

REAL ESTATE TRENDS

FOR REALTORS. HOMEOWNERS AND PROFESSIONALS

May 2010

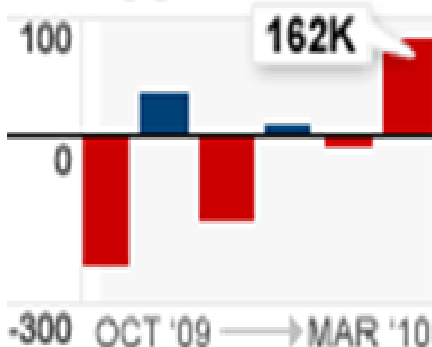
Here Come The Numbers

While we have had some pretty important economic reports released in the past month, as we go to print we have the most important numbers on the horizon. The last day in April, the first quarter preliminary results for the entire economy will be released. The first Friday in May we will see the first set of numbers of the second quarter in the form of the monthly employment statistics for April. Together we might see a clearer picture as to how strong this recovery actually might be at this juncture. Again, we had some important positive releases in the past 30 days, including reports on economic indicators, new home construction and retail sales.

Yet, we do know that the economy must grow significantly to start producing jobs on a consistent basis. Of course, jobs are required for the economy to keep growing. This is called “firing on all cylinders.” Few are expecting a growth rate over 5.0% as we experienced in the last quarter of last year. However, anything in the 2.0% to 3.0% range or above may be enough to keep our growth in confidence moving forward. The millions of foreclosures and unemployed hanging over the economy will not disappear overnight. We must take one step at a time and this data will help tell us if that step is forward or not.

Another bit of good news: the markets did not collapse when the Federal Reserve Board removed stimulus in the form of purchases of mortgages. According to *Trade Signal*, “A combination of pent-up demand, cash on hand and expectations for a stable range of movement in 10-year Treasury yields are providing a boost to these securities guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae. Buyers include banks, domestic money managers and foreign banks.” ... ▢

Gaining ground



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Great Buys On The “Imperfect”

The best deals on homes these days are often on properties that aren't perfect. Home shoppers looking for a great deal should keep these factors in mind when they are looking for a place with potential:

Floor Plan

- ◆ **Location, location, location.** It's still true that you get a better deal when you buy the worst house in a great neighborhood than you do when you buy a fancy house in a not-so terrific neighborhood.
- ◆ **Less than 50 years old.** Properties older than a half decade are likely to have more fundamental problems like aging wiring, inadequate plumbing and sagging foundations. Home inspections are extremely important when purchasing less than perfect properties.
- ◆ **Livable floor plan.** Buyers should select a home with a basic design they can live with. Once they start moving walls, they're into big money.
- ◆ **Light.** Houses with the most potential have plenty of natural light. Make sure you view the property at different stages during the day so you can assess this situation.
- ◆ **Good storage.** Adding storage isn't cheap, so it's smart to choose a property that already has it... ▢

Source: *MSN.com*

Selected Interest Rates

April 22, 2010

- 30 Year Mortgages — 5.07%
- 2009 High (June 11) — 5.59%
- 2009 Low (April 30) — 4.78%
- 15 Year Mortgages — 4.39%
- 5/1 Hybrid ARMs — 4.03%
- 1 Year Adjustables — 4.22%
- 10 Year Treasuries — 3.77%

Sources—Fed Reserve, Freddie Mac
Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.

Tax Time Is Here: Time To Pay?

People who cashed out refinances, or had part of their mortgage debt forgiven when they sold their homes through short sales, will probably owe the IRS a big payback. In 2007, Congress passed the Mortgage Forgiveness Debt Act, but that doesn't let everyone off the hook. Here are exceptions to the rule:

- ◆ Anyone who did a cash-out refinance and spent the money on something not housing related, then got in trouble and lost their home to a foreclosure or short sale, will owe the IRS as if the money from the refinance were earned income.
- ◆ The IRS will forgive tax liability only on money from home-equity loans that was spent to improve the property.
- ◆ Anyone who lost a vacation home or investment property to foreclosure or short sale will owe Uncle Sam.
- ◆ Multi-million dollar homes — lost or sold — are always subject to tax... ▢

Source: *CNN/Money.com*

Message: If you did a short-sale or were foreclosed upon in 2009, get with a tax professional before you file your tax returns. If you would like a referral to one, my contact information is below

Did you know...

◆ Home flippers have their groove back, but this time around most of them are pros that are savvy enough to buy the right properties and turn them over quickly. Nationally, the number of flipped homes rose 19 percent to 197,784 in 2009, according to RealtyTrac. Flipping has been encouraged by a Federal Housing Authority rule change, which allows FHA borrowers to buy foreclosed homes from owners who have held title for less than 90 days. Many of today's flippers are wealthy foreign investors. In many cases, they bid without ever seeing the properties, relying on services that check titles and send drivers to properties to relay photos and descriptions via mobile phone to bidders. Source: *BusinessWeek*