrook said. Those who don't end up losing much of their profit to commissions. "It's painful," he said.

Many homeowners who bought during the housing boom are "underwater," owing more than the properties are worth.

Nearly half the homes with mortgages in Broward County – more than 205,000 properties – are underwater, according to a second quarter report Tuesday from CoreLogic, a California research firm. In Palm Beach County, 42 percent of the homes with mortgages, or more than 137,000 properties, are worth less than what's owed.

Some of these homeowners will pay the real estate commissions out of their own pockets. But many are falling into foreclosure or completing short sales, in which they unload the properties for less than they owe, with the bank's blessing. In those transactions, the sellers don't have to worry about the commissions, which are paid by the lenders.

Banks tend to hold down commissions on short sales and foreclosures to minimize their losses, but some agents say lenders are paying the full (amount) so that the agents will actively market the homes.

"These homes aren't selling by themselves," said Douglas Rill, a longtime broker at Century 21 America's Choice in West Palm Beach.

2011 tax credits available for 'green' updates

WASHINGTON – Sept. 19, 2011 – Adding green technology to a home can help homeowners save money in the long run, but some may not be able to afford the upfront investment. Several tax credits effective this year, however, can help homeowners – and buyers – save on green updates.

Here are two main tax credits available for those interested in making energy efficient improvements to their homes:

1. Wind, solar, geothermal and fuel cell tax credit: This tax credit is available for existing homes and new construction. Homeowners can receive a credit up to 30 percent off the cost of their improvements between Jan. 1 and Dec. 31 this year. The following green updates qualify: Geothermal heat pumps, solar panels, solar water heaters, small wind energy systems, and fuel cells.

2. Qualified energy efficiency improvements: This credit gives a 10 percent tax credit for purchases "placed in service" between Jan. 1 and Dec. 31, 2011. The maximum credit for a taxpayer for all taxable years is \$500, and no more than \$200 of such credit may be attributable to expenditures on windows. This rule means that taxpayers who have claimed \$500 or more of this tax credit in prior years, particularly 2009 and 2010, can no longer participate in the program.

Learn more about what upgrades are eligible as well as how to apply on the National Association of Home Builders' website.

© Copyright 2011 INFORMATION, INC. Bethesda, MD (301) 215-4688

Tight standards make mortgages tough to get

OMAHA, Neb. – Sept. 15, 2011 – Homebuyers such as Bob and Janet Zych have fueled the U.S. housing market for decades. They have excellent credit with scores that top 800, life-long careers and investment portfolios that have set them up for a comfortable retirement, they say.

But this year, "after faxing a ream of paper" about their finances, they got so fed up applying for a home loan that they simply wrote a check for their new \$85,000 vacation condo in Phoenix.

Trying to get a loan "was just a nightmare," says Bob Zych, 65, a manager for Mohawk Industries in Omaha.

Following the greatest housing crash since the Great Depression, home lending standards have tightened to their strictest levels in decades, economists say. And people such as the Zychs and others nationwide are paying the price.

Tight home loan credit is affecting everything from home sales to household finances. Many borrowers are struggling to qualify for loans to buy homes. Others can't take advantage of some of the lowest interest rates in 50 years because they don't have enough equity in their homes to refinance. Those who can get loans need higher credit scores and bigger down payments than they would have in recent years. They face more demands to prove their incomes, verify assets, show steady employment and explain things such as new credit cards and small bank account deposits.

Even then, they may not qualify for the lowest interest rates.

The National Association of Realtors says lending standards are too tight and are hurting the housing industry's recovery.

The lending industry counters that standards are where they need to be, given still-falling home prices and the shaky economy.

"It used to be anybody with a pulse could get a home loan. Now you have to be an Olympic athlete," says Guy Cecala, of Inside Mortgage Finance.

"The pendulum has swung too far."

Down payment amounts rise

The change is evident in the higher quality of loans held by government entities, which now buy or guarantee most new home loans.

Lenders that originate loans seek to meet their standards so that they don't have to hold loans themselves.

Through June, single-family home loans bought by government-backed Freddie Mac, for example, had an average down payment of 29 percent and an average FICO credit score of 751, the agency says. That's up from average down payments of 23 percent for loans originated in 2007 and average FICO scores of 707, Freddie Mac says.

FICO scores top out at 850. The national median is 711, FICO says.

New Federal Housing Administration loans, popular with homebuyers who lack big down payments, likewise are being made to borrowers with higher credit scores.

From January through March, those loans went to borrowers with an average credit score of 704, up from 631 four years ago, FHA data show.

Even the worthiest borrowers have to put down more money than a few years ago to get the best loan terms.

Real estate website Zillow analyzed 3.6 million loan inquiries made through its website to mortgage lenders since 2008.

In July, prospective borrowers getting the best loan rates had average down payments of 28 percent. Three years ago, before the worst of the financial crisis, such shoppers averaged down payments of less than 24 percent, according to data from Zillow Mortgage Marketplace.

"The people getting loans over the last couple of years are largely pristine," say Robert Walters, Quicken Loans chief economist. "Lenders are making sure no stone is unturned."

A struggle to close

Sometimes, even borrowers with seemingly pristine finances are struggling to close home loans.

Stephanie, 45, and Brian Poore, 46, of Hubert, N.C., went through two lenders this year before the third extended them a loan on an \$86,000 condominium in Wilmington, N.C. The couple bought the condo for their daughters, ages 19, 16 and 15, to use during college.

The first lender went overboard on income questions, Brian Poore says, asking him to prove that he didn't pay for room or board while living on an Army base in Iraq, where he works as a contractor.

Another lender qualified the couple for a loan, given their credit scores above 780 and other financial resources. But then the lender backed off, saying it couldn't resell the loan to Fannie Mae because the condominium homeowners association didn't have enough cash reserves for maintenance and repairs.

With the third lender, the Poores had to put 25 percent down – not the 15 percent they originally intended.

The process took five months. The loan was for \$67,000. One of the Poores' relatives recently bought a new car and got a \$55,000 loan in less than a day, Stephanie Poore says. "I feel bad for anybody having to go through this," she says.

The Zychs were hamstrung by lenders' concerns about their previous investments.

During the past five years, they acquired three rental properties – all in Omaha – that were leased and produce a positive cash flow for the couple. When the Zychs went to buy the Phoenix condo, lenders balked, saying they had too many properties, even though their finances were solid.

"How would anybody ever get a loan if we can't get a loan?" Bob Zych asks.

Roberta Fernandes, 24, a first-time homebuyer, got a loan. But not without help. She needed almost 50 percent down to get a loan to buy her Miami condo in June. Fernandes is an assistant to a financial adviser at a brokerage firm. Her short work history hindered her ability to get loans with smaller down payments.

Her parents put up more than half the required down payment. Without their help, getting a loan "would have been impossible," Fernandes says.

Jose, 40, and Ivelte Hidalgo, 35, also recently bought in Miami. Jose started a medical research consulting business in 2007. Ivelte works in the business, too.

Because they were newly self-employed, the couple was turned down by two lenders for home loans in 2008 and 2009.

They finally secured an FHA loan for a \$280,000 house, which they purchased this summer. The couple put 3.5 percent down, the FHA's minimum.

With higher down payment requirements and tighter standards for conventional loans, the FHA has become a major player in the home-lending market.

For the first six months of this year, almost 51 percent of loans to buy homes were done through the FHA. That's up from 3.4 percent in 2007, says Inside Mortgage Finance.

But FHA loans aren't always the best deal.

Although they have smaller down payment requirements than conventional loans and credit criteria that are not as strict, there are limits on how big FHA loans can get.

FHA borrowers also pay a 1 percent upfront fee that conventional borrowers don't pay. And if buyers have enough money for larger down payments, they can avoid higher FHA premiums for mortgage insurance, which protects against default.

It can also take longer to get rid of mortgage insurance on an FHA loan than on a conventional loan, says Keith Gumbinger of mortgage tracker HSH.com.

Conventional loans with less than 20 percent down are available. However, such borrowers need mortgage insurance. In general, the lower the down payment, the more one pays in mortgage insurance. Interest rates also rise as credit scores drop.

For some properties – including those needing bigger loans, condominiums and homes in areas hard hit by the real estate crash – 20 percent or more down payments are the norm, says Greg McBride of Bankrate.com.

Nearly all borrowers are facing more documentation requests.

Except for a few years leading up to the real estate crash – when some borrowers got loans while providing little if any documentation of their assets and income – borrowers have long had to supply two years of tax returns, pay stubs and financial statements when applying for home loans.

Now, lenders want tax records to come directly from the IRS, as well as from borrowers. The IRS releases the records after applicants sign forms giving it permission to do so. Instead of two months of bank statements and pay stubs, lenders may want them for each pay period until the loan closes.

Howard Landa, a California physician, purchased a \$900,000 home in Moraga, Calif., last year and refinanced it this year. The refinance lender wanted pay stubs for every two weeks as the loan was in process, which took almost two months.

Landa also had to explain a new Macy's credit card line, which he opened to qualify for a discount on a suit he bought from the retailer.

When he bought the house, Landa had almost enough money to pay cash for it. He also had an outstanding credit score of 810. Even so, the lender carefully checked his income, even requiring copies – front and back – of several \$500 and \$1,000 checks he deposited in his checking account after being reimbursed for travel expenses.

"It seemed like an incredible waste of my time and their money," Landa says. "They're trying to dot I's and cross T's to show that they checked 40 documents, but it doesn't mean that they're important documents."

Reduced risks = fewer defaults

Higher standards do appear to be reducing loan defaults, which means fewer foreclosures in the future.

Fewer than 1.3 percent of loans originated in 2009 that were resold to Freddie Mac and Fannie Mae went into default after 18 months, government data show. That's down from more than 22 percent default rates for 2007 loans and about 3 percent default rates in 2002.

Avoiding defaults has become a primary goal of wary lenders, says Walters, the Quicken Loans economist.

They fear loans will go bad and the investors that buy them – such as Freddie Mac, Fannie Mae or others – will discover mistakes and sue the originating lender.

Many such lawsuits are underway.

"Our line of defense is to cross T's 42 times and dot I's 52 times," Walters says. With home prices continuing to fall across much of the nation, lenders realize that any mistake "could be fatal," he says.

Yet, the National Association of Realtors, and a number of consumer groups, say the tight standards are also a drag on the economy.

The NAR estimates that home sales – stuck at anemic levels – would jump 15 percent to 20 percent if lending standards simply returned to where they were a decade ago, before they got so loose they helped create the real estate bubble that later popped.

However, lending standards are unlikely to loosen until home prices stabilize, says mortgage loan expert Jason Kopcak of investment bank Cantor Fitzgerald. Nationwide, home prices are down 30 percent from their 2006 peak and are expected to fall more this year.

"The industry is basically status quo," agrees Michael Copley, head of retail lending for TD Bank.

© Copyright 2011 USA TODAY, a division of Gannett Co. Inc., Julie Schmit, USA TODAY

Low appraisal killing a deal? Here's what to do

WASHINGTON – Sept. 13, 2011 – The National Association of Realtors® (NAR) reports that 16 percent of real estate professionals surveyed in June reported a cancelation in a sale, mostly due to a large number of low appraisals.

Many real estate professionals are watching deals unravel, with some appraisals coming in 10 to 20 percent – or even more – below the accepted offer.

"Over the past decade, finding 'comps' that accurately reflect values has been a challenge as values rose quickly during the boom and fell just as fast during the bust," according to a recent article by RISMedia. "Discounts paid for foreclosures and short sales have created a dual price structure between 'normal' and distress sales."

Obviously one of the easiest solutions when a low appraisal comes in: Ask the seller to agree to a lower price. But when that doesn't work, consider the following tips:

Research

If clients feel the appraisal was completed incorrectly, they have the right to a copy of the appraisal from their lender, including who performed it and what comparables were used. For example, a client can find out where the appraiser is based (maybe it was an out-of-town appraiser who was unfamiliar with the area). If an out-of-town appraiser unfamiliar with the local market does the appraisal, clients can demand a new one.

Also, a client should evaluate the comparables used in the appraisal. If a client feels that the earlier home sales do not fairly compare to the home they wish to buy, they can ask their real estate agent to pull together a fairer list of recent comparable sales – or possibly even pending sales – to justify the agreed-to-sales price. That information should then be submitted to the loan's underwriter when asking for a review of the appraisal.

Request a new appraisal

If clients feel the appraisal wasn't done fairly or accurately, they can ask their lender for a new appraisal. A lender has the ability to override an appraisal estimate, though that's unlikely. The lender could,

however, order a new appraisal, which is more likely.

Get an independent appraisal

Clients could opt to get their own appraisal. (If the loan is an FHA loan, they should ask the lender for a list of approved appraisers.) The bank will generally review the appraisal and ask the previous appraiser if they agree or disagree with the new one. Banks may request yet another appraisal, or they could reject a private appraisal altogether. However, the first appraiser could agree with facts in the independent appraisal and return with a better price.

Source: "5 Ways to Fight a Low Appraisal," RISMedia (Sept. 7, 2011)

© Copyright 2011 INFORMATION, INC. Bethesda, MD (301) 215-4688

'Most efficient' labels debut for appliances

WASHINGTON – Sept. 8, 2011 – The Energy Star program has been criticized for allowing too many home appliances to carry the energy efficiency label, so the Environmental Protection Agency and the Department of Energy, which jointly run Energy Star, announced the rollout of a new label – "most efficient."

The "most efficient" label is reserved for the utmost energy-efficient washers, dryers and other appliances.

The Energy Star Most Efficient program will start on a pilot basis through the rest of the year, USA Today reports. The designation will be reserved for the top 5 percent of energy-efficient products.

Appliances first eligible for the designation will include clothes washers, heating and cooling systems, televisions and refrigerator-freezers. In the fall, the EPA will consider new categories for the label.

The "most efficient" products must "demonstrate efficiency performance that is truly exceptional, inspirational or leading-edge – consistent with the interests of environmentally motivated consumers and early adopters," according to EPA's guidelines.

To view a list of products that have so far received the new label, visit energystar.gov/moste efficient.

Source: "New 'Most Efficient' Label Takes Energy Star Step Further," USA Today (Aug. 29, 2011)

© Copyright 2011 INFORMATION, INC. Bethesda, MD (301) 215-4688

Fate of flood-insurance program still murky

WASHINGTON – Sept. 6, 2011 – Congress probably won't reach a long-term agreement on extending and updating the National Flood Insurance Program (NFIP) before it expires on Sept. 30.

Most observers expect Congress to vote for another short-term extension, which has kept NFIP going since 2008, with a few program expirations in the meantime. While Congress usually makes coverage retroactive when it reinstates the program, the lapse causes delays in some home closings if the lender requires flood insurance coverage, and the buyer did not arrange for it before the program went on hiatus.

Homebuyers can avoid problems if they secure flood coverage prior to the expiration date, though it's never clear how long a coverage hiatus might last. When the program lapsed in June 2010, NAR says approximately 47,000 home sales were delayed or canceled; and if another lapse occurs, NAR economists

estimate that 1,300 home sales could be stalled per day.

The two houses of Congress have addressed the problem but not agreed on a solution. The House passed a bill backed by the National Association of Realtors®, the "Flood Insurance Reform Act," H.R. 1309. It would allow flood insurance premiums to rise up to 20 percent annually along with other changes.

The U.S. Senate introduced legislation that would allow premiums to rise up to 15 percent per year and, at the same time, forgive the program's debts, which the House has not addressed.

© 2011 Florida Realtors®

Seven ways to get kids on your side

CHARLOTTE, N.C. – Sept. 2, 2011 – Real estate agents who reach out to clients' children may find it easier to ink deals. Agents should keep kids in mind when staging homes because children who picture themselves living in the home can persuade parents to make the deal.

"Kids have a voice and a vote in today's families, and only the foolish miss taking advantage of that opportunity," says Gina Anderson of Charlotte, N.C.-based Adams Homes.

Agents should interview families to find out what features are important to them. To increase appeal for children, consider these tactics:

- Spotlight kid-friendly features in listings.
- Understand the wants and needs of children – younger kids want to be close to their parents and teens want to be as far away as possible.
- Suggest that children under the age of six have a babysitter when their parents view homes, but recommend that children tour the final four contenders. A day of viewing homes will tire them out and distract their parents.
- Keep kid-friendly snacks on hand.
- Ask children not to touch toys or breakable items in a home.
- Keep them away from dangers such as decorative glass candies and unfenced pools.
- Offer to show kids the yard so parents can tour the home alone.

Moreover, agents should emphasize to sellers' children how important it is to keep the home in good condition while it is on the market.

Source: Realtor (09/11) Vol. 44, No. 7, P. 26; Springen, Karen

© Copyright 2011 INFORMATION, INC. Bethesda, MD (301) 215-4688

New appraisal rules effective today

WASHINGTON – Sept. 1, 2011 – Appraisers must follow new rules starting today, providing the appraisal goes to government-sponsored enterprises (GSE) Fannie Mae or Freddie Mac. A required Uniform Appraisal Dataset (UAD) effective Sept. 1, 2011, was supposed to also impact Federal Housing Administration (FHA) loans, but FHA postponed compliance until Jan. 1, 2012.

The FHA delay confused some industry observers. They expected Fannie Mae and Freddie Mac to follow suit, and rumors followed. However, the National Association of Realtors® told appraisers on Aug. 26 that it confirmed no change for the GSEs even though FHA postponed its compliance deadline.

"Appraisal reports submitted to the GSEs on or after (Sept. 1, 2011) are required to be UAD compliant,"

NAR said. "You can get more information on UAD requirements by visiting the Fannie Mae or Freddie Mac UAD web pages."

For many appraisers, the change means they must use different software if they have not already made the change. Today's change affects single family and condominium exterior and full forms only.

In general, the new rules say:

- Appraisers must use UAD compliant software.
- Appraisers must standardize the abbreviations they use and values for many form fields.
- They must also use standardized ratings and definitions for quality, condition, view and location sections on the appraisal.

However, the appraisal forms do not change, nor do narratives and addendum pages. Many photo requirements also stay the same. Some appraisers also thought the new forms had to be filed in XML format, though PDF format is fine, according to a UAD software development firm Global DMS.

© 2011 Florida Realtors®

Game changer: Customers value online reviews

BOSTON – Sept. 1, 2011 – An online survey found that 89 percent of consumers say they find product reviews on websites a trustworthy source of information, and four-out-of-five consumers have changed their minds based solely on negative information found online.

That's an increase from the 67 percent of consumers who said the same thing in 2010, according to the 2011 Cone Online Influence Trend Tracker. The research focused primarily on reviews of products but could have relevance for the real estate industry as more websites ask users to rate their real estate agent.

On the other hand, a positive review has a similar effect on decision-making, with 87 percent of consumers saying good feedback has confirmed their decision to purchase. According to the study, negative information gained traction, though, and its influence on decision-making is roughly equivalent to the impact of positive information. Compared to one year ago, consumers are more likely to open their wallets when online recommendations support offline advice (85 percent versus 77 percent).

"The increasing impact of online content on buying decisions cannot be ignored," says Bill Fleishman, president, Cone. "Today's marketers, no matter the product or service, must learn how to sway the conversation by connecting with those who have significant influence over their peers and will champion the brand message."

Survey data suggests that the growth of reviews might be attributed to near-universal access to the Internet and the increased use of smartphones. Nearly three-out-of-five (59 percent) survey takers said they're more likely to research recommended products online because they can easily access applications on their mobile phones, while 81 percent credited wide-spread access to the Internet.

Americans are nearly 25 percent more likely to verify recommendations for high-cost purchases, such as cars, today than they were in 2010 (89 percent today vs. 72 percent), though moderate- and low-cost purchases did not experience the same jump.

"Today's consumers want reassurance before loosening their purse strings," says Mike Hollywood, director of New Media, Cone. "Targeting the right people is a marketer's first step toward influencing the conversation."

Consumers are 50 percent more likely today than in 2010 to look to articles and blogs for recommendation verifications (42 percent in 2011 vs. 28 percent in 2010). However, articles and blogs still lag behind product information (69 percent) and consumer reviews (64 percent) as preferred sources of information.

Consumers say a trustworthy source is less about the method of delivery than it is about the author. When seeking reviews, they want an author who has used the product (69 percent) or someone considered a credible expert (60 percent). Reporters and bloggers recognized as topic experts can influence buying behavior with their informed recommendations.

© 2011 Florida Realtors®