Market Realities!
Are You Ready for 2013?

What's Out? "National Housing Policy" – What's In? "Localized" Housing Policy"
There are plenty of national housing issues to deal with, such as the new mortgage rules and the future of housing giants Fannie Mae, Freddie Mac, and the Federal Housing Administration (FHA). But many critical housing issues are local and therefore only fixable by city or state governments. Foreclosures are no longer a national problem: the foreclosure inventory is concentrated in states with a slower, "judicial" foreclosure process–like Florida, Illinois, New Jersey, and New York–where some are calling for state-level foreclosure reform. Affordability isn't a national problem either, but it's a severe local challenge in San Francisco, New York, and other big, coastal cities, often aggravated by rules that limit new housing construction. Even some national policies, like Fannie Mae's and Freddie Mac's guarantee fees and conforming loan limits, are "localized": they vary geographically to reflect differences in state legal processes or housing prices. It's a sign of recovery and return to normalcy that the national housing crisis is becoming a range of diverse, localized housing challenges. Why it matters: housing policy will be more tailored to local issues, and less constrained by political gridlock in Washington–so long as cities and states rise to the challenge.

The following information will include housing, mortgage, rules and regulations, some new programs and industry changes that will affect your business model this year.

Employment
The good news on hiring is that job growth will hold steady this year. Despite the modest decline in job growth in December an increase of 155,000 net new jobs vs. a gain of 161,000 in November there's little reason to expect continued weakening as 2013 unwinds.

Moreover, growth in housing, exports and even business spending are all positives for jobs. Job growth will average about 166,000 a month this year, putting the annual total at around 2 million, slightly better than the 2012 gain of 1.84 million. Similarly, we expect the unemployment rate, which ended 2012 at the 7.8% mark, to improve modestly over 2013, drifting a bit lower, to around 7.5%, by the end of this year.

Interest Rates
The Federal Reserve indicating it will stand pat on its near-zero federal funds rate, look for the prime lending rate to remain at 3.25%, the three-month Treasury bill rate around 0.1%, and one-year bank CDs about 1%.

There is likely to be some increase in long-term rates, though not a lot, as the economy posts more growth in the second half of 2013. With GDP likely to increase only around 2% for the year, a surge isn't likely. My opinion: The 10-year Treasury note will reach about 2.25% from its current yield of 1.9% and the 30-year fixed rate mortgage will likely push from 3.4% to 3.7%.

Housing
More than half of 350 major metro areas are seeing price increases already. National measures look at different elements in forecasting prices, but all agree that 2013 will see a gain, anywhere from 2% to 5%. Some areas hit hardest during the bust a few years ago are staging impressive comebacks, such as Phoenix and Miami.

Historically low mortgage rates will help. A 30-year conventional fixed rate mortgage typically cost borrowers 3.37% in December, down from about 4% a year ago.

The real estate industry anticipates sales of about 4.9 million existing homes this year, up from this year's 4.6 million pace. With sales brisk, the overhang of unsold homes continues to fall to a 4.8 months as of November compared with 5.3 for October and 5.9 in September. The drop, however, is uneven across the country. In hard-hit areas in the Northeast, such as New York and New Jersey, the market remains glutted.

As inventory continues to dwindle and builder confidence rises, housing starts will climb, reaching 950,000 or so in 2013. About one-third of sales of existing homes are to first-time buyers. And about a fourth of sales are all cash.

Homeownership and Renting

We're seeing a lot of new companies popping up to meet the needs of the real estate and mortgage industry as it comes through the crisis. What does 2013 have in store for our industry? The news may be better than you anticipate.

The following areas represent bright spots that will continue to make real estate one of the soundest investments that anyone can make.

Currently, REO entering the market has slowed to about 55,000 a month, compared to 70,000 a year ago, according to CoreLogic. And the REO that “dribbles out” gets effectively absorbed quickly. In addition, there are also 36,000 to 38,000 short sales a month, according to the Hope Now servicer alliance.

The Mortgage Bankers Association expects purchase loan originations to grow by 16 percent next year, to $585 billion from an estimated $503 billion in 2012. Growth in new-home sales, modest home price increases, and more financed owner-occupied sales rather than cash investor sales will drive 2013 purchase originations.

Fannie Mae economists in their latest forecast predict sales of new and existing homes will climb by 4.2 percent next year, to 5.19 million homes, with even more dramatic 11 percent growth in purchase loan originations, to $567 billion. That growth would come on top of projected 9 percent growth in 2013 home sales.

Economists at Freddie Mac expect sales of new and existing homes to climb 7.2 percent to 5.35 million, and to build on that momentum in 2014 with an additional 8.4 percent increase to 5.8 million sales.

There were a relatively modest 2.03 million homes on the market at the end of November, according to the National Association of Realtors, which equates to a 4.8-month supply based on current sales rates. That's the lowest supply level since the boom days of 2005.

Home Prices Trends Vary Widely at Local Level
A recent report by Trulia showed that real estate asking prices rose in 82 of the 100 largest U.S. metro areas in 2012. In 2011, asking prices rose in only 12 out of 100 metros. Home prices are expected to continue rising in 2013, though local markets will vary a great deal. Some U.S. cities will likely see double-digit growth in 2013, while others will experience only modest gains. Since the housing crisis began, we have seen increased regionalization of home prices. Local housing markets move to the pulse of their own economies, with less influence from national trends. Other resources to track home prices are Zillow and your local newspapers.

Mortgage Insurance
November is the fifth consecutive month where the members of the Mortgage Insurance Cos. of America did over $10 billion of new insurance written, at $10.4 billion. This compares to $11.4 billion in October and $5.6 billion in November 2011.

This includes HARP refinances. The three MICA members—MGIC, Radian and Genworth—ended the month with $400.5 billion of primary insurance-in-force. This makes six months of growth in this category.

New Construction
Spending on private residential construction activity ticked 0.4% higher on a month-to-month basis during November 2012. Spending has climbed more than 29% above its nominal level of a year ago and stands 57% higher compared to the trough in mid-2009.

The National Association of Home Builders and Wells Fargo Housing Market Index measure of single-family builder confidence rose for the eighth straight month to a level of 47 in November, the highest level since April 2006.

The pickup in new-home sales will accelerate about 450,000 new homes sold in 2013, compared with 365,000 in 2012.

Shadowed Inventory

The current stock of foreclosed and real estate owned properties deemed to be shadow inventory but not yet ready to sell on the open market. Shadowed inventory as of October 2012 fell on an annual basis to 2.3 million units, down 12.3 percent from a year ago but still representing a seven-month supply of homes according to CoreLogic. The dollar volume of shadow inventory also fell to $376 billion, down from $399 billion a year ago.

Out of the 2.3 million properties currently in the shadow inventory, 1.04 million units were seriously delinquent and not yet foreclosed upon, approximately a 3.3 month supply. Additional, 903,000 are in some stage of foreclosure which is a 2.8 month supply and 354,000 are already in REO, representing a 1.1 month supply.

Reported by CoreLogic Calif. - based analytic firm said the latest shadow inventory figures declined the most in Arizona, California, Michigan and Wyoming. Meanwhile, Florida, California, Illinois, New York and New Jersey made up 45% of the properties. Furthermore the pending supply of shadow inventory is manageable.

REO-to-Rental

The changing dynamics of today's housing market could create 1.7 million new renters between now and 2015. The single family rental market has grown 16% since 2007, suggesting rental is popular across all housing product types.

Analysts at Barclays Capital said the housing bust that began in 2007 highlights the depth of the oversupply of single-family homes. They project 4 million in distressed liquidations over the next three years and 6.4 million over the next five years.

At an average 30 plus percent below their peak, buying a home is a bargain in just about any area of the country. In fact, in many cities, it's even more affordable to buy, taxes and all included then to rent.

Last year some of the best investors on the street have been laying down big bucks on housing inventory creating a single family rental market.

Based on my research, there are roughly 600,000 REO homes not yet sold, another 1.5 million homes in some state of foreclosure and 3.5 million homeowners who are seriously delinquent on their loan but not yet in foreclosure. Even if half a million of these homeowners were successfully modified, almost 2 million units would need to be absorbed by liquidation, short sales or other means. As the rate of homeownership declines and credit remains tight, there is a great need for more rental properties.

So, what does this mean to you? As a real estate professional, you can transfer your skills into rental and property management. There are some gaps, and I will fill you in on January 30th webinar "The Government's New REO-Rental Program. Stay tuned.

Who are the major players in Single family rental market?

Colony Financial	**TCW Group**
Two Harbors Investment	**Waypoint Homes**
Beazer Homes	**Slyvan Road Capital**
Colony American Homes	**Alaska Permanent Fund - American Homes 4 Rent**
Kohlberg Davis Roberts	**Altisource**
Blackstone Group	**HomeUnion Services**
Och-Ziff Capital	**Lennar**
Oaktree Capital	**Fannie Mae**
GTIS Partners	

Industry trends point to the continued growing popularity of rentals instead of homeownership.

FYI… FHA will not initiate an REO-to-rental program similar to Fannie Mae instead they will sell the notes to investors.

Year End Reports Reveal Market Coming Back
Every year-end housing report revealed that the real estate market is recovering quite nicely. Here is a quick synopsis of each:

Existing Home Sales Report

- Total existing-home sales rose 5.9 percent in November over last month
- Sales are 14.5 percent higher than November 2011

- Sales are at the highest level since November 2009
- The national median existing-home price was $180,600 in November, up 10.1 percent from
- November 2011
- Total housing inventory at the end of November fell to a 4.8-month supply; it was 5.3 months in October, and is the lowest housing supply since September of 2005 when it was 4.6 months

Pending Sales Report

- Pending home sales increased in November for the third straight month and reached the highest level in two-and-a-half years
- The index is at the highest level since April 2010 when buyers were rushing to beat the deadline for the home buyer tax credit
- With the exception of several months affected by tax stimulus, the last time there was a higher reading was in February 2007
- On a year-over-year basis, pending home sales have risen for 19 consecutive months

New Home Sales Report

- Sales of new homes rose 4.4% in November to a two-and-a-half-year high
- This is the highest level since April 2010, when a temporary tax credit boosted demand.
- Sales are now 15.3% higher compared to one year ago

Case Shiller Home Price Index

- Home prices rose 4.3% in the 12 months ending in October
- In nineteen of the 20 cities covered, annual returns in October were higher than September

Loan Delinquency
November's cure/default ratio was 84.3%, with 19,801 new cures and 23,485 new notices of default reported. For October, the ratio was 81.1% while in November 2011 it was 89.3%.

If consumer confidence is the top reason why the housing market has been so slow to recover, then banks reluctance to lend ranks a close second. So, let's shift our focus to the mortgage industry.

Mortgage Arena

Consumer Finance Protection Bureau (CPFB)
CPFB will issue new regulatory changes that will boil down to a certain fundamental assumptions which, in and of itself is not reasonable by provides transparency. Going forward credit unions, banks, credit card and mortgage companies, etc. will have to provide all the paper work, disclosures, data, all of the time, to all in all the processes.

Mortgage Bankers Association forecast the industry will originate $1.3 trillion in residential mortgages during 2013, largely driven by a spillover of refinances into the first half of the year. Furthermore, the MBA expects to see purchase originations climb to $585 billion in 2013, up from a revised estimate of $503 billion for 2012.

New Mortgage Rules - Qualified Mortgage Rule (QM)
The regulations aim to protect consumers from mortgages they cannot afford by requiring lenders to take steps such as verifying income and assets. In return, lenders gain some protection from lawsuits if loans were issued at prime interest rates to borrowers whose total debt-to-income ratio doesn't exceed 43 percent.

While the final rules are expected to be announced Thursday, it's expected that implementation could be delayed for up to one year. In addition the CFPB must also finalize other mortgage regulations this month. There's a January 21st deadline to finalize rules on mortgage servicing, compensation for loan originators, and appraisals for high-risk mortgages, among other areas.

Qualified Mortgage Rules at Glance

- It comes from the Dodd-Frank Act
- It is meant to reduce risky mortgage loans.

- It will become the 'gold standard' for mortgage loans.

- It focuses on the borrower's ability to repay.
- The loan must meet pre-established guidelines for debt-to-income ratio.
- It will limit the use of balloon loans and interest-only mortgages.
- It has led to rumors of a 20% down-payment requirement.
- It will likely protect mortgage lenders from consumer lawsuits.
- The total points and fees charged by the mortgage originator cannot exceed 3% of the loan amount.
- In general, the loan's payback period or term cannot exceed 30 years.
- In the case of a fixed-rate mortgage, the loan must fully amortize during its scheduled term.
- Adjustable-rate mortgage (ARM), where the underwriting "is based on the maximum rate permitted under the loan during the first 5 years," the loan must fully amortize during its term.
- It's not the same as a qualified residential mortgage.

Risk Retention/Qualified Residential Mortgage (QRM)
In an attempt to improve underwriting and align interests, Dodd-Frank requires securitizers and/or originators to retain at least five percent of the credit risk of loans packaged and sold as mortgage-backed securities. To avoid imposing significant costs on responsible, creditworthy borrowers, Congress created an exemption for Qualified Residential Mortgages ("QRMs"). QRMs are intended to be comprised of mortgages with product features and sound underwriting standards that historically have been proven to reduce default risk.

The proposed QRM criteria generally would exclude residential mortgages with features such as negative amortization, interest-only payments, or significant interest rate increases.

The proposed risk retention rule also would establish underwriting standards, for example, a maximum front-end debt-to-income ratio of 28 percent, a maximum back-end debt-to-income ratio of 36 percent, a maximum loan-to-value ratio of 80 percent for home purchases, a 20 percent down payment requirement for home purchases, and credit history restrictions.

Another is the "ability-to-repay" rule, which would require lenders to make a reasonable and good-faith assessment of a borrower's ability to repay a mortgage. If a mortgage isn't labeled a QRM, then the lender must retain five percent of the loan risk. The QRM rule has good intentions. It wants to incentivize lenders to stay away from risky loans.

RESPA (Real Estate Settlement Procedures Act) -TILA (Truth-In-Lending Act) Disclosure Integration
The integration of TILA-RESPA disclosures, the Dodd-Frank Act also establishes additional new mortgage disclosure requirements, which would automatically take effect on Jan. 21, 2013.

The proposing disclosures are easier for both consumers and lenders to understand. These new requirements include disclosures on cancellation of escrow accounts, on a consumers' liability for debt payment after foreclosure, and on the creditor's policy for accepting partial payment. The Loan Estimate is three pages and the Closing Disclosure is two pages. The new disclosures would not apply to home-equity lines of credit, reverse mortgages, mortgages secured by a mobile home or by a dwelling that is not attached to real property, or loans made by a creditor who makes five or fewer mortgages in a year.

To review the forms visit:

- http://files.consumerfinance.gov/f/201207_cfpb_sample-loan-estimate_ARM.pdf
- http://files.consumerfinance.gov/f/201207_cfpb_sample-closing-disclosure_separate-to-seller.pdf

Mortgaging the Future

Surging Defaults Overwhelm FHA "Insurance Fund"
In its annual report to Congress, the Department of Housing And Urban Development (HUD) reported that the FHA Mutual Mortgage Insurance Fund (MMI) fell to a negative balance in 2012. The FHA's reserves are currently negative $16.3 billion -- a capital ratio of -1.44%.

Across the entire fiscal year, FHA insured 1,239,874 single family mortgages for $226.5 billion. This included 733,959 purchase mortgages for $124.5 billion, 451,095 refinances for $88.9 billion, and 54,820 reverse mortgages for $13.2 billion. At the end of the fiscal year, FHA had 7,710,746 active mortgages insured, with an amortized (outstanding) balance of $1,083.3 billion.

September 2012 - More than 730,000 HUD insured loans are seriously delinquent. That equates to more than 9.6% delinquency rate of the estimated 7.6 million insured HUD loans on the books.

FHA Lending will be Different and More Costly in 2013
FHA has identified loans made prior to 2010 as a "prime source" of stress to the Mutual Mortgage Insurance fund, with potential claims of up to $70 billion possible. It also notes the high-performance of loans made since 2010, and the subsequent high profitability of said loans.

However, to improve the MMI fund and bring its capital reserve ratio above zero, HUD used its annual report to Congress to announce a handful of FHA policy changes.

The first set of changes addresses delinquent loans and the processes through which the FHA disposes of foreclosed homes. A few of the announced changes include:

- The FHA will sell at least 10,000 distressed loans per quarter via the Distressed Asset Stabilization Program
- The FHA will expand its use of short sales as a means to assist delinquent borrowers
- The FHA will streamline foreclosure sales processes to reduce costs and losses
- And then, there is a second set of changes which will impact FHA mortgage applicants today, and in the future.

Second, the FHA is increasing its annual mortgage insurance premiums by 0.1 percentage point per year. Currently, FHA-insured homeowners using 30-year fixed rate mortgages pay between 1.2 and 1.5% annually.

Thirdly, the FHA is changing its FHA MIP cancellation terms.

Under its new rules, the FHA is expected to change its "minimum MIP duration", requiring that FHA mortgage insurance to be paid so long as the loan is in effect.

New Rules: FHA Credit Scores and DTI Requirements in 2013
These days, FHA loans are one of the most popular financing tools for home buyers. They are especially popular among first-time home buyers. But FHA mortgages may be harder to come by in 2013, as the result of some new rules for credit scores and debt ratios. Here's what you need to know:

- Credit scores are one of the most important requirements for FHA loans, and mortgages in general
- FHA … will require borrowers with scores below 620 to have a maximum debt-to-income ratio no greater than 43 percent in order for their loan applications to be approved through FHA's TOTAL Scorecard … If a borrower's DTI exceeds 43 percent, lenders will be required to manually underwrite the loan.
- Going forward, borrowers with credit scores below 620 will receive additional human scrutiny during the underwriting process. The underwriter must find and document some kind of compensating factor, such as a large down payment, in order to approve the borrower.

Reverse Mortgage Changes
An independent audit of the FHA's mortgage insurance fund showed a $2.8 billion in net worth of the HECM fund. The FHA insures reverse mortgages through its Home Equity Conversion Mortgage (HECM) program. There are several different products available: The "standard" reverse mortgage, the HECM Saver and the HECM for Purchase.

According to a spokesman for the U.S. Department of Housing and Urban Development, lenders will stop providing huge lump sums that equal all or most of the equity in a borrower's home. Instead, new guidelines about to be released will require borrowers to set aside a portion of the home equity funds to ensure they'll have enough to pay annual property taxes and home insurance premiums in the future. The reforms are overdue. While no changes have been decided upon yet, the potential changes being talked about by FHA could make the reverse mortgage product more restrictive. FHA will issue guidance by January 31, 2013 to implement these changes.

Distressed Asset Stabilization Program
HUD has sold a portion of delinquent loans to reduce exposure but at a rate of 10,000 loans at a time and the federal agency plans to sell at least 40,000 more seriously delinquent mortgages (90 day or more past due) by the end of this year. Investors in national pools must wait at least six months before resuming the foreclosure process.

Banks
In the third quarter, U.S. banks earned a collective $37.6 billion, according to the Federal Deposit Insurance Corporation. That's up 7% from a year ago. The FDIC's list of so-called problem banks shrunk to 694.

In all, banks made $5.6 billion off loan sales, up 227% from a year ago. That's the most banks have made off that business in any three month period since the FDIC began tracking that number more than a decade ago.

Fannie Mae
Fannie Mae reported that the Single-Family Serious Delinquency rate declined in November to 3.30% from 3.35% October. The serious delinquency rate is down from 4.00% in November last year, and this is the lowest level since March 2009.

Fannie Mae reported $99.2 billion in new business acquisitions during the month, the highest level of new business since June 2009, when the company saw $109.6 billion acquisitions.

In total, the GSE/s book was worth about $3.2 trillion at the end of November, about $10.4 billion more than a month ago. Fannie Mae completed 13,106 loan modifications throughout the month bring the year-to-date to 151,316 as of November 30th.

Fannie Mae has amended its guidelines on how mortgage lenders verify large deposits to borrowers' bank deposits. The new rule now requires borrowers to provide documentation for the source of bank deposits larger than 25 percent of their total monthly income. Previously, lenders required borrowers to source deposits of any amount. The change is small; however it could speed up the mortgage loan processing by 10 percent.

Fannie Mae is telling new seller/servicers including community banks and non-depositories alike that it will cap how much product they can sell to the GSE based on their net worth and other factors.

Presently, for legacy seller/servicers that minimum is roughly $2.5 million, but the fear is that over time that threshold will be ratcheted up to $5 million all in the name of the risk management.

Freddie Mac
Freddie Mac reported that the Single-Family serious delinquency rate declined in November to 3.25% from 3.31%, in October. Freddie's rate is down from 3.57% in November 2011, and this is the lowest level since August 2009.

In the third quarter alone, Freddie provided $1.6 trillion in funding to the mortgage market, which financed 1.4 million home purchases, 5.6 million refinancings, and 1.1 million units of multifamily rental housing. Freddie Mac reported a monster third quarter in its latest financial report, with a net income of $2.9 billion.

VA – Veterans Administration
On October 26th, 2012 the Department of Veterans Affairs (VA) announced it had guaranteed 20 million home loans since it home loan program was established in 1944 as part of the original GI Bill of Rights for returning World War II veterans. Currently there are 1.7 million VA guaranteed home loans in existence with a total value of $284 billion. The number of military veterans in the United States in 2011 is about 21.5 million.

Repurchase Loans
Regulators including FHFA and the Federal Reserve have said that banks are shutting out otherwise eligible borrowers and demanding higher credit scores than necessary because they are afraid Fannie Mae and Freddie Mac will force them to repurchase loans if they become delinquent.

Under the new rules, the companies won't force lenders to repurchase defaulted loans if borrowers have made 36 months of consecutive on-time payments. Banks will be protected from buyback requests after only 12 months of payments for certain types of loans, such as those originated under the federal government's Home Affordable Refinance Program.

Where are mortgage rates headed?
Rates on 30-year fixed-rate loans now stand at about 3.5 percent for so-called "conforming" loans of $417,500 or less. Economists predict they'll rise to 3.9 percent in the first quarter of 2013, and hit 4.4 percent by the end of the year as the economy slowly picks up steam.

Some major issues impacting the mortgage industry this year carried over from last year, most notably the uncertainty regarding the definitions of qualified mortgage (QM)(and qualified residential mortgage (QRM) and the continued absences of a vibrant non-agency secondary market.

Changes in Mortgage Servicing
A significant element of the government's historic settlement with big banks over foreclosure abuses takes effect Tuesday, October 2nd when firms face a deadline for carrying out more than 300 changes in the way they service mortgages and treat struggling homeowners.

The standards forbid the pervasive practice of "robo-signing" essentially filing forged and shoddy legal paperwork to speed the foreclosure process that caused national outrage in late 2010.

In addition, mortgage servicers no longer can foreclose on a borrower while simultaneously negotiating a loan modification, a practice known as "dual tracking." They must provide customers with a single point of contact, rather than shuffling them around between different employees with each call. And they must treat foreclosure as a last resort, only after considering a range of other options to keep borrowers in their homes.

HAMP – Home affordable Modification Program
More than 1 million loan modifications have been attempted since the housing meltdown, which offered homeowners billions in total payment reduction. Yet, modification re-default rates have been excessive; some populations exceeded a 60% re-default rate within the first year.

HARP Home Affordable Refinance Program
HARP was started in April 2009. The government calls it HARP, as in Home Affordable Refinance Program.

The HARP 2 Refinance program is available to U.S. homeowners as of March 17, 2012. In order to be eligible for the HARP refinance program :

- Your loan must be backed by Fannie Mae or Freddie Mac.
- Your current mortgage must have a securitization date prior to June 1, 2009

If you meet these two criteria, you may be HARP-eligible. If your mortgage is an FHA, USDA or a jumbo mortgage, you are not HARP-eligible. Underwater FHA mortgages can be refinanced via the FHA Streamline

Refinance program. Underwater VA mortgages can be refinanced via the VA IRRRL mortgage program (VA Streamline Refinance).

What is HARP 3?
HARP 3 is the extension of HARP 2. It's currently in talks and picking up momentum in Congress.

HARP 3 is rumored to include all of the loan types and borrowers who are specifically excluded from HARP 2. It would target homeowners whose mortgages are specifically not backed by Fannie Mae or Freddie Mac. There are literally millions of U.S. homeowners who would meet HARP 3.0 eligibility standards, opening today's low mortgage rates to all of them. It is worth your time to keep your ear to the national news stations and NAR.

Mortgage Forgiveness Debt Relief Act 2007
The Mortgage Forgiveness Debt Relief Act is being extended through 2013. The maximum amount that can be treated as qualified principal mortgage debt under the act is $2 million, or $1 million if married filing separately. Second mortgages are eligible if they were used for home improvements.

Other real estate-related provisions in the bill:

- Deduction for mortgage insurance premiums for filers making less than $110,000 is extended through 2013 and made retroactive to cover 2012.
- Fifteen-year straight-line cost recovery for qualified leasehold improvements on commercial properties is extended through 2013 and made retroactive to cover 2012.
- The 10 percent tax credit (up to $500) for homeowners for energy improvements to existing homes is extended through 2013 and made retroactive to cover 2012.

Short Sales
Beginning November 1, Fannie Mae and Freddie Mac gave nine private mortgage insurers the ability to approve short sales and deeds in lieu of foreclosure for distressed home owners without requiring a separate review. The move is expected to reduce delays, costs, and uncertainty involved in processing short sales and deed in lieu, according to mortgage giant Freddie Mac.

Fannie Mae and Freddie Mac Streamlined Short Sale Guidelines The new guidelines that became effective on November 1, 2012 should improve short sale processing times for Fannie Mae and Freddie Mac short sales.

Conclusion
Some have said 2013 will bring more of the same. I would go further to say the housing market will be even stronger in 2013. Here are five reasons why.

1. Foreclosure starts recently fell to a 6-year low in November
2. Home prices are rising, and will likely continue in 2013.
3. The job market is improving, slowly but surely.
4. Mortgage rates will remain historically low.
5. Servicing rights are being sold to non-bank mortgage servicers

Improved transparency
Starting in 2012 but continuing this year will be improved information for consumers. Last year, the Department of Education and the Consumer Financial Protection Bureau pushed colleges to provide better information on what students and their families will pay.

The watchdog agency also opened a student loan complaint system and one to handle individual complaints about credit bureaus. For information on any of these issues, go to http://www.consumerfinance.gov.
And most notably, people participating in workplace retirement plans are now going to receive better information about the fees they pay. New disclosure rules implemented last year by the Labor Department should help workers and the companies that provide retirement plans understand the fees charged to, or deducted from, individual accounts. If you have a 401(k) or similar plan, you should have begun receiving detailed information tied directly to the fees you have paid.

So in 2013, you should get a full year's worth of detailed fee information. When you get the information, don't ignore it. Review it. Fees typically run 0.5 to 2 percent a year. AARP has posted a video on YouTube to help you understand why fees matter. Search for "Understanding 401(k) Fees." As you review the fee information, compare it with the various investment offerings in your retirement plan. To assess your company's plan, go to www.brightscope.com, where you can find and research the quality of your 401(k) or 403(b) plan.

Tracking Your Travels
In December, the Department of Transportation proposed that electronic data recorders, popularly known as "black boxes," be required in most cars starting in 2014. The stated goal is to collect more information about car accidents. But this spooks privacy advocates, who warn that federal bureaucrats could misuse this information.

Essential Choice Cutbacks
Under the Obamacare "essential benefits" rule, health insurers will be forced to cover health care services that the government deems essential, whether you want to buy them or not. The net result will be to increase health care costs, increasing the burden on consumers, employers and taxpayers.

Don't Let Them Eat Cake
The Department of Agriculture in January published detailed new nutrition standards for school lunch and breakfast programs. More than 98,000 elementary and secondary schools are affected at a cost exceeding $3.4 billion over the next four years. The new rules sparked protests, and even a few hunger strikes, from students nationwide.

Sticker Shock
Adopted in August, these new automobile mileage rules require a whopping average fuel economy of 54.5 miles per gallon by 2025. Sticker prices will jump by hundreds of dollars. Regulators argue that the fuel savings will make up these costs. Whether consumers want to make such a tradeoff doesn't matter. The government has decided for them.

Increasing Energy Costs
The Environmental Protection Agency in February finalized strict new emissions standards for coal- and oil-fired electric utilities. The benefits are highly questionable, with the vast majority being unrelated to the emissions targeted by the regulation. The costs, unfortunately, are certain: estimated to be $9.6 billion annually. The regulations are likely to undermine energy reliability and raise energy costs across the entire economy.

Conscience Denial
The Department of Health and Human Services on Feb. 15 finalized its mandate that all health insurance plans include coverage for abortion-inducing drugs, sterilization procedures, and contraceptives. The mandate allows no exception for church-affiliated schools, hospitals and charities whose religious principles conflict with the mandate. To date, 42 lawsuits representing more than 110 plaintiffs have been filed challenging this restriction on religious liberty as a violation of First Amendment.

Conclusion
As busy as regulators were in 2012, don't look for them to rest this year. Already in the pipeline are dozens of new rules covering health care, finance, global warming and more. It is anybody's guess who will win next year's prize.

Could 2013 be the next turnaround year housing market? Forecasters say yes. Assuming the recession or global uncertainty don't topple the economy, home sales and prices will go up, sales will be brisk, and inventories and interest rates will stay relatively low, economists and real estate industry experts say. In addition homebuilders will be the busiest they've been in six years. Investors and real estate brokers will find profitable opportunities to act as buyers for hedge funds, who are in a hurry to assemble large portfolios of leased properties. "It's going to be a very good year,"

Real Estate Professionals

- Understand your market
- Have alliances and partnerships
- Consider rental and property management
- Convert tenants to homebuyers

Resources

- Kiplinger - www.kiplinger.com
- Home Price Indices - www.standardandpoors.com/indices/sp-case-shiller-home-price-indices/en/us/?indexId=spusa-cashpidff--p-us----
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Note: Opinions, estimates, forecasts and other views contained in this document are those of Cathy McDaniel though articles and conversations provided by HousingWire, FHA, HUD, Fannie Mae, Freddie Mac, Veterans Administration, NAR, National Mortgage Servicing News, and National Mortgage News.

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