



# Rockyfield Newsletter

### US Economy & Housing Market

The Obama administration's core economic recovery policy is investments in infrastructure to create jobs and to improve economic efficiency. Conservatives prefer tax cuts over fiscal spending for the following reasons: 1) Japanese fiscal spending in public works did not work during the recent recession; 2) tax cuts for corporations and investors will increase capital to create employment; 3) Keynesian fiscal policy will only accelerate the volatility of economic cycles, resulting in inflation.

The financial meltdown and recession in Japan and the US were both precipitated by the real estate burst. But there were fundamental differences between the two economies. Japanese real estate bubble was due to the excess liquidity of corporations invested in land; the US boom was created by individual homebuyers (and predatory lenders), and consumption has been depressed by losing homeownerships. Japanese unemployment was not as serious as here. Individual assets were huge across income levels in Japan while many individuals in the US have been deep in debt, now double punched by job losses. Japan did not go into a deep recession. The depressed consumption was not because the Japanese consumer had little money. The goals of fiscal spending did not exist in Japan. Besides, Japanese infrastructure was in a good shape.

The theory that tax cuts for corporations and investors (increase in savings) lead to more investments is based on the old closed economic theory; in today's global economy and availability of financial instruments without actually involving real things (futures and options), tax cuts can create harmful excess savings (see October issue). Corporate management needs to focus on quarterly profit and share prices where excess cash may not be used for capital investments without a strong prospect for sales increase. Tax cuts should be designed to support small businesses and



## To Restore US Economy (3): Public Works

**Greetings**

Despite barrages of bad news last year, we have been fortunate to have many lucky events and weathered the difficulty very well. However, foreclosures are still increasing due to lack of effective measures, and we must expect a tough time ahead in 2009. The good news is that interest rates have been suppressed, encouraging both refinancing and purchases. In fact, a few sales were made in December. We hope for good spring sales in the PV housing market.

It may not be productive to aggressively seek transactions at this time; we have decided to focus on providing good services that may not directly lead to a real estate business with hopes that our efforts will eventually bring us success when the real estate market recovers.

Our readers should not feel any obligations to ask us for a variety of information or services, including our Notary Public service. We will be very happy if homeowners in Palos Verdes understand how we work.

In Asian cultures, this is "Year of the Ox." We hope for a bullish economy and market, striding toward success. We added two agents last year and may consider adding more this year. We appreciate your continued support. -- Y. Anthony Iwata (Broker)

to boost consumption. Given the debt-ridden consumers, more cash to individuals may not increase consumption. More entitlements are not desirable.

The huge expected deficit is our major concern. We will discuss (3) in the next issue. The supply-side/monetarist theory and Keynesian model are, in my belief, NOT mutually exclusive.

### Palos Verdes Housing Market

The government wants to reduce the mortgage rate to 4.5% with no clear means to do so. Even subsidies could be very tricky. Long-term interest rates are also low, not necessarily due to the FRB's zero interest rate policy, but due to the pessimism for the future economy. The 30-year fixed mortgage rate seems to have finally restored the link to the 10-year Treasury note yield. This means that the mortgage loan market has started working more normally. The 30-year rate dipped last week to 5.36% (national average). Our notary public, who has been quite busy lately, reported a below 5% refinancing. Refinancing is definitely booming.

The conflict in Middle East and resumption of buying strategic oil reserves have sent the oil price sharply higher, followed by a sudden rise in long-term interest rates. Given the huge deficit and the weak US dollar, future interest rates may soar.

Contrary to our concern that the PV housing market would completely become dormant in December, a few sales continued being helped by lower rates. However, this may be only in PV.

The number of sales plummeted in December and so did prices. Closed sales in 2008 are as follows: (% is against 2007)

Number:	366	31.3% down
Average price:	\$1,513,000	7.4% down

Compared to 993 in 2002. Today's slump is obvious. The average price peaked in 2007: \$1,635,000. The price decline became clear in the second half of 2008. If there is no rush of listings, we may be able to see a decent spring sale season.

## 2009 Real Estate Related New Laws (2)

**Foreclosure Notice to Tenants & Owners:** Lenders must now give the tenant of a foreclosed property a 60-day notice. A lender cannot file an NOD until 30 days after contact is made with the borrower to assess the borrower's financial situation and explore options to avoid foreclosure, or 30 days after satisfying due diligence requirements. (already in effect)

**Mortgage Foreclosure Consultants:** To protect homeowners from a growing number of scams, power of attorney prohibition, registration with DOJ, bond requirement and others will be enforced (7/1/09)

**Final Rule Under Reg. Z:** a new category of "high-priced mortgages" have been established. The new rule prohibits: making a loan without regard to borrower's ability to repay from income and assets; relying on income or assets that are not verified for repayment ability; any prepayment penalty if the payment can change during the initial 4 years. It also requires an impound account for property tax and insurance payments. The rule for all mortgages requires advertising to contain additional information about rates, monthly payments, and other features. It also bans 7 deceptive or misleading practices. (10/1/09)

**Victim of Domestic Violence & Termination of Tenancy:** A tenant can notify the landlord in writing with proof that he/she was a victim of domestic violence and other crimes, and intends to terminate the tenancy. Then the tenant can quit the premises and is discharged from payment of rent following 30 days from the notice. Other tenants are not released from their obligations under the rental agreement. (effective through 1/1/2012).

The above articles are an incomplete summary. If you want to read details of these articles, please feel free to contact us by email.

### Free Notary Service

We offer free notary public service to our readers on our mailing list. Customers who buy or sell their homes through Rockyfield will have free notary service for 5 years. (Direct service only, excluding loan documents; additional charge for a trip to your place.) Please make an appointment with Catarina at 310-544-0857 ext. 2#



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### Need a handyman?

If you are looking for a house cleaner, handyman, painter, plumber, gardener or contractor, we may be able to introduce a quality one.

### Free weekly market information

We can provide a free weekly update of the housing market in your area, like the list below with a short comment about the market. Please contact us via e-mail with your property address.

### Our free fair market value analysis

If you just remodeled your house, it is very natural to be interested in how much your home is worth now. We typically spend a half-day to compute a fair market value estimate. We are happy to provide free analysis for any reasons.



IN ASIA, 2009 IS YEAR OF THE OX

### SELECTED LISTING SAMPLES

For listing information,

please contact

Rockyfield

S: Sold B: Backup P: Pending  
C: Contingent A: Active  
Prices in '000s. Source: MLS (as of 01/07/09)