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Rockyfield Newsletter

US Economy & Housing Market

The Federal Reserve is expected to raise the Federal Fund rate (overnight inter-bank) in March. The current target rate is 0%-0.25%. However, our focus is Fed's \$9 trillion assets. The FRB has started reducing their bond purchases and is now debating to begin selling their bond holdings. Their portfolio consists of US Treasuries, mortgage securities and others. Given the fragile and uneven economic recovery under the pandemic, hasty rate hikes may hurt the recovery as the current inflation has been caused by disruptions in supply, not by hyper demand.

Turning its policy from buying to selling bonds will let medium- and long-term rates to rise. This will calm down the housing market (higher mortgage rates) and stock markets (absorbing excess cheap money). We fear that the current overheating condition may lead to a big collapse. Even if the pandemic subsides soon, the supply shortage is likely to remain for the time being. From the experience in the early '80s, tightening money supply would be most effective against inflation; interest rate is just one of the tools to control the money supply. The FRB is currently in the position to control the money supply without raising rates.

Healthy sustainable economic growth without inflation can be attained by improved productivity (shifting the supply curve to right). Despite expected higher long-term interest rates which may discourage business investments, successful implementations of the infrastructure bill should improve general efficiency and productivity. Some of the BBB bill may be inflationary after the pandemic is over; a few of the bill, including tax reforms, are still desirable to improve social efficiency. Breaking it into pieces may be more practical.

Impacts of geopolitical events on the economy are unpredictable. Even if the pandemic can end soon, Ukraine can depress both economy and stock market. The turbulent stock market performance has more psychological than real financial impacts on home buyers. Combined

Facing Uncertainty Turbulence

LA County Extends Tenant Protection

There seems to be confusion after LA County Board of Supervisors voted on January 25th to extend the County's Eviction Moratorium through the end of 2022. Quite a few people even did not know about the County's tenant protection after the State program expired last September, probably because it does not apply to many of landlords in PV and other cities.

It is important to note that the County's program as well as State's intends to protect tenants who cannot pay rent due to COVID-19 financial hardship. Rent freeze applies to rent stabilization units within "unincorporated area" of the County. So it does not apply to the majority of our landlords.

This time, the program is extended for February and March; it continues to May with a few modifications. Then, for June to December, the rules will be eased, for example: An owner can move into the property even if tenant is impacted by COVID-19; evictions for denying entry will resume; however, eviction protections for nuisance, unauthorized occupants or pets shall remain.

The content of the tenant protection program and its extension are quite complex in detail and the above is based on our own reading with our limited expertise of the announcement. It is quite possible that we misunderstand the program, and we cannot guarantee the accuracy. If the program applies to you, it is imperative for you to consult with the County or your legal counsel.

with higher rates, the housing market could slow down in the coming months, not just cooling if the Ukraine invasion happens and the war spills over its border. Then, the FRB's rate hike may not happen. A combination of the pandemic and Ukraine would amplify the uncertainty and volatility all over the world.

Palos Verdes Housing Market

Contrary to our expectation that new listings would increase in the second half of January, the active listings were hovering around 50 as the demand is still going strong. We also expect some sellers might rush to the market due to the rising rates. In fact, new listings suddenly increased in February.

January contracts of single family homes were 51, which is not small but disappointing given the last year's red hot market. However, if more were available, the number might have been higher.

The 30 yr fixed mortgage rate has risen by 0.65% in January. No sign that the higher rate is depressing the demand. With a \$1M loan, the monthly payment would increase by \$365 that can be absorbed by buyers in PV, or not big enough to give up what they want. It is possible that the difference in between jumbo and conforming rates, which is almost zero, can widen, and then many borrower may be impacted without a special relationship with their bank.

A buyer who has underestimated the loan cost may fail to obtain the loan and escrow may have to be cancelled. We are closely monitoring escrow failures.

When an appraised value comes out below the agreed price, the loan amount needs to be reduced. Some buyers may become unable to buy a house. To preempt such a case, many sellers now require "No Appraisal Contingency." This will actually increase negative impacts on buyers with tight money.

It is not easy to envisage an actual price against carefully computed fair market value. So far it has not mattered as final prices tend to go well above list prices. However, a wrong pricing may become fatal with higher rates and uncertainty.

Probate Avoidance Law Extended

Revocable transfer on death (RTOD) deed law is now extended until 2032 which allows a homeowner to transfer to a named beneficiary 1-4 residential unit property upon the owner's death without a probate proceeding. Two witnesses are now required to sign the deed.

The RTOD deed must be signed, dated and acknowledged before a notary public, and must be recorded within 60 days after execution. Under SB 315, the deed is now required to be signed by two witnesses who are both present when the RTODD is signed or acknowledged by the transferor, and requires that the witnesses be competent to provide evidence in an action to contest the validity of the RTODD. If a beneficiary of an RTODD also signs as a witness, the RTODD would be presumed to be the product of fraud or undue influence.

During the owner's life, the deed does not affect his or her ownership rights and, specifically, is considered part of the owner's estate for purpose of Medi-Cal eligibility and reimbursement.

The law may void a RTOD deed if, at the time of the owner's death, the property is titled in joint tenancy or as community property with right of survivorship. SB 315 also allows that property may be sold, revoked or transferred into a trust, among other changes. Then the deed is revoked. A RTOD deed cannot be revoked by will.

Free Notary Service

We offer free notary public service to the readers on our mailing list. Customers who buy or sell their homes with 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



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Need a handyman?

If you are looking for a house cleaner, handyman, painter, plumber, roofer, electrician, gardener, bathtub repairman, rain gutter installer or contractor, we should be able to introduce a quality one. Contact: Catarina

Our free fair market value analysis

If you just remodeled your house, you ought 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 even if you have no plan to sell. No strings attached.

Free weekly market information

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



SELECTED LISTINGS

Please Contact

Rockyfield

A: Active U: Contracted P: Pending S: Sold
Prices in '000s. Source: MLS (as of 02/06/22)