

THINGS TO CONSIDER IF YOU ARE **SELLING** YOUR HOUSE



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EDITION



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IS THE HOUSING MARKET ACTUALLY RECOVERING?

Everyone wants to know if the housing market is truly showing signs of a recovery. There are conflicting headlines every day. One day, we hear sales are up. The next day it is reported that prices are down. Is the real estate market coming back? The answer is 'yes' and 'no'.

There are two aspects that must be evaluated: house sales and house prices. They will not recover at the same time. Sales are already increasing rather nicely while prices will still soften in many markets through 2012.

Home Sales

The *National Association of Realtors* (NAR) issues a **Pending Home Sales Report** each month. Sales have been increasing nicely over the last twelve months. Real estate professionals across the country are reporting that activity has increased compared to last year. The sales side of the recovery is starting to show great promise.

Home Prices

Many price indices have shown that national home prices are continuing to stumble. Even with demand increasing, we must look at where the supply of housing stock stands. Though 'visible' inventory (homes currently on the market) is shrinking, there is still a large overhang of 'shadow' inventory (foreclosures about to come to market as a result of the *National Mortgage Settlement*). This increase in inventory will outpace the increase in demand and thereby cause prices to continue to soften in many parts of the country.

Housing is coming back. However, sales will come back before prices. We will not see prices appreciate until we work through the oversupply of homes on the market.

HOUSE PRICES: WINDOW OF OPPORTUNITY BEGINNING TO CLOSE

There have been conflicting opinions as to where housing prices are headed. According to research, sellers have a window of opportunity that will stay ajar until the third quarter of 2012 in most parts of the country. This will allow them to sell their homes for maximum price, as there will likely be increased downward pressure on home prices in the second half of the year.

Why renewed downward pressure?

Any item's price is determined by *'supply and demand'*. In many parts of the country, existing housing inventory has dropped to historic norms in the last few months. However, an inventory of distressed properties (foreclosures and short sales) will be coming to market this year. This inventory has been delayed for over a year as the Federal and state governments crafted an agreement with the five largest banks and mortgage servicers to establish a roadmap for how a foreclosure must be properly completed. That agreement, the **National Mortgage Settlement**, was reached recently.



What Impact Will the Agreement Have on Foreclosures?

Brandon Moore, Chief Executive of *RealtyTrac*, explains:

“The settlement sets forth clear guidelines for lenders and servicers to follow when foreclosing, which should allow them to push through some of the delayed foreclosures from last year.”

How Many Foreclosures Could We Be Talking About?

Mark Vitner, a senior economist at *Wells Fargo Securities* tells us:

“The settlement helps the housing market in the long run because it allows banks to proceed with millions of foreclosures that have been stalled.”

What will this mean to home prices?

As this inventory comes to market, it will impact prices in two ways:

1. It will bring to market discounted competition for buyers
2. It will impact the appraisal values of all homes in the area

Which States Will Be Impacted the Most?

The states that have the largest backlog of properties currently in the foreclosure process will be the states that will see the greatest price depreciation.

There is a window of opportunity currently which sellers should take advantage of. Waiting until later this year will not guarantee a higher sales price. If anything, in many regions of the country, it probably guarantees the exact opposite.

REO TO RENTAL PROGRAM: ITS IMPACT ON THE MARKET

There has been much talk about the government selling bulk foreclosures which will be converted into rentals. What will this actually mean to the housing market? For the answer to that question, we go directly to the recent Senate testimony of the person making the decisions on this subject: *Edward J. DeMarco*, Acting Director of the **Federal Housing Finance Agency**.

Have Any Foreclosures Been Sold in Bulk?

"Yesterday we announced the first transaction in our REO Initiative pilot program. This transaction includes approximately 2,500 properties, divided into 8 sub pools by geographic area."

Will These Sales Be Limited to Certain Markets?

"The targeted Metropolitan Statistical Areas are likely no surprise to you because they represent hard-hit parts of the country: Las Vegas, Nevada; Phoenix, Arizona; various communities in Florida; Chicago, Illinois; Riverside and Los Angeles, California; and Atlanta, Georgia... Future transactions will also be targeted to these types of markets, where the supply of homes for sale is greater than the demand from homebuyers and where demand for rental housing is strong."



Who Qualifies for These Sales?

“Investors will be able to submit applications to demonstrate their financial capacity, relevant market experience, and specific plans for purchasing pools of 6 foreclosed properties with the requirement to rent the purchased properties for a specified number of years.”

Will Most Foreclosures Be Sold This Way?

*“Our primary goal will continue to be selling properties **first to homebuyers who will use them as their primary residences** or non-profits that include homes in mission-oriented activities. We also want to enhance the opportunity for smaller-scale investors to bid on properties, and obtain financing, should initial efforts to market the properties to owner-occupants fail.”*

Will the Bulk Sales Program Lessen the Pressure on Home Prices?

“The number of properties available for sale by Fannie Mae and Freddie Mac represents only a fraction of the total supply that is depressing home values in certain affected markets.”

Any plan that reduces the number of foreclosures will help home prices. However, this plan is estimated to impact less than three percent of all troubled inventory. That number will not have a dramatic impact on the housing market.

REAL ESTATE COMMISSIONS: YOU GET WHAT YOU PAY FOR

Does it make sense to pay a full commission to your real estate agent in today's market? Sellers and even agents are debating what should be charged to assist a consumer in completing a real estate transaction. Forget what the actual amount of the commission is. The bigger question is whether you should pay a 'full fee*' when hiring a real estate expert to guide you through the complexities of today's rapidly changing housing environment.

If a full fee was the rule in 2006 when completing a deal was so much simpler, why would you now consider cutting the fee of your agent in today's tumultuous market? You are depending on this person to help you reach your goals in the sale of your home. In 2006, buyers were willing to pay almost anything to a seller just to get into a home. Banking entities seemed to be willing to mortgage any property for any buyer. The process was rather simple.

Today, a person looking to sell should be willing to pay a full fee for two reasons:

You need an expert guide if you are traveling a dangerous path.

The field of real estate is loaded with land mines. You need a true expert to guide you through the dangerous pitfalls that currently exist. Finding a buyer willing to pay fair market value for your home at a time that there are mass inventories of foreclosures and short sales will take a true real estate professional. Finding reasonable financing can also be tricky in today's lending environment.

Experts in any profession do not discount their fees; especially when the job is becoming much more difficult.

You need a skilled negotiator.

In today's market, hiring a talented negotiator could save you thousands, perhaps tens of thousands of dollars. Each step of the way – from the original offer, to the possible re-negotiation of that offer after a home inspection, to the possible cancellation of the deal based on a troubled appraisal – you need someone who can keep the deal together until it closes.



When an agent is negotiating their commission with you, they are negotiating their own salary – *the salary that keeps a roof over their family’s head; the salary that puts food on their family’s table*. If they are quick to take less when negotiating for *themselves and their families*, what makes you think they will not act the same way when negotiating for *you and your family*? If they were Clark Kent when negotiating with you, they will not turn into Superman when negotiating with the buyer in your deal.

Bottom Line

We believe that famous sayings become famous because they are true. You get what you pay for. Just like a good accountant or a good attorney, a good agent will save you money...not cost you money.

**Different brokerages are going to charge different fees. By full fee, we mean the fee that the agent originally suggested, whatever that fee might be. Each agent had a value proposition that they felt comfortable offering at their stated commission. This article addresses an agent who sets a price for his/her value proposition and then negotiates to a lesser fee for the same work.*

The amount of the commission plays no part in our discussion.



IS IT THE PRICE OF YOUR HOME OR THE PRICE OF YOUR HAPPINESS?

Recently, there was a presentation to a group of homeowners where they were told that home values in their area were about to be negatively impacted by a surge of distressed properties entering their region over the next year. The homeowners were very receptive; and many felt that they now had the information they needed to make a good decision with regard to pricing their home to sell in this market.

After the class that night, several of the homeowners privately discussed their personal situations. One of these owners said something that you should never forget. He shared the revelation he had that night.

This particular homeowner had put his home on the market with plans to move to Florida, where his daughter and infant grandson live. He missed his daughter very much and missed his grandson even more. Every passing day was hard because as he said, he was unable to *“hold the baby in my arms and rock him to sleep”*. That night at the seminar, he was thankful for reminding him of the reason he put his home on the market in the first place – he needed to rejoin his family. The wisdom of his final words before he turned to walk away should never be forgotten:

“I thought I was putting a price on my home. While I hold out – hoping to get a few more dollars, I am actually putting a value on my happiness.”

He adjusted his asking price that night and sold it three days later. Now he is able to rock his grandson to sleep in his arms every night, both of them happy and content.

HOW THE SERENITY PRAYER APPLIES TO SELLING A HOME

You may believe that selling your home is impossible in today's market. You may feel powerless to the process. What could YOU possibly do to turn this housing market around? There is no doubt that today's real estate market is extremely difficult to navigate. However, we want you to know that *thousands of homes sold yesterday, thousands will sell today and thousands will sell each and every day from now until the end of the year.*

It is totally within your power to guarantee that your house will sell even in the current market.

"How?" Let's look at the simplicity of the famous *Serenity Prayer* and apply it to selling a home in today's real estate market.

"God, grant me the serenity to accept the things I cannot change; courage to change the things I can; and wisdom to know the difference."

Accept the things you cannot change.

The two main reasons that the housing prices have softened:

1. The Current Economy
2. The Inventory of Distressed Properties (Foreclosures and Short Sales)

As an individual homeowner, there is no way for you to impact either of those two situations. The best think-tanks in the country are struggling to discover solutions.



Have the courage to change the things you can.

There is not a vacuum of buyers in the market. There is a vacuum of homes a buyer in today's market will purchase. Let us explain: could you sell your home today for \$1? ... \$1,000 ... \$10,000? Of course you could. There are plenty of buyers in the market for a home they consider priced correctly. You have to decide what the correct price is for your home if you truly want to sell. If you want your house sold, you must list it at a price a buyer will pay for it. Not a buyer from 2006, but today's buyer who has plenty of homes from which to choose.

It will take courage to sit with a real estate professional and honestly decipher the true value of your home. If you want to sell, you must have that courage.

The wisdom to know the difference.

We all realize that the economic situation will take some time to correct. If we want to wait for prices to return to 2006 levels, we will probably have to wait for 5-7 years.

Look at the reason you decided to sell in the first place and decide whether the extra money you would get from the sale is worth that wait. Is money more important than being with family? Is money more important than your health? Is money more important than having the freedom to go on with your life the way you think you should?

This is where your wisdom must kick in. You already know the answers to the questions we just asked. You have the power to take back control of the situation by pricing your home to guarantee it sells. The time has come for you and your family to move on and start living the life you desire.

That is what is truly important.