

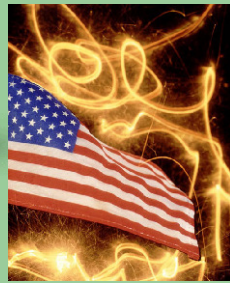
## July 2010

### mortgagestraightTalk.com

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

Fax: 760-639-0785

Rod@MortgageStraightTalk.com

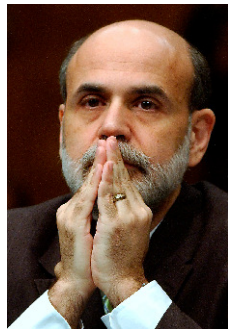


## THE MONTH IN REVIEW

**6/1-6/4** Stocks slumped again, Tuesday, ending a choppy session, as worries about the global economic outlook overshadowed better-than-expected readings on the U.S. economy. The National Association of Realtors said its **pending home sales index, a measure of sales contracts for existing homes, rose 6% in April** after climbing 5.3% in March. **Stocks ended on a tear** Wednesday with the Dow rising 225 points as energy and technology shares fueled the rally. **Jobless claims declined** according to a government report issued Thursday. **Retailers posted their ninth straight month of increasing sales. Even though the unemployment rate dropped from 9.9% to 9.7%, stocks tanked with the DJIA losing 324 points.** This transpired after a government report showed employers added fewer jobs than expected last month and the euro plunged to a new four-year low, reviving worries about the health of the European economy.



**6/7-6/11** Federal Reserve Chairman Ben **Bernanke said he expects a continuing economic recovery, but** "it's not going to be fast enough to put back 8 million people who lost their jobs within a few years.



**It's going to take a while." The fear that the gulf oil spill will force BP into bankruptcy pushed, not just the energy shares lower but, the entire market down by some 40 points. Stocks rallied sharply Thursday** with the Dow jumping up 273 points to close above 10,000 for the first time this week as concerns over Europe's debt crisis and its impact on the global recovery were calmed by a sharp boost in Chinese exports and a strengthening euro. **Retail sales fell 1.2% in May.** It was the first drop in eight months the government said Friday.



**6/14-6/18** Despite European leaders having made billions in loans to Greece six weeks ago, **Moody's downgraded Greece's debt rating to**

**junk status. Fitch, another credit rating service, downgraded BP's debt rating to a level just above junk status. Stocks jumped 213 points on**



**Tuesday** as concerns about Europe's debt woes eased. While **economists anticipated new home construction would ease in May** (the first month after the homebuyer tax credit expired) the drop was even steeper than they expected. The Commerce Department also said that **building permits, a measure of builder confidence, also fell sharply, dropping 5.9% from the previous month.** MDA DataQuick of San Diego, a real estate research firm reported that Southern California's median home price soared 22.5% in May. **Gold prices hit a record high of \$1,248.20 per troy ounce** Thursday, driven by continued anxiety over the economy. The **yield on the 10-yr. Treasury note was at 3.22%, Friday.**

**6/21-6/25** Existing home sales slipped 2.2% in May, the first month following the expiration of the homebuyer tax credit. **Stocks fell nearly 150 points,** Tuesday, over European debt concerns and a weak housing market report. Though a slowdown was expected following the expiration of the homebuyer tax credit, **May's 32.7% plummet in new home sales** was not. Wednesday, the **Federal Reserve held interest rates steady,** as expected, and said it would continue to do so for the foreseeable future. **Freddie Mac said Thursday mortgage rates fell to their lowest levels since the company started keeping track 38 years ago. Stocks tumbled 145 points** over the Fed's wary outlook for growth and renewed fears of Greece defaulting on its bonds.

**6/28-6/30** The **Senate nixed extending unemployment benefits for nearly 1 million jobless Americans.** The **Consumer Confidence Index,** a key measure of consumer confidence, **dropped to 52.9 in June from 62.7 in May.** The drop was attributed to increasing uncertainty about the

economy, the labor market and signs of a bigger slowdown in the global economy. **Stocks reacted to the uncertainty with the Dow falling 268-points.** Automatic Data Processing, which processes paychecks for one in every six

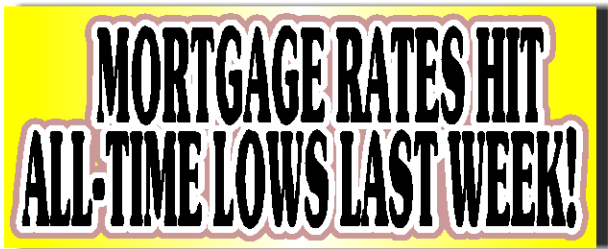


U.S. employees, reported that **the private sector was only responsible for adding 13,000 jobs to their payrolls in June**, a rather disappointing gain. The market was also disappointed and sold off another 96 points.

### Current Implode-O-Meter Stat

Only **one** lending casualty was added to the list this month, another sign that lending has stabilized. This brings the running total to **385** mortgage lenders that 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 were **MIXED** this past month. Across the board, **conventional loans** were **cheaper** by  $\frac{1}{4}$  point. **Jumbos**, however, **WORSENE**d by a **tenth to 15 hundredths of a percent**. In the past month, the **Governments (FHAs/VAs)** **FELL** in the range of **0.25% - 0.375%**.

**FOR CURRENT INTEREST RATES FOR THE 16 MOST POPULAR PROGRAMS GO TO:**

[www.mortgagestraighttalk.com](http://www.mortgagestraighttalk.com) Then, click on the menu tab labeled "RATES". The rate sheets are updated every Friday.

## THIS MONTH'S TOPIC: FOR SALE BY OWNERS (FSBOs)



A prerequisite to be a mortgage broker is being a licensed by the Department of Real Estate as a real estate agent. Even so, I would not consider selling my home myself and because I don't have the time or requisite patience, I'm not apt to do a very good job of it. It's somewhat evocative of the old saw about the attorney who represents himself in court as "having a fool for a client." Aside from the liability issues, there is too much emotional involvement to remain objective--it's akin to why doctors do not operate on family members. I am reminded that among the advantages of having a real estate agent representing you, the seller, are:

- **A realtor is knowledgeable of the market and gives a seller the quickest exposure to the maximum number of buyers.**
- **A real estate agent can tap an even larger market through referrals and marketing techniques.**
- **An experienced realtor knows how to effectively merchandise a home via 'staging'.**
- **A real estate agent frees you from the problems associated with showing your home.**
- **A realtor handles phone inquiries, appointments, and negotiations of the contract.**
- **Your home is shown only to serious, qualified buyers.**
- **A realtor knows current real estate values and can help set a realistic, competitive price.**
- **A real estate agent maintains objectivity in presenting offers and counter-offers.**
- **A realtor can figure the net proceeds from your sale, taking into account your outstanding loan balance, closing costs and possible owner financing.**

The benefits listed above are not designed to scare you into listing your home. They simply emphasize that when you employ the services of a good agent, you DO get something valuable in return. Ultimately, somewhere in between 87% to 97% of homeowners decide to list their property with a real estate professional.

This doesn't mean you can't sell your home on your own! In most cases, you probably can. However, time and stress, and your willingness and ability to tackle some of the home selling duties, not to mention the prevailing real estate market climate, will play a significant role. While the decision to sell one's home without the assistance of a real estate professional is daunting for majority of people, many others have been \*underwhelmed\* by agents' efforts on their behalves. Moreover, by virtue of just becoming a homeowner, many individuals have, of necessity, acquired various do-it-yourself skills regarding home maintenance and some view selling their home as just one more D-I-Y project. For some, the idea of saving a 6% commission is incentive enough.

So without further ado, let's look at some of the things that a For Sale By Owner (FSBO) needs to consider.

### PREPARING YOUR HOUSE FOR MARKET

Do the repairs that are necessary in order to make your home look its best. Invest your improvement dollars and energy into cleaning and painting.

Be as objective about your property's appearance as a buyer will be. Does that little crack in the wall really need to be fixed? Yes! It may cause doubts about how well built the house is. How your home is decorated is not as much a factor as being clean, neat and in good repair.



The first impression that a buyer will have of your home is when they pull up into the driveway. Be sure the landscaping and its general appearance are attractive and neat. A trimmed lawn, cut shrubbery, trees free of dead limbs, weeded flower beds, a swept, stain-free driveway, clear sidewalks and gutters, etc. will assure a pleasant first impression.

As they approach the front door, little things will mean a lot. A clean, freshly painted front door, polished door knob and knocker, clean surrounding windows, screens and window sills will all be noticed.

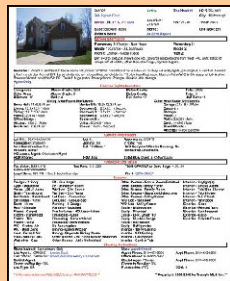
Once inside, the senses take over. The prospective buyer will notice odors and light. If possible, open curtains and drapes, blinds and windows to brighten the house. In winter, a fire in the fireplace or the smell of fresh bread baking in the oven lends warmth to your home. Fresh cut flowers add color and appeal. If the interior of your home needs painting, consider white or a light neutral color making the house appear larger, open and bright.

To add warmth and charm to your house when buyers visit, play soft, romantic music. Turn on all lamps and chandeliers to make the house glow even in daytime.

Also, whenever possible, pets and children should not be around. An important point to remember is never having to apologize for the appearance of your home. Keep it "ready to show" all the time.

### ADVERTISING

The Multiple Listing Service is by far the most effective marketing tool in most realtors' repertoire and one that is excluded from the consideration of most FSBOs. While there are various real estate agents that will help a homeowner list their property with the MLS (e.g., Help-U-Sell, We Pay 1, Assist 2 Sell, etc.) the typical FSBO often plants a For Sale By Owner sign in their front yard, sits back and hopes for the best.



When placing your advertisement, you want to let people know you are a FSBO. Put it in your ad. You may want to advertise in several places in order to get the most exposure for your home. Consider advertising in the following ways:

- Local newspapers, the Penny Saver and Home Magazines
- Open House signs around the neighborhood
- Your front yard with a For Sale By Owner sign
- Financing option flyer
- Listing flyer to pass around the neighborhood



**The Yard Sign.** Always list your phone number on the sign. You may want to also add "Shown by Appointment Only." This will not keep "lookie-loos" from knocking unannounced every time but it will send the message that you would appreciate an advance call. Beware of local sign ordinances restricting the size and number of signs you can

use and the possibility that you cannot use any at all.

### **Make sure to include the following in your advertising:**

- FOR SALE BY OWNER
- Number of bedrooms and baths
- Type of structure style
- Talk about the neighborhood, eliminate the address (have interested parties call)
- Any special features like pool, spa, fruit trees, R.V. parking, etc.
- The best time to call with best phone numbers
- Sales price

**Open House Guest Directory.** Have every potential buyer sign a guest



directory. Keep it handy so you can re-contact them at a later date if any of the terms change.

### **PRICING**

The number one reason that realtor-listed homes don't sell is because they are not priced right. It is no different with FSBOs. If the house is overpriced, a buyer may have difficulty finding financing. Thus, arriving at an equitable market value is crucial to selling your home.

### **ASSEMBLING A SUPPORT TEAM**

When selling your home by yourself it is important to be aware of what you do not know so you can have professionals

handle the various specialties that are a part of most real estate transactions. Assemble a support team. Your "team" might include the following:

- Escrow company
- Title Insurance Company
- Appraiser
- Lender
- Termite Company
- Home Warranty Company
- Home Inspection Company



Once you have chosen your team players, get to know them. Let them know you will be sending them some business as you are selling your home. Once you have contacted them you will be amazed at how useful and ready they all are to help sell your home.

### **ESCROW COMPANY**

Whether supplied by the buyer or seller, an escrow company represents both parties equally and provides each with protection and convenience throughout the sales transaction. This impartial third party holds all legal documents and funds on behalf of both parties, and makes sure the final sale is satisfactory to everyone involved.

Opening escrow is as easy as making a deposit and providing instructions for the transaction. This can be done by the buyer, seller, buyer's agent or lender, but is customarily handled by the seller when there is no agent involved. The deposit and instructions typically consist of the down payment from the buyer as well as the signed sales agreement.



#### **Escrow Will:**

- Prepare escrow instructions
- Request title search
- Comply with lender's requirements as specified in the escrow agreement
- Receive funds from the buyer
- Prorate insurance, tax, interest and other payments according to instructions
- Record deeds and other documents as instructed
- Request title insurance policy
- Close escrow when all instructions of seller and buyer have been met

- Disburse funds and finalize instructions

### Escrow Won't:

- Give advice - the escrow holder must maintain neutral, third-party status
- Offer opinions about tax implications

Remember to remove ALL contingencies in writing as soon as possible. Contingencies are stipulations in the Purchase Agreement such as a "Whole House Home Inspection" or "Sale of Purchaser's Current Property". With a Whole House Home Inspection, the sale of the house is deemed to be contingent upon a satisfactory home inspection by the purchaser. If a contingency is not met for any reason, the contract may become null and void or cancelable. You will need to stay aware of the contingency deadlines in your contract and make sure that you remain in compliance with the terms of the contract up until the date of closing. Contingency removals should be made in writing to avoid any confusion. Standard forms are available for the extension of or the removal of the most common contingencies.

### TITLE INSURANCE COMPANY



A title Insurance company protects the homeowner against two main categories of risks in all real estate transactions: human errors and hidden hazards such as forgery, incompetence of grantor or mortgagor, unknown heirs, fraud, impersonation etc. Title insurance differs from other types of insurance by protecting against future losses arising out of events that have happened in the past. An owner's policy, insuring the buyer, is good as long as the owner or owner's heirs own the property. A title search will determine:

- That the seller is, in fact, the legal owner of the property.
- That the "estate" or degree of ownership being sold is currently and accurately vested in the seller.
- The presence of any unsatisfied mortgages, judgments or similar liens which must be satisfied before "clear title" can be conveyed.
- Existing restrictions, easements, rights of way or other rights granted to others who are not owners which may limit the right of ownership.

- The status of property taxes and other public or private assessments.

### THE LENDER

There are many advantages of working with a dependable experienced mortgage broker such as:

- Pre-qualification of all prospective buyers. So that you don't waste time negotiating with incapable buyers or tie-up your property with borrowers who can't get a loan approval.
- Ability to find the right loans at a competitive price. A full service mortgage broker is able to shop for the best loan and the best possible price.
- Efficient follow-up and teamwork. Once the transaction has been negotiated, the lender will work hand in hand with the other members of the team to make sure the loan is approved and funded in a timely manner.



As of May 1, 2010 the Home Value Code of Conduct went into effect, requiring that all Fannie Mae & Freddie Mac loans have appraisals done through the lender's Appraisal Management Company. Similarly, the Federal Housing Authority which controls FHA loans is about to adopt the same procedure such that no mortgage broker can have contact with an appraiser. Appraisals have two components. The first is focused on the subject property with respect to condition, size, bedrooms, baths, year built, lot size and square footage to arrive at a valuation. The second has to do with comparable properties that have sold within a half-mile radius in the past 90 days. The appraiser then reconciles the differences via monetary adjustments and the minor differences between the subject property and the comps to arrive at an appraised value.

While your home is being inspected, do not follow the appraiser from room to room causing distraction. Instead, allow the inspection to go smoothly. In case the appraiser has any questions, be close by to answer

them. The time to mention the things you think are important is either before or just after the inspection.

## HOME INSPECTIONS

It's important to know a great deal about your house when you sell. How do you handle disclosing the particulars about your property without spending the next few months learning the construction of your home? Use a Home Inspector. The inspector should follow the standards, guidelines and practices established by ASHI (American Society of Home Inspectors). The inspector can solve a series of problems.

If the inspector you use is bonded, and a problem arises after the sale, you can legitimately say, "I didn't know there was a problem. I had the house inspected and I trusted the work of the inspector. Blame the inspector." Of course, that does not get you off the hook, but it does help. In addition, if there are damages to be paid and the inspector is to blame and is bonded, the inspector may have to pay them instead of you. Therefore, using an inspector can be worthwhile.

Always insist on getting a written report from an inspector. An oral report is useless to you if there should be a problem from the buyer later on.



## HOME WARRANTY

The typical home warranty costs approximately \$275-\$400 per year depending on what additional items you may choose to have covered. For an additional fee, you may choose to have coverage for pools and their associated electrical appliances as well as other items usually not covered such as washers, dryers, refrigerators, etc.

## FILLING OUT DOCUMENTS

If you do not understand completely, get a professional. Some real estate agents will do it for you for a flat fee or you may want to work with a real estate attorney.



## CLOSING COSTS

With any real estate transaction there are myriad closing costs. Among them are:

· **Taxes.** You will be required to pay your portion of property taxes through the last day of ownership. It will be prorated. You should be entitled to a refund if you have paid your semi-annual taxes in advance.

· **Insurance.** The buyer usually gets a new policy. If they decide to take over your existing policy, you should expect to receive a refund of the difference.

· **Assessments & Liens.** Any time you have a lien or assessment against you and your property, you will need to pay them off before you can close escrow. This could be a back tax lien or judgment or whatever. Always make sure to double-check the figures so that you do not overpay any items since getting refunds from states and municipalities is often arduous, if not impossible.

· **Escrow and Title Insurance.** The seller usually pays the title insurance fee for the buyer's policy. This policy is referred to as the "Owners Policy" and covers the new owner's interest and title to his new property. The buyer will pay for his "Lender's policy" that will cover his new lender's interest in the property.

· **Commission.** If an agent brought you a buyer and was thus the procuring cause of the sale you will have a commission to pay. Be aware that today's buyers typically sign buyer/broker agreements, making the buyer responsible for payment of the commission, even though that fee is paid from the seller's proceeds. Expect to pay between 2.5-3.5%.

· **Inspection Fees.** There are several inspections fees that you could pay. Be careful to check all charges on your closing statement. Nothing is always standard and almost everything is negotiable. Make sure the service was done or provided before you agree to pay for it.

· **Miscellaneous Fees.** There are also several miscellaneous fees. Make sure the charges are fair and not excessive. The time to disagree about whom pays what is BEFORE you sign escrow instructions. Once you have signed, you have agreed. The instructions cannot be changed unless mutually agreed to by all parties in writing.

1. Termite inspection
2. Termite removal costs
3. Deed recording fees
4. Loan assumption fees
5. Home warranty
6. Attorney fees
7. Document Preparation Fees
8. Tax service fees (if giving a 2nd mortgage)



## HOME PRICES UP 3.8% IN PAST YEAR—FOR NOW!

Home prices rose 0.8% in April compared with March and were up 3.8% from a year ago, according to the S&P/Case-Shiller Home Price Index of 20 major housing markets. But, the one-year comparison was against April 2009 prices, a five-year low. Also, the improvement came during a time when the federal government was heavily subsidizing home sales via the \$8,000 homebuyer's tax credit which is set to expire on 6/30/2010. San Diego prices rose 0.7% compared with March and 11.7% since April 2009. Los Angeles prices rose 7.8% over the past 12 months, and 0.7% in April.

The housing glut and foreclosures are expected to drive the national Case-Shiller index down another 6% to 8%, with prices bottoming in 2011.

## FANNIE MAE CLAIMS TO CRACK DOWN ON WALKAWAYS

The government-backed mortgage company said Wednesday that borrowers who engage in strategic defaults won't be able to get another Fannie Mae mortgage for seven years. The company said the stiffer terms would "encourage borrowers to work with their servicers and pursue alternatives to foreclosure." It remains to be seen how Fannie Mae would determine if the defaults were strategic, that is, defaulting while still able to pay.



## MORTY'S MAILBAG

The mailbag was empty this month.

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](mailto:Morty@mortgagestraightTalk.com)



## MORTGAGE MIRTH

Why are there so many Smiths in the phone book?

They all have phones.

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

[Rod@mortgagestraightTalk.com](mailto:Rod@mortgagestraightTalk.com)



**NEXT ISSUE'S TOPIC:  
HOW TO BUY A  
FORECLOSURE**

## SPECIAL(S) OF THE MONTH:

The FHA & VA conforming  
15 yr. fixed @ 3.875% & 4%,  
respectively are outstanding  
buys as are the FHA/VA JUMBO  
30 yr. fixed @ 4.375% & 4.50%

