

May 2010

mortgagestraightTalk.com

Tel: 760-726-4600 Cel: 760-717-8584

Fax: 760-639-0785

Rod@MortgageStraightTalk.com

THE MONTH IN REVIEW

4/1-4/2 Oil rose \$1.03 to \$84.79 a barrel, Thursday. Despite a **March jobs gain of 162,000**, the **unemployment rate remains at 9.7%**.



4/5-4/9 In the single-biggest monthly rise since October 2001, **pending home sales rose 8.2% in February. Oil prices reached their highest level in nearly 18 months** on Monday, settling at \$86.62. The **yield on the 10-year Treasury note hit 4%** for the first time since October 2008, the height of the financial crisis. Reflecting the still dire state of the economy, **consumer credit fell at an annual rate of 5.6%, in February.**

4/12-4/16 The Dow closed above 11,000, **Monday, the first time in 18 months. Interestingly, Treasury prices also rallied**, lowering the yield on the 10-year note to 3.85% from 3.89% late Friday. **(Treasury prices and yields move in opposite directions).** The **Consumer Price Index**, the government's **key measure of inflation, rose 2.3% over the past 12 months**, driven by a 41% climb in gasoline costs during the period. **Stocks soared Wednesday**, recording their highest levels in more than 18 months. The Commerce Dept reported that **retail sales rose 1.6% in March**, the latest sign that consumers were spending more freely. A report from RealtyTrac said there were more than **930,000 foreclosure filings in the first quarter of 2010**, up 7% from the previous quarter and a whopping 16% jump from the year-earlier quarter. **Housing starts in March rose to their highest level in 18 months.** The **Dow fell 125 points** after U.S. regulators charged Goldman Sachs with defrauding investors by not telling them about conflicts of interest in sub-prime investments it sold.



4/19-4/23 Existing home sales jumped 6.8% in March as buyers rushed to take advantage of the home buyer tax credit that expires at the end of April.

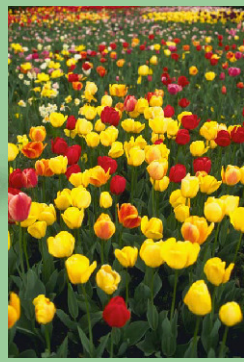


The **Producer Price Index (PPI)**, a measure of wholesale inflation, **rose 0.7% on higher energy and food prices**, due to a big spike in food and fuel costs. **New home sales for March rose 26.9%**, the fastest single-month rate in 47 years.

4/26-4/30 The **Dow Jones industrial average tumbled 213 points**, closing below 11,000, after Standard & Poors cut Greece's debt rating to junk and lowered Portugal's debt rating, raising fears that a euro zone debt crisis could slow the global economic recovery.



February home prices posted their first year-over-year increase since December 2006, according to the S&P/Case-Shiller 20-city index. During that time frame, San Francisco, posted a double-digit gain over the past 12 months of 11.9% while **San Diego home prices jumped 7.6% and Los Angeles gained 5.3%**. The **Consumer Confidence Index rose to 57.9 in April**, it's highest level in 18 months. **Initial claims for unemployment insurance fell** for the second straight week, according to government data released Thursday. Amid reports that Goldman Sachs is facing a



criminal probe and worries about Greece's lingering debt problems, Wall St. closed down 158 points.

Current Implode-O-Meter Stat



Only two more lending casualties were racked up this month, a further sign that the mortgage climate is stabilizing. To date, **384** 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.

RATE SUMMARY:



Rates edged **LOWER** this month.

Conventional conformings, were BETTER by .125%, the 15 & 30 yr. fixed remained unchanged

Jumbos were either **DOWN** an 1/8th or **UNCHANGED**

Governments (FHA & VA) were **STATIC**. Only the VA 30 yr. fixed Conf. Jumbo fell 1/8th.

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.



THIS ISSUE'S TOPIC: THE “RIGHT” REALTOR (the buyer's agent)



Note: I realize 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®. For my purposes, however, I am going to use the two interchangeably here.

Last month, I covered some of the things to do and questions to ask in selecting a LISTING AGENT to market one's property (Vol. 7 Issue 4). This month, the focus will be on the real estate professional representing the other side of the transaction—the BUYER'S AGENT. First off, let's look at some of the benefits of using a buyer's agent

The Advantages of Using a Buyers Agent

- A realtor is knowledgeable of the market so time spent searching is minimized.
- A realtor “qualifies” prospects as to their affordable price range and housing needs.
- A realtor is familiar with the local home-loan market and can help you determine where seller assisted financing may expedite your sale.
- A realtor can familiarize you with the closing procedures by explaining them in advance.
- A realtor previews properties and arranges appointments and negotiations of the contract.

· **Who is the point of contact with the listing agent?**

One realtor told me that she feels she has an edge in the negotiating when the listing agent has palmed his client off on one of his underlings.

· **Realtors are like shrinks.**

Pick one that you feel comfortable with. How do you relate to the real estate agent? If you're in the market to make a purchase, someone who knows how to deal with buyers and negotiate with sellers is likely to be a better fit than a listing agent.



THERE ARE AGREEMENTS AND THERE ARE AGREEMENTS...



Buyer/Broker Agreement (Non-Exclusive/Not for Compensation).

This agreement outlines the broker's/agent's duties and obligations to the buyer, agency relationships, broker scope of duty and buyer obligations; it does not provide for compensation.

- Buyer may hire more than one broker/agent to locate property
- Buyer is not obligated to compensate the broker / agent
- Buyer has the right to demand single agency.

Single agency means a real estate broker represents the buyer and cannot show the buyer properties listed by the broker's agency, without the buyer's express permission. In California, a brokerage operating under single agency with a buyer may or may not list real estate. In parts of the country where dual agency is not allowed, some brokerages operate as exclusive buyer agents and do not work with sellers at all. Typically, under single agency, an agent represents one party. If that agent represents a buyer who wants to buy a property listed by that agent's broker, and if the buyer permits, then dual agency is entered. It is no longer considered single agency.

Buyer/Broker Agreement— Non-Exclusive, Right to Represent.

The non-exclusive agreement outlines the broker's/agent's duties and obligations to the buyer, agency relationships, broker scope of duty and buyer obligations; however, it does provide for compensation. It also removes the buyer's responsibility to pay a commission if the broker/agent is paid by another party such as the seller.

- Buyer may purchase a property through another broker/agent, as long as the property is not a home introduced by the first broker
- Buyer has the right to demand single agency
- The broker/agent can receive a higher commission than the negotiable fee stated in the agreement if the seller elects to pay more and it is disclosed

Buyer/Broker Agreement—Exclusive Right to Represent.

This is similar in scope to the non-exclusive form except for one major distinction: the buyer has agreed to work exclusively with the broker/agent.

- The buyer cannot hire more than one broker/agent to represent her
- The commission is negotiable
- Buyer has the right to demand single agency
- The buyer is not responsible for the commission if another party (such as the seller) pays it
- The broker / agent can receive a higher commission than the negotiable fee stated in the agreement if the seller elects to pay more and it is disclosed

While non-exclusive agreement terms may run for a month or two, exclusive agreement terms are typically anywhere from three months to one year. If the buyer elects to subsequently purchase any property introduced to her by the agent, she will owe the agency a commission. Exclusive representation gives the broker/agent the ability to negotiate with unrepresented sellers (such as for sale by owners) on the buyer's behalf. In these instances, the commission is often added to the sale price and then paid by the buyer to the broker as part of the

financing. If the buyer is able to purchase the property at a substantial discount through the power of the broker's/agent's negotiating ability, the broker/agent will have more than earned her fee. Exclusive representation means the broker/agent is employed by the buyer and will work diligently on the buyer's behalf.



While most buyers are not likely to be as thorough as I've outlined here in their selection of a buyer's agent. Even if you use a fraction of the suggestions and questions that I have laid out, you are apt to be much better off than if you had not.

A. 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.

B. Search Online for Agent Listings

There are plenty of Web sites that will refer agents to you but this 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. Agents who are experienced will no doubt mention this, but newer agents might have more time to spend with you. Look for customer testimonials.

C. 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.

D. 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. Many realtors hold open houses, not to sell the house, but expressly for the purpose of picking up buyers who do not have representation.

E. 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 another 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.

F. 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.

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 and not recognizing the signs of a potential problem before it develops into a crisis.

2. Cancellations.

What is her company's policy about canceled agreements? Has anybody ever canceled an agreement with her before? Ask the broker/agent if she will release you from the contract if you find that the relationship is not a good fit for you or vice versa. Some agents will release you; others will not. While agents are not bound to release you, if they won't agree to this upfront, don't sign the agreement with them.

Professionals give personal guarantees that the customer will be satisfied. If an agent can't give you that guarantee, the agent does not deserve your business. 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 matter.

What is Your Average List-Price-to-Sales-Price Ratio?

Knowing the agent's average ratio speaks volumes. Excluding sizzling seller's markets, a good buyer's agent should be able to negotiate a sales price that is lower than list price for buyers. Buyer's agent ratios should fall below 99%. When hiring a buyer's agent, expect to see list-to-sales ratios within 90 to 97% in a buyer's market; in a seller's market: 100% to 103%.

4. What is Your Best Marketing Plan or Strategy for My Needs?

As a buyer, you should expect to see 5 to 7 homes a day, for as long as it takes to find your home. All the homes should fit your parameters, and the agent should preview those homes for you. The agent should also agree to solely represent you and not represent other buyers who are competing for the same inventory. As a buyer, you will need to know:

- How will you search for my new home?
- How many homes will I likely see before I find a home I want to buy?
- Will I be competing against other buyers?
- How do you handle multiple offers?
- Do you present offers yourself?



5. 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.

6. 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



Examples can range from negotiation skills to persistence. Acceptable answers are:

- Strong repeat record of satisfied customers
- Good negotiation skills
- Assertive, doesn't take no for an answer
- Strong communicator.

7. May I Review Documents Beforehand That I Will Be Asked to Sign?

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 buyer, ask for copies of the following:

- Buyer's Broker Agreement (is it exclusive or non-exclusive?)
- Agency Disclosures
- Purchase Agreement.
- Buyer Disclosures

8. 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 she works with and why she chose those professionals. Ask the agent if the title company she 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.

9. Real Estate Commissions.

In most cases the SELLER pays the buyer's agent for bringing him a buyer for his property. That being said, bear in mind that all real estate fees are negotiable. Typically, real estate agents charge a percentage, from 1% to 4% to represent one side of a transaction: a seller or a buyer. Sometimes agents will match fees offered by other agents. If you see a fee you do not understand, question it.

10. 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.

He should know how to listen and how to counsel you, how to ask the right questions to find out what he 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.

The following real estate agents contributed to this article:

Carole DeJonge caroledejonge111@hotmail.com
(760) 201-6401



Jeff Nelson jeff@jeffnelsonrealtor.com
(858) 549-4444



Pam Parkinson p.parkinson@prusd.com
(760) 805-0979



CALIFORNIA'S MEDIAN HOME PRICE JUMPS 14.3% IN MARCH

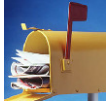
The median price paid for a California home in March jumped 14.3% compared with March 2009, reflecting a reduction in the number of foreclosure properties on the market and the comeback of higher-priced coastal areas.

Perhaps nowhere was this more evident than in the San Francisco Bay Area, where the median increased 31% in March to \$380,000 from a recent low hit the same month in 2009, according to MDA DataQuick, a San Diego research firm. The firm reported a 14% year-over-year jump in the Southland's median price to \$285,000 in March. The median was up 9.7% to \$329,000 in Los Angeles County and up 12.2% to \$432,000 in Orange County. Analysts said the Bay Area surge, in particular, had more to do with the change in the kinds of properties selling than any actual rise in property values.

Statewide, the median price paid for a home in March was \$255,000, up from \$223,000 in March 2009. It was the fifth consecutive year-over-year increase after 27 months of declines. California's median home price increased 2.4% from \$249,000 in February, DataQuick said.

The state's median peaked at \$484,000 in early 2007 and bottomed out at \$221,000 in April 2009. The run-up in prices and then the steep fall of markets such as the Central Valley and the Inland Empire contributed greatly to the statewide "cratering" of prices last year.

Now, as homes are selling in more coastal markets, inland areas are beginning to be left behind. About 40.5% of the previously owned homes sold in March were foreclosures, significantly down from 44.3% of the market in February and 56.7% in March 2009.



MORTY'S MAILBAG

Q. Can you fill us in on the new California Home Buyer Tax Credit that I've heard bandied about?

Can this be paired with the Federal home buyer tax credit?



A. Glad to and the answer to your second question is yes, but you would have had to hurry. (See more about this at the end). On March 25th, 2010 Governor Schwarzenegger signed into law a \$10,000 home buyer tax credit.



Here are the highlights:

THE PROGRAM:

- California plans to spend around \$200 million dollars to fund this tax credit.
- This is twice as much funding as the state's previous home buyer tax credit, which was rolled out in March 2009 and exhausted by July 2009.

WHO IS ELIGIBLE?

- The home buyer must be a California taxpayer.
- There is no limit on the income of the home buyer.
- The program is available to both existing homeowners and first-time home buyers.
- **Current homeowners are eligible only if they buy a newly-built home.**
- **First-time home buyers are eligible whether they buy a newly-built or existing home.**

- **To be a first time home buyer, you cannot have owned a home anywhere in the world during the three years prior to buying your new home.** If you're married, that applies to your spouse as well.

HOW MUCH IS THE CREDIT WORTH?

- The tax credit is worth up to 5% of the purchase price of the home, or \$10K, whichever is less.

HOW DOES THE HOME BUYER RECEIVE THE TAX CREDIT?

- The payment is credited against the home buyer's annual CA state income tax.
- The total payment will be spread evenly over three years.
- If you qualify for the full \$10K, you'd get up to \$3,333 per year – but only if you pay at least that much in annual CA state income tax.
- If your CA state income tax is \$4,000 a year, you get a \$3,333 credit against that amount, effectively lowering your state income tax to \$667.
- If you owe less than \$3,333 per year in CA state income tax, you'll receive a tax credit only for that amount. The extra will not roll over into the following year's payment.
- The credit will begin to be applied to the tax year in which the home was purchased. If you buy your home in 2010, the tax credit will begin to be applied against your 2010 taxes.
- You cannot apply the tax credit to your 2009 taxes, even if you file your 2009 taxes after you purchase your home.



WHAT'S THE DEADLINE FOR CLAIMING THE CREDIT?

· Buyers of existing homes must close escrow between **May 1 and December 31, 2010**

· Buyers of new homes can either:

· Close escrow between **May 1 and December 31, 2010**

or...

· If they are unable to close escrows during that time, they can reserve a credit by entering into an enforceable contract between May 1 and December 31. They must then file the proper paperwork with the tax board and close escrow by **August 1, 2011**

WHAT TYPES OF HOMES ARE ELIGIBLE?

Eligible home types include:

· Single family homes



· Condominiums

· Units in a cooperative project



· House boats

· Manufactured homes

· Mobile homes

· There is no price limit on the home purchase.

· A home constructed by the taxpayer is **not eligible, since the home has not been "purchased."**



CAN THE NEW CA TAX CREDIT BE COMBINED WITH THE FEDERAL HOME BUYER TAX CREDIT?

Yes, but the window is very narrow and you would need to have had your contracts signed by April 30, and you must close escrow between May 1st (when the California program begins) and June 30th (when the Federal program ends). The two programs combined could be worth up to \$18K in tax credits.

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

Life insurance agent to would-be client: "Don't let me frighten you into a hasty decision. Sleep on it tonight. If you wake in the morning, give me a call then and let me know."

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

**NEXT ISSUE'S TOPIC:
THE 6 BIGGEST MISTAKES
HOMEBUYERS MAKE**

