



Rockyfield Newsletter

US Economy & Housing Market

It has been reported that large banks have already raised more than \$85 billion in capital, and intend to repay the TARP money. Banks' problems are not yet over; write-offs of large corporate bankruptcies, delinquent commercial real estate loans and persistent housing loan foreclosures continue to haunt the financial industry. However, the financial meltdown seems to have been averted, giving optimism to the economic outlook. The negative growth may be eased to zero or slightly plus in the fourth quarter to first quarter next year. As soon as the positive economic signs started appearing, inflation fears emerged. The underlying reason, large government deficit, is one of the major political talking points, and inflation fears seem to be exaggerated far over the reality.

The current state of the economy remains dire: job losses are still huge every month, though losses are decreasing, and keep increasing the aggregate number of the unemployed. It is too early to argue deficit reduction over inflation fears. If inflows of new workers are included, the total unemployed people may be well over 10 million. Given such large number, it takes for a while, after the economy starts recovering, for wage hikes to become an inflationary pressure. Besides, today's FRB is well equipped to deal with inflation.

Although we do not believe inflation is an imminent threat, it is quite possible that interest rates keep inching up. Central banks are expected to cautiously tighten their monetary policy to avoid excess liquidity as their economies start growing. Large government borrowings can cause "crowding out" (little money left for private sector borrowings), pushing up the cost of money (interest rates). Such higher rates will cap rapid economic growth. We believe "real interest rate" (market rate minus inflation) will increase in the next year or two. That may not be favorable to the stock market, while variable rate investment may become more attractive.

Continued Strength in PV Housing Sales

Prepare well for Appraisal

Undesirable collaborations between lenders and appraisers were cited as one of contributing factors for the mortgage crisis. Appraised values used to rarely go below proposed loan amounts. Since then, various rules have been implemented to ensure objectivity of appraisal values. Today, loan officers have no direct access or contacts with appraisers. As one of the important objectives of FHA loans is to ensure the quality and safety of houses, a more strict appraisal process has been applied. In some cases, two appraisals are required.

Both refinancing and purchasing loans require an appraisal. Either overreacting or following the rules, appraisers seem to pick up trivial things. As to health and safety, broken windows, improperly functioning appliances/fixtures, or plumbing issues tend to reduce the appraisal value. Cracks in floor tiles or kitchen countertop and peeling paints are among those minor items that may also reduce the value. The trend is naturally more obvious with FHA loan appraisals; but it is spilling over to conventional loan appraisal.

So you may want to clean up or do minor repairs before an appraisal.

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We appreciate referrals

Please introduce buyers or sellers to us. We will do our best to live up to your kindness. If closed successfully, we will thank you with gratitude.

Higher real interest rates also mean that personal income does not catch up with increases in mortgage payments. Given the large market inventory, lagging employment/income and higher rates, even though sales continue recovering, the housing prices may need a few years to regain the 2006-2007 level.

Palos Verdes Housing Market

The market inventory of single family houses in Palos Verdes has been decreasing every week from the peak 320 to 290 today. In-escrow listings are also increasing to almost 100. Sales under \$900,000 are spectacular. Some of those listed under perceived market values, including fixers, have received multiple offers in a few days. While the number of sales reminds us of the boom period, listings that have been on the market for a long time are struggling even after a series of price reductions. Buyers tend to see the opportunity of exploiting such listings. We realize the risk of initial pricing that is much higher than the market value.

The price range between \$1-1.5 million, which has traditionally been the main market in PV, has shown some improvement during the last two months, but too many listings in this price range are pushing many sellers to reduce their prices below one million. So today's listings in a certain price range may not belong to the same category of houses in the same price range two years ago.

While northwest of RPV is doing quite well, south and east of RPV are not as good. The Eastview along Western Ave. is one of the best performing areas in PV.

The mortgage rate has soared about 0.5% during the past 10 days. We think the effect of the higher rate may be felt more in prices than sales quantity.

A client of ours, who bought a house in Sept. 2007 and submitted a petition for a lower assessment in April, has just received approval. Her property tax will decrease by 13% this year. It's still not late! (until 12/31, but it's better to do earlier!)

Homeowner Support Programs

California Association of Realtors (CAR) launched a mortgage protection program. First-time home buyers (no home ownership for the last three years) who lose their jobs due to layoffs may be eligible to receive up to \$1,500 per month, for six months, to help make their mortgage payments. Escrow must be opened between April 2 and the end of this year. Only W2 employees qualify, not self-employed. A qualified co-buyer also can participate in the program, and receive a monthly benefit of \$750 per month for up to six months. Program benefits also include coverage for accidental disability and a \$10,000 death benefit.

Mortgage loans are typically sold right after loans are made, and borrowers do not know who the lender is especially when loan service is being undertaken by the original lender or broker. This is very frustrating. The Truth in Lending Act now requires a lender to whom a mortgage loan is sold or otherwise transferred to notify the borrower in writing within 30 days.

The HOPE program completely failed to help struggling homeowners, whose equity has eroded and who are unable to refinance, through refinancing with FHA fixed rate loans. Only one family was saved since its start last October. This program has been greatly revamped by the new Administration.

For details: www.makinghomeaffordable.gov/

The new FAP (foreclosure alternative program) has streamlined short-sale process with standardized agreement and valuation. It also provides \$1500 relocation assistance.

Free Notary Service

We offer free notary public service to the 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, excl. loan documents; additional charge for a trip to your place.)

Please make an appointment with Catarina at 310-544-0857 ext. 2#



Rockyfield contacts

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Now you can search by yourself properties for sale on the MLS.

visit: www.rockyfield.com

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. Please contact Catarina.

Free weekly market information

We can provide a free weekly update of the housing market in your area. Please contact us via e-mail with your property address. Due to the recent large market inventory, the list below does not include many listings.

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. Or you may be simply curious. We will be happy to provide a fair market value estimate based on our own method. If you have no plan to sell your home, please say so when you contact us.



SELECTED LISTING SAMPLES

Please see Contact

Rockyfield

for

Listing Information