

2011—Mid-Year Review



Positive Indicators in the Housing Market

Overall May was a turn-around month considering home sales fell substantially in April. The good news is: activity is up and falling prices are slowing, even *rising* in some areas.

According to National Association of Realtors - pending home sales rose strongly in May in all regions and all regions experienced gains from a year ago. Higher housing activity is expected for the 2nd half of this year.

The Pending Home Sales Index rose 8% in May 2011 and the reading is 14% higher than May 2010. The NWMLS reported a 43% increase in pending sales in May 2011 compared to May 2010 and that is without the tax credit. Regionally, The PHSI rose: 7% in the Northeast, 10% in the Midwest, 4% in the South and 13% in the West.

There is a definite shift in the market especially in the areas closer to Seattle and Bellevue. Well-priced homes are selling fast and we are seeing multiple offers again. The basic market forces of low supply and high demand is beginning to shift buyer or seller attitudes in many neighborhoods. Good news for sellers for sure but should be sending a warning to buyers sitting on the fence.

The increase in sales bodes well for home *prices* according to Lawrence Yun who is the NAR chief economist. "Absorption of inventory is the key to price improvement and this solid gain in contract signings implies that home values in many localities are or will soon be stabilizing as inventories get absorbed at a faster pace."

Home prices rose in 13 of the 20 cities tracked by the Standard and Poor's/Case Shiller home price index. The largest increases are in Washington DC, followed by San Francisco, Atlanta and **Seattle** according to a report released in April which is the latest data available.

Clear Capital is a provider of data for the real estate and financial industries. Their report released June 9, 2011 shows declining home prices is slowing and there are signs of market stability as summer approaches. National quarterly home price declines were reduced by half from 2.5% this month compared to 5% change posted in last month's report. The Clear Capital report says that 7 of the top 15 markets posted quarter over quarter *price* gains compared to zero gain in last month's report.

The encouraging news is there is momentum building without government support as we have had in the past. Last year we had heavy spring activity due to the homebuyer tax credit, when that expired sales dropped.



Cathy Staup is your key to home buying in the Pacific Northwest.
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Is Buying Better than Renting?

Buying may be better than renting for the first time in years. The Wall Street Journal, Forbes magazine, National Public Radio and CBS Money watch have all run articles in the last couple of months saying the same thing – buying a home now makes sense.

Researchers analyzed data for 23 different metropolitan statistical areas and came to the conclusion “Buying may be better than renting and Seattle is the place to buy.” The study used an 8 year holding period and factored in costs associated with homeownership, tax benefits and overall home price appreciation. The net result is that home price gains would need to average only 3.25% annually to beat renting. The reasons 1) rents are expected to rise 7% in each of the next two years and 2) home prices have dropped enough - about 32% from the peak in 2006 to create a buying opportunity.

CNN Money compared 10 metro areas and determined it makes sense to buy in half of them: Seattle, Cincinnati, Chicago, Milwaukee and Pittsburgh. Renting is better in Boston, Dallas, Honolulu, Houston and New York.

There are a number of new programs and laws now in effect to help homeowners..

In Washington State the Governor just signed into law - House Bill 1362, a foreclosure-mediation bill that goes into effect July 22nd. It's called the **Foreclosure Fairness Act of 2011**. The bill will give homeowners that have fallen behind on their mortgage payments more opportunities to reach agreements with their lenders and keep Washington State residents in their homes. The new law also benefits homeowners already in the foreclosure process. Foreclosure mediation programs have been shown to be extremely effective in allowing families to save their homes. .

In June, HUD launched the **Emergency Homeowners' Loan Program** for the unemployed, under employed or with medical conditions that will provide borrowers interest free loans up to \$50,000. to cover their mortgage payments.

Also June, the FHA and the Treasury Dept. released the **FHA Special Forbearance Program** for unemployed homeowners. It requires mortgage servicers to extend the forbearance period from 4 months to 1 full year.

In addition to the original HAMP program, **Home Affordable Modification Program** which by itself was not very affective, the Treasury Dept. introduced the HFAFA program – **Home Affordable Foreclosure Alternatives Program**.



There are more programs out there designed to let homeowners keep their homes.

There have been recent updates to the program that should increase the number of eligible homeowners and expedite short sale approvals. HAFA is for borrowers who are HAMP eligible and have chosen not to keep their homes but to transition into more affordable housing and may be eligible for a short sale or deed-in-lieu of foreclosure through HAFA. The benefit of a HAFA short sale is the borrower is not responsible for the deficit and receives \$3,000 in relocation assistance upon successful closing. The program is in effect until 12/31/2012.

Also in effect until 12/31/2012 is the **FHA Short Re-Finance Program**. This benefits borrowers who are current on their mortgages but owe more than the home is worth. It is intended to help homeowners refinance into more affordable FHA insured mortgages to no more than 97.75% of their first mortgage or its current value.

The good news is FHA, HUD, the Treasury Dept., the Obama Administration and the Governor recognize and are disappointed servicers are not going to help homeowners on their own. With the exception of HAFA and HAMP these are new programs.

Cathy Staup is an experienced Broker in Washington State, a member of the Northwest Multiple Listing Service and a prestigious member of the President's Club. Experienced in all phases of sales and marketing single family, multi-family, condominium properties, manufactured homes, improved and unimproved land, new construction and

She is an approved instructor for the Washington State Housing Finance Commission which provides home buyer education services and down payment assistance for first time home buyers. Through teaching WSHFC classes she has gained a unique understanding of the challenges either first or third time home buyers face and is dedicated to making the experience as stress-free as possible. Cathy believes in the importance of informed and educated buyers or sellers.

Sellers have benefited from Cathy's marketing experience since 2002. Having lived in the greater Seattle area her entire life Cathy has lived in many neighborhoods and understands the local real estate market very well. This differentiates her from a lot of agents in the Northwest Multiple Listing Service. Cathy offers her experience, skills, motivation, attention to detail, follow through track record, and ability to provide the most service with the least amount of hassle for her clients.