

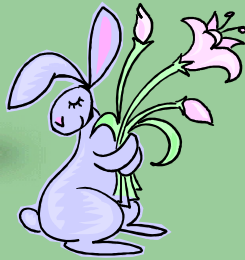
April 2010

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THE MONTH IN REVIEW

3/1 - 3/5 February's U.S. manufacturing index slipped to **56.5** from 58.4 in January according to the Institute for Supply Management (ISM). Payroll services firm ADP said employers in the private sector cut 20,000 jobs from their payrolls in February. The drop was the smallest decline in two years. Pending Sales of U.S. Existing Homes Fell 7.6% in January. The unemployment rate held steady at 9.7%.

3/8 - 3/12 With 24% of all homeowners underwater on their mortgages, the Federal Housing Finance Agency (FHFA) announced, Tuesday, a 1-year extension of Fannie Mae's DU Refi Plus and Freddie Mac's Relief Refinance Mortgage until June 30, 2011. The Treasury Department reported Wednesday that the United States deficit for February hit \$220.9 billion. January saw a 11.2% drop in new home sales while mortgage applications fell to the lowest level in 13 years.



3/15 - 3/19 Retail sales for February were up 0.3%, which was better than the previous month's reading and much better than the -0.2% expected. The Federal Reserve left its benchmark interest rate unchanged on Tuesday and affirmed its plan to halt its buying of mortgage-backed securities at the end of the month. Stocks rallied Wednesday, with the Dow, Nasdaq and S&P 500 all closing at new 2010 highs.

President Obama signed a \$17.5 billion jobs bill into law, Thursday.



3/22 - 3/26 After months of contentious debate, the House passed a health care reform bill Sunday night. Stocks surged to an 18-month high. Sales of existing homes slipped slightly in February. This suggests that, though in recovery mode, the housing market remains fragile. New homes fell 2.2% to a record low in February, as the glut of foreclosed homes and a weak economy dampened the housing market. Unemployment insurance claims fell last week to the lowest level in six weeks.

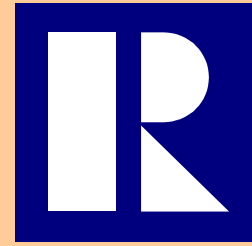
3/29 - 3/31 The Dow hit an 18-month high, Monday, to close at 10,895. After a five-month run-up in home prices starting last spring, prices have now fallen for four consecutive months, according to the S&P/Case-Shiller Home Price Index of 20 cities. The two notable exceptions were Los Angeles, up 0.9%, and San Diego, up 0.4%. ADP released its monthly report on employment, Wednesday, showing that private-sector employers cut 23,000 jobs in March. This was in sharp contrast to expectations of a 40,000 job increase.

Current Implode-O-Meter Stat



This past month marks only the second time in more than three years that there were no institutional lending casualties. It is another sign that the mortgage climate is stabilizing. To date, 382 mortgage lenders have "imploded" since the beginning of 2007, meaning that they have halted major operations, filed for bankruptcy or become a "fire sale" acquisition of another lender.

**THIS ISSUE'S TOPIC:
THE "RIGHT" REALTOR
(the listing agent)**



REALTOR®

Note: I know there is a difference between a real estate agent and a realtor in that all Realtors® are licensed to sell real estate as an agent or a broker but not all real estate agents are Realtors®. Nevertheless, for my purposes I am going to use the two interchangeably here.

As we head into the Spring & Summer months, the traditional "hot" months for real estate, many buyers and sellers will be asking themselves how to go about picking a realtor? Some readers who read my article titled "**What Makes a Good Mortgage Broker Good**" asked if I would do one on how to go about selecting the right realtor. They also wanted to know the different questions to ask if they were considering listing their property versus using an agent to find them a home. This brings to mind that there are two kinds of real estate agents: **Listing agents** and **Buyers' agents. The former markets the homeowner's property so as to secure the best selling price; the latter works on behalf of the buyer to negotiate the best purchase price.** Occasionally a realtor will act in both capacities.

Most people are more familiar with what a listing agent does and this issue's discussion will focus on them. I will devote next month's issue to buyer's agents. What follows are some considerations and questions to ask when shopping for a professional to represent you in a transaction.

**THERE ARE LISTINGS AND
THERE ARE LISTINGS...**

Open Listing. An open listing lets an owner sell her home by herself. It is a non-exclusive agreement, meaning the owner may execute open listings with more than one real estate broker and pay only the broker who brings an able buyer whose offer the owner accepts. The big difference is an owner will probably pay only a selling

RATE SUMMARY:

During the course of the past month rates ROSE for the most part.

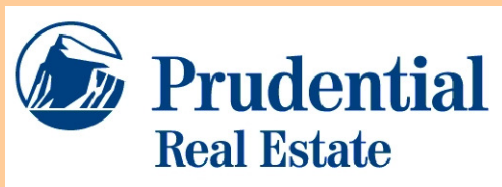
- * Conforming and high balance conforming conventionals INCREASED by one 1/8th.
- * Jumbos ROSE by 0.1%
- * Governments (FHA & VA) were UNCHANGED.

FOR CURRENT INTEREST RATES FOR THE 16 MOST POPULAR PROGRAMS GO TO: www.mortgagestraighttalk.com Then, click on the menu tab labeled "**RATES**". The rate sheets are updated every Friday.



broker's commission, which is about one-half of typical fees.

The reason is because the owner is unrepresented. Therefore, owners do not pay a broker to represent the owner, but do pay the broker to represent the buyer. However, if the owner finds the buyer herself, the owner will not owe anybody a commission. Open listings are not popular with many full-service real estate brokers.



Exclusive Agency Listing. An exclusive agency listing is similar to an open listing except the major difference is the broker will represent the owner. The owner still reserves the right to sell the property herself and not pay a commission. The broker is free to cooperate with another brokerage, meaning the second brokerage could bring an able buyer whose offer the owner accepts. Typically, the broker is paid a listing commission that is shared with the selling broker, so the owner pays both fees.

Exclusive Right-to-Sell Listing. An exclusive right-to-sell listing is the most commonly utilized instrument. It gives the broker the exclusive right to earn a commission by representing the owner and bringing a buyer, either through another brokerage or directly. The owner pays both the listing and selling broker fees. The owner cannot sell the property herself without paying a commission, unless an exception is noted in the contract.

Exception to the contract. Say, your next-door neighbor has expressed an interest in buying your house. Often a listing broker will give the seller X number of days to produce a contract with the neighbor without owing a commission.

HOW LONG AND WHAT IF...

Length of Listing. The duration of the listing agreement is negotiable. Common terms can be 30 days, 90 days, six months, one year or more.

Cancellations. If you sign a listing or buying agreement with the agent and later find that you are unhappy with the arrangement, will the agent let you cancel the agreement? Will the agent stand behind her service to you? What is her company's policy about canceled agreements? Has anybody

ever canceled an agreement with her before? Why would you want to do business with a broker who would not release you from the contract if you were unhappy or dissatisfied with their service? Ask about it before you sign a listing agreement. Some agents will release you; others will not. If the broker will agree to let you cancel at any time, that broker is giving you a guarantee. In that instance, the duration of the contract doesn't much matter.

Expiration of Contract. If the contract should expire without mutual renewal or the parties elect to cancel the contract, the listing broker might supply the owner with a list of names of prospective buyers the broker produced. If any of those buyers approach the owner within the time period specified in the listing contract and successfully purchase the property, the owner could still owe a commission.

HOW TO DECIDE WHOM TO INTERVIEW

While most buyers are not apt to be as rigorous as suggested here in their selection process, even if you use a fraction of the suggestions and questions laid out you are likely to be much better off than if you had not.

Track Neighborhood Signs. Pay attention to the listing signs in your neighborhood. Make note of the day they go up and when the sold sign appears. Sold signs may also be an



indication of who is adept at moving property in your neighborhood, if you're looking for some one to list your property. The agent who sells listings the fastest might be better for you than the agent with the largest number of "for sale" signs. Results speak volumes.

Recommendations from

Professionals. Ask other real estate agents for referrals.

Agents are happy to refer buyers and sellers to associates, especially if the service you need is not a specialty of the agent who is referring you. Some agents specialize in residential re-sales while



others work exclusively with new home builders. Other agents sell only commercial or investment property. Mortgage brokers are also a resource for agent referrals as many brokers have first-hand knowledge of exceptional agents. Pros tend to refer pros.

Using Print Advertising. Real estate agents run real estate ads for two purposes. The first is to sell specific real estate. The second is to promote the real estate agent. Look in your local Sunday newspaper for ads in your targeted neighborhood. Then look up the Web sites of the agents who are advertising. These agents could be specialists in your neighborhood. Call and ask them about their experience.

Search Online for Agent Listings. There are plenty of Web sites that will refer agents to you but that is no assurance of quality. The agents they refer are those who have paid the Web site owners a fee to be listed in their directory. A better bet is to Google the top real estate companies in your area, go to those Web sites and look up profiles of individual agents at offices near you. Agents who are experienced will mention it, but newer agents might have more time to spend with you. Look for customer testimonials.

Get referrals. Ask your friends, associates, and neighbors who they used and if they would use them again. Most real estate agents stay in business because satisfied clients refer them to friends, family, neighbors and coworkers. Ask the people around you who they have used and ask them to describe their experiences with this real estate agent. Successful agents make customer satisfaction their number one priority and put their customers' needs before their own. Try to find an agent who goes above and beyond her responsibilities. She'll be the agent whose praises your friends sing loudest.



Open houses. Visit local real estate offices and open houses. By going to open houses, you can meet real estate agents in a non-threatening working environment and interact with them. Collect business cards and make notes on them. If you're thinking about selling your home, pay attention to how the agent is showing the home. Is she polite and informative; appear knowledgeable? Does she hand out professional-looking promotional material about the home? Is she trying to sell features of the home? Or is she sitting in a corner reading a book, ignoring you? Many realtors hold open houses, not to sell the house but expressly for the purpose of picking up buyers who do not have representation.

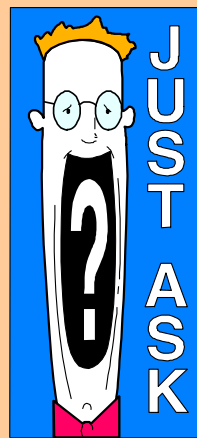
It's best to have a choice. Interview more than one. The first one you interview may sound great, but you'll often be surprised to find out that the second one does, too. Sometimes, they'll bring up things that neither you nor the previous realtor thought of. Remember, you are looking for someone to represent you in possibly the largest financial transaction of your life. If they are not an expert in selling homes in your neighborhood or lack the experience to do the job, consider someone who does specialize in what you need. Make a list and winnow it down.

Q & As (as in Questions for Agents)

Ask questions—lots of them. A good realtor can handle them because they've had years of experience. Very few have questions posed to them that they have not heard hundreds of times before. But, how they answer them makes all the difference and should give you some idea as to their expertise and competency.

1. Experience. How Long Have You Been in the Business? How long in the local area? How many transactions locally in the last year? The standard joke is there's nothing wrong with a new agent that a little experience won't fix. But that's not to say that freshly licensed agents aren't valuable. Much depends on whether they have access to competent mentors and the level of their training. Newer agents tend to have more time to concentrate on you. Some agents with 20 years of experience repeat their first year over and over. Other 20-year agents learn something new every year. While experience isn't everything, it does count. Look for a minimum of five years' experience. It can mean the difference between knowing how to handle a difficult situation to ignoring it or not recognizing the signs of a potential problem before it develops into a crisis.

2. Marketing. As a seller, you will need to know specifically, how they will market your home? Which one (or more) of the following methods will they use: **Photographs, Virtual Tours, Signage, Print Advertising, Direct Mail, Open Houses, Agent Tours (caravans), Sending E-Flyers, etc.** Where and how often do they advertise? Will they show you a sample flyer? **Does their firm have a relocation department?** National firms often have "RELO"



departments, thereby exposing your property to a larger market via referrals.

What is Your Best Marketing Plan or Strategy for My Needs? Compare marketing plans. Listing agents can be very skillful in making sales presentations that “over-promise” and “under-deliver”. The approach of some listing agents is what I term “flinging mud against the wall and seeing what sticks” in servicing their listings. They try to amass as many listings as possible in the belief that once it hits the Multiple Listing Service (MLS) their work is pretty much done and another agent will deliver a buyer for their property, thus minimizing further effort on their part. They are not prepared to devote much time to marketing or working that listing to bring you a buyer. Ask yourself does the realtor appear to be concerned with your listing? In some cases, the first time you see the listing agent is also the last time you see them: having obtained the listing they will turn the property over to one of their minions while they go on to secure another listing. Ask them who will be the point of contact throughout your exclusive right to sell.

3. Metrics. What is Your Average List-Price-to-Sales-Price Ratio? Knowing the agent's average ratio speaks volumes. A competent listing agent should hold a track record for negotiating sales prices that are very close to list prices. Therefore, listing agents should have higher ratios closer to 100%. When hiring a listing agent, expect to see list-to-sales ratio within 97% to 100% in a buyer's market; in a seller's market: 100% to 110% of list price.

4. Credibility. Ask to see references. Everybody has references. Even new agents have references from previous employers. Ask if any of the individuals providing references are related to the agent. Ask if you can call the references



with additional questions. You might find references on an agent's Web site, but you should also ask to see letters of reference. Clients often send thank you notes or letters to the agent's broker. Check a minimum of three references.

5. How Are They Different From Their Competition? A good agent won't hesitate to answer this question and will be ready to fire off why she is best suited for the job. Everyone has their own standards, but most consumers say they are looking for agents who say they are:

- Honest and trustworthy
- Assertive
- Excellent negotiators
- Available by phone or e-mail
- Good communicators
- Friendly
- Analytical
- Able to maintain a good sense of humor under trying circumstances
- Strong repeat record of satisfied customers
- Extensive online marketing



6. Review of Documents

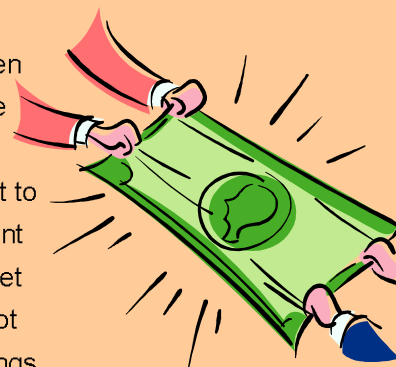
A sign of a good real estate agent is a professional who makes forms available to you for preview before you are required to sign them. If at all possible, ask for these documents upfront. As a seller, ask to see:

- Agency Disclosure
- Listing Agreement
- Seller Disclosures
- Ask about reserving the right to sell the home yourself.

7. Affiliation with Related Professionals. Your agent should be able to supply you with a written list of referring vendors such as mortgage brokers, home inspectors and title companies. All agents build teams of professionals, from title companies to escrow officers to mortgage lenders, home inspectors, and appraisers. Let the real estate agent explain to you who he works with and why he chose those professionals. Ask the agent if the professionals he recommends charges competitive fees. Ask for an explanation, if you see the term "affiliated" because it could mean that the agent and her broker are receiving compensation from one or all of vendors, and you could be paying a premium for the service. Ask if the agent's company is receiving compensation for the referral. If so, you might want to choose another professional. Payment of some referral fees are against the law.

8. Real Estate Fees (selling commission).

How much will you pay the selling agent? When there is a lot of inventory on the market and fewer buyers, to generate traffic, you might want to consider paying the selling agent more than you would in a market where inventory is tight and a lot of buyers are vying for few listings. For example, if the total commission is 6%, and the listing broker wants to



REAL ESTATE PRICES, WHITHER THEY GOEST (Part II)



Last month, I, along with 3 economists speculated as to where housing prices were headed. The focus was on the macroeconomics issues—jobs, market inventory, tax credits, foreclosures, and regionalism. Omitted from the discussion was the overall metric driver—rents. Specifically, it's the rents Americans pay on condos, apartments or houses that are about the same size, and share the same neighborhood that determine what your house is worth.

If you look at the trend in rents to see where housing prices are headed, you're looking at the right measure. A recent report by Deutsche Bank demonstrates how steady or even falling rents have pulled down housing prices, to the point where in many markets it costs about the same amount to own as to lease. Its team studied 53 metropolitan areas in the U.S. and DB's research provided convincing evidence that the wrenching adjustment in housing prices is finished for much of the nation, with a bit more pain to come in selected areas.



It found, in the norm, people pay a little less to lease a house than to own it because if you're a lessee, you still have access to the same recreation room, chef's kitchen, and walk-in closets that a homeowner does. Thus, a

offer 2.5% to the selling office, you could insist on paying 3% instead. It's your money. The listing agent will get less, but so what? Don't ask if the fee is negotiable. All real estate fees are negotiable. Typically, real estate agents charge a percentage, from 1% to 4% to represent one side of a transaction: whether it be the seller or the buyer. A listing agent may charge, for example, 3% for herself and another 3% for the buyer's agent, for a total of 6%. **One caveat:** if a realtor has a choice between showing a property that has a 3% commission and one that brings his or her 2%, which one do you think he or she is more likely to show? Sometimes, sellers are penny-wise and pound-foolish. If you are a seller, ask about discounted fees. Sometimes agents will match fees offered by other agents. If you see a fee you do not understand, question it.

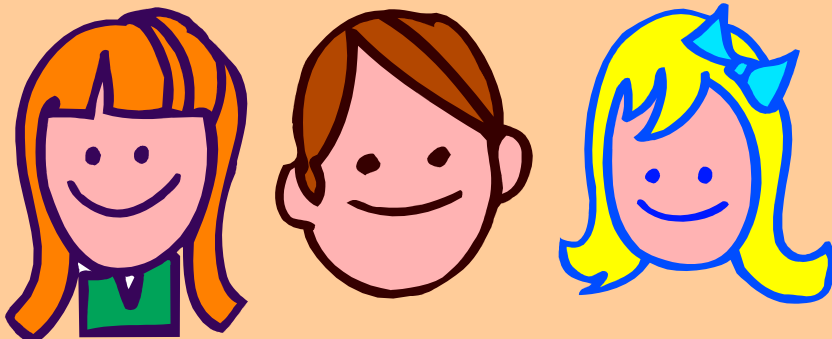
9. What Haven't I Asked You That I Need to Know? Pay close attention to how the real estate agent answers this question because there is always something you need to know, always. You want an agent to take her time with you—to make sure you feel comfortable and secure with her knowledge and experience. She should know how to listen and how to counsel you, how to ask the right questions to find out what she needs to know to better serve you. You might ask the agent to reiterate your goals and objectives. If the agent does not appear to have a thorough understanding of what you want, despite your attempts to explain what you want, then hire somebody else. Some agents do not listen very well. You want an agent who will listen to you and communicate with you. The best way to find out if the agent comprehends your desires is to ask the agent to repeat it back to you.

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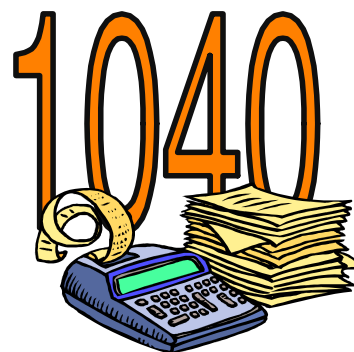
sure sign that a buying frenzy is underway is when owning becomes far more expensive than renting which is precisely what happened during the last housing bubble. An indication that prices have normalized is when the ratio of what people pay in rent versus what owners spend on the same property returns to its historic average.

The benchmark for a "normal" ratio of rents to ownership costs is what is known as the **ATMP**, or **after-tax mortgage payment**. On average, families across America spent about 87% as much to rent as to own in 1999. In short, buyers paid a 13% premium to be homeowners. But by mid-2006, with the craze in full swing, the ratio for renters was below 60% of what it cost homeowners. Or looking at it from the reverse point of view, American homeowners were spending 66% more to own than to rent. It was even worse in the bubble markets: In Las Vegas, Phoenix and Miami homeowners were paying twice as much as renters. In San Francisco and Orange Country, owners' monthly payments were triple those of their neighbors with leases instead of mortgages.

So how did that happen? During the bubble years, rents—the real engine that drives values—were inching along at their usual pace. From 1999 to 2007, apartment rents increased only 32%. In the meantime, home prices jumped more than three fold to 105%. Housing prices were deemed to be rational when the ratio returned to its 1999 level. Why 1999? Because the ratio was relatively stable throughout the 1990s, and it was the year the steep rise in prices began in earnest. At the end of the third quarter of 2009, the overall number stood at 83%, meaning renting was just slightly more attractive than owning. But the picture varied widely from city to city. In 15 of the 53 metro areas the bank's team studied (including St Louis, Indianapolis, Phoenix and San Diego) it's now higher than in 1999, meaning that homeowners' costs actually dropped versus what renters pay, courtesy of the steep decline in prices. In California's San Bernadino and Riverside Counties, it now costs 10% less to own than to rent; in 2006, owners paid more than twice as much as renters. In another 14 cities, a list encompassing Boston, San Jose, and Chicago, the cost of owning exceeds that of renting by 6% or less. In the remaining 24 markets, housing is still moderately to extremely over-priced. The biggest problem areas are Baltimore, Long Island, and Seattle, where the ratio is still between 24% and 32% above the 1999 benchmark.

What this suggests is that it's likely that prices will fall another 5% - 10% nationwide. The drop could even be slightly greater. One reason: Rents, the main determinant of housing prices, are still falling. In 2009, apartment rents dropped 2.3%, and it is continuing apace. As the economy improves and unemployment declines, rents should stabilize thereafter and may even start to increase by early of 2011.

HOME BUYER TAX CREDIT: NO E-FILE AND FOUR-MONTH DELAYS



You still can't e-file your taxes if you want the cash. And there are long delays. Buyers who purchased their properties after Nov. 6 were unable to claim the refund because the Internal Revenue Service had yet to release a new form and instructions. The IRS has since posted the new form 5405.

First-time buyers were able to immediately file for the tax credit after Congress approved it last February as part of the stimulus program. All they had to do was file an amendment to their 2008 tax returns (the ones they filed last April) and claim the promised refund of 10% of the purchase price, up to \$8,000.



They were able to e-file, and they received their refunds promptly. One reader filed a claim the first week of August, and had the check by the third week in September. But on Nov. 6 the rules changed. That's when Congress extended—and expanded—the tax credit, which was originally scheduled to expire on Nov. 30. Now, the deadline is April 30, by when all contracts must be signed. (Closings must happen by June 30.) Plus, existing homeowners looking to trade up (or down) can qualify for a \$6,500 refund.

And these new buyers can no longer file electronically. They have to mail in paper forms, including the new 5405, whether they are amending their 2008 taxes or claiming it on the 2009 taxes that are being filed this spring. That is going to dramatically slow refunds, but taxpayers can't blame the IRS. So buyers must now file documentation with their taxes -- including proof of residency, a signed mortgage statement and drivers license—which the e-file system is not equipped to handle.

Because of the scams, the IRS started sending back the amended returns and asking for proof, the system has no way of sending along the documents they're requiring. Taxpayers must file a paper return instead. The IRS points out that taxpayers can still use the electronic forms available on its Web site or consumer sites such as TurboTax; they just have to print them out, attach the proof and mail everything in which can take quite a while.

Taxpayers are looking at another three months before they get their returns.

CALIFORNIA TO OFFER \$10,000 TAX CREDIT AS FED'S LAPSES



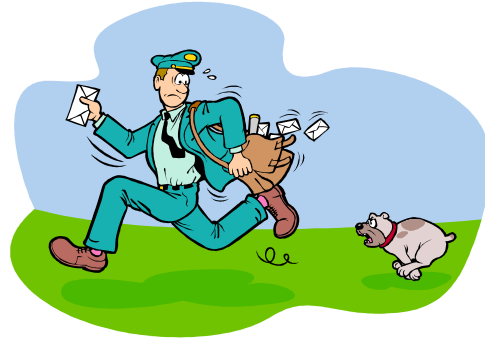
California home buyers can begin claiming \$10,000 tax credits starting May 1, 2010 under a bill expected to be signed soon by Gov. Arnold Schwarzenegger. Buyers must close escrow or reserve a credit on or after May 1 and before or on Dec. 31 to qualify.

SPECIAL OF THE MONTH:

The conforming
5/1 ARM @ 3.5%
OR
The Home Ownership
Accelerator @ 3.5%
are the best
values.

MORTY'S MAILBAG

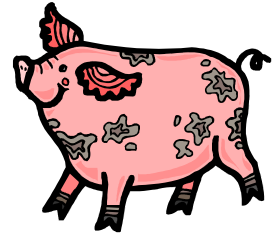
There were no letters in the mailbag this month. (If I don't get one soon I'm going to have to make one up). Come on readers, work with me here.



Recipients of the newsletter are invited to Ask Morty any real estate or financing questions. The answer to the question will be answered either by phone or email and posted in the next issue for the benefit of all. Questions may be forwarded via mail phone or fax. Due to the high incidence of spam, if you email me a question it needs to be identified as "real estate question" on the subject line of the email. (See front of issue for phone and fax numbers). Morty's email address is.... Morty@mortgagestraightTalk.com

MORTGAGE MIRTH

Arguing with a lawyer is like mud wrestling with a pig: after a while you realize that the pig actually enjoys it.



If you'd care to share one that you've heard, please email it to me at... Rod@mortgagestraightTalk.com

**NEXT MONTH:
THE "RIGHT" REALTOR
(the buyer's agent)**

Happy Easter

