Sizing up the Housing Market of 2013
What's next?

Ensuring Strategies Are in Line with the Times - Residential Lending Industry
Your business philosophies and resources today will need to change as the market does and right now real estate professionals and their brokerages need a more efficient, accurate and cost-effective understanding plus a platform that accommodates the shift in the industry. It time to gear up for coming regulator changes that require you to follow certain protocols and remain compliant while generating more business.

November 5th - The rise in metro Atlanta home prices continues to outpace many parts of the country, with the metro area ranking third nationally in higher values in September and the state ranking fourth, according to a monthly index.

CoreLogic's Home Price Index showed prices overall, including distressed sales such as foreclosures, rose 16.7 percent in metro Atlanta in September, compared with a year ago, and 14.4 percent in Georgia. Nationally, prices were up 12 percent.

Pricier distressed properties helped the indexes both locally and nationally. Not including distressed properties, prices were up 14.3 percent in metro Atlanta and 12.4 percent for the state, CoreLogic said.
The gains locally can be partly explained by Georgia having more catching-up to do than the rest of the nation in recovering from the housing crisis that began in 2008. There are indications, however, that the pace of price increases is slowing.

Metro Atlanta is seeing more construction, tighter inventory of available homes for sale and fewer foreclosures. Homebuyers are also facing higher interest rates and loan processing costs as lenders try to make up for a drop-off in refinancing demand, which has also prompted lenders to lay of thousands of workers.

The tight inventory is a driving force behind the rising prices, with listings at a premium in areas with strong school districts. According to Metrostudy, the median price for an existing home for sale in the third quarter in metro Atlanta was $165,000, compared with $125,000 a year ago, a 32 percent increase.

The drop in foreclosures is also adding to price appreciation because there are fewer of them and the ones that exist are fetching higher bids. Foreclosures in metro Atlanta are now below pre-housing crisis levels.

So far this year, 44,935 foreclosure notices had been filed by mid-October, down 44 percent from the same period in 2012.

Market Value and Appraisal Value
Both market value and appraised value are utilized in the dealings of residential homes, commercial property, retail buildings, farms and land. However there are distinct differences between the market value and the appraised value of real estate. Market values are consumer-driven and appraised values are driven by experts.

The appraised value of a property describes the determination of an exact number regarding its value. Appraised values are based on gathered data and the professional judgment of the professional conducting the appraisal. The market value has more variance than the appraised value. Unlike the appraised value, buyers have influence over the market value of a property because a property is only worth what a buyer is willing to pay.

Whenever, bank financing is involved an appraiser is brought in to establish the appraised value. The appraiser factors in the recent property sales in the neighborhood, the features and functionality of the home, the condition of the home and a number of other details. The appraiser decides what the property is worth. The appraised value is the one that the bank will use for its lending purposes. In most cases, the appraised value does override the market value.

Effective January 18, 2014 - Disclosure and Delivery Requirements for Copies of Appraisals and Other Written Valuations Under the Equal Credit Opportunity Act (Regulation B)
These procedures are required by the Dodd-Frank Wall Street Reform and Consumer Protection Act’s.

Consistent with TILA/RESPA timing requirements for early disclosures, the disclosure of an applicant’s right to receive the appraisal must be to be mailed or delivered, no later than the third business day after receiving an application.

What are the Requirements of the Rule? Under the ECOA Valuations Rule:

- When you receive a mortgage loan application, you have three business days to notify the applicant of the right to receive a copy of appraisals and other written valuations.
- You must promptly share copies of appraisals and other written valuations with the applicant. “Promptly” means upon completion of the application, or at least three business days before consummation (for closed-end credit) or account opening (for open-end credit), whichever is earlier.
- The applicant can waive the right to receive copies of the appraisal or other written valuations in advance of the closing (except if the transaction involves a higher-priced mortgage loan – see discussion below). If the applicant waives the right to receive advance copies, you must still deliver the copies at or prior to consummation or account opening.
- If you decide not to consummate the loan or open the account, and the applicant has provided a waiver, you must send the applicant a copy of the appraisal and other written valuations within 30 days after your decision.

DEFINTIONS
Valuation. The term “valuation” means any estimate of the value of a dwelling developed in connection with an application for credit.

Examples of valuations include but are not limited to:

- A report prepared by an appraiser (whether or not licensed or certified) including the appraiser's estimate or opinion of the property's value.
- A document prepared by the creditor's staff that assigns value to the property.
- A report approved by a government-sponsored enterprise for describing to the applicant the estimate of the property's value developed pursuant to the proprietary methodology or mechanism of the government-sponsored enterprise.
- A report generated by use of an automated valuation model to estimate the property's value.
- A broker price opinion prepared by a real estate broker, agent, or sales person to estimate the property's value
- Attachments and exhibits. The term "valuation" includes any attachments and exhibits that are an integrated part of the valuation. If a valuation is developed in connection with the application, you must provide a copy to the applicant, even if you do not use the valuation or you use it only for a limited purpose.

Examples of documents that discuss the valuation of the applicant's property or may reflect its value but nonetheless are not "valuations" include but are not limited to:

- Internal documents that merely restate the estimated value of the dwelling contained in an appraisal or written valuation being provided to the applicant.
- Governmental agency statements of appraised value that is publically available.
- Publicly-available lists of valuations (such as published sales prices or mortgage amounts, tax assessments, and retail price ranges).
- Manufacturers' invoices for manufactured homes.
- Reports reflecting property inspections that do not provide an estimate or opinion of the value of the property and are not used to develop an estimate or opinion of the value of the property.

If your lender receives an application on or after January 18, 2014, for a first-lien loan to be secured by a dwelling, you must:

- Notify applicants in writing within three days of receiving the application that they have the right to receive copies of all appraisals and written valuations; and
- Provide a free copy of these appraisals and written valuations developed in connection with the loan application, promptly after they are completed, or three days before the loan closes, (whichever is earlier) regardless of whether the credit is extended, denied, incomplete, or withdrawn.

"Completion" occurs when the lender has reviewed and accepted the appraisal or other written valuation (including any required changes or corrections), or when the creditor receives the final version of the document, whichever is later.

"Provide" is defined as delivery to the applicant. Delivery is assumed to have occurred three business days after a copy of the document has been mailed or delivered to the last-known address of the applicant, or when evidence indicates the applicant actually received the copies, whichever is earlier. For electronic delivery or receipt to be documented, the lender and member must comply with E-Sign requirements.

An applicant may waive the timing requirement and agree to receive a copy at or before consummation or account opening. This requirement may be waived orally, or in writing.

You cannot charge the applicant for fees for photocopying or to cover the cost of postage to mail copies of appraisals or other written valuations you provide. However, you can charge a reasonable fee to reimburse the cost of developing an appraisal or other written valuation, unless applicable federal or state law prohibits or otherwise restricts it. You cannot condition providing copies on payment of this fee.

Short Sale Update

If you qualify under the provisions of the law, your short sale, deed-in-lieu or other arrangement under which the lender waives the repayment of a loan balance must be agreed to and concluded by the end of 2013. If your closing happens in 2014, you run the risk of closing after the law expires.

Another concern is whether you can transfer title of your home into a limited liability company (LLC) and later sell the home at a loss and use that loss to offset the tax you might have on the release of indebtedness.

It would seem that the sole purpose of the conveyance of the home to the LLC is for the tax loss. I don't think the IRS would be inclined to see a "business purpose" in the transfer where the actual purpose is to create tax losses.

You're right to prepare for the issue, but you might want to talk to an accountant about your tax situation well before thinking about transferring title to an LLC. You also need to keep in mind that some lenders will frown on having the transfer occur and that transfer could potentially derail your attempt to sell the home through a short sale.

Lastly, all the purchases in 2006 were made using 7/1 ARM's or other creative Interest Only mortgage products, and they are all going to re-set and consumers may not be able to refinance. If the homeowner cannot afford the new payment, because all refinances must be 30 year fully amortized fixed rate loans, or the owner simply cannot find anyone to refinance their loan… Short sale may be the only option.

Mortgage Servicing Guidelines January 10, 2014

Our mortgage rules were designed to eliminate irresponsible practices and foster a thriving, more sustainable marketplace," said CFPB Director Richard Cordray. The mortgage servicing rules establish strong protections for homeowners facing foreclosure.

- The CFPB's servicing rule prohibits servicers from making the "first notice or filing" under state law during the first 120 days a borrower is delinquent. Under the final rule, servicers will be allowed to send certain early delinquency notices required under state law to borrowers that may provide beneficial information about legal aid, counseling, or other resources.
- The new rule provides specific procedures for servicers to follow if they fail to identify and inform a borrower upon an initial review that certain information is missing from the borrower's loss mitigation application.
- The procedures require the servicer to notify the borrower of the information gap and provide a reasonable amount of time for the borrower to supply the missing information.
- The procedures also specify how the regulations' protections from foreclosure and various procedural rights apply to borrowers during the time period for gathering the additional information and once the information is provided.
- Under the final rule, a servicer may, upon reviewing an incomplete loss mitigation application, provide a six-month forbearance to a borrower who is suffering a short-term, temporary hardship
- Servicers must consider and respond to a loan modification request if a borrower applies for one at least 37 days before their foreclosure auction is scheduled.

- A borrower may appeal a denial of a loan modification program so long as the borrower's complete loss mitigation application is received 90 days or more before a scheduled foreclosure sale.
- Even if a borrower is more than 120 days delinquent, if a borrower submits a complete application for a loss mitigation option before a servicer has made the first notice or filing required for a foreclosure process, a servicer may not start the foreclosure process unless (1) the servicer informs the borrower that the borrower is not eligible for any loss mitigation option (and any appeal has been exhausted), (2) a borrower rejects all loss mitigation offers, or (3) a borrower fails to comply with the terms of a loss mitigation option such as a trial modification.
- Servicers may not start foreclosure proceedings if a borrower actively is seeking a loan modification or other alternative to foreclosure.
- Servicers are responsible for promptly instructing foreclosure counsel retained by the servicer not to proceed with filing for foreclosure judgment or order of sale, or to conduct a foreclosure sale, as applicable.

Loan Modification Resets
2013 was an interesting year for real estate. It was predicted to be the year of the short sale… then there was 25%+ appreciation and numerous bank regulatory issues. All of which sidetracked what had been foretold. Well, let me tell you what I think is going to happen in 2014.

Right now, many people who've obtained loan modifications believe that when the terms of their modification change (most changes to terms are temporary) they will be offered another loan modification on favorable terms. 2014 will see the "Rise of the Short Sale" as these modified mortgages begin to adjust with higher payments and fail.

HARP – The Home Affordable Refinance Program (HARP) expiration date is extended. The program's new expiration date is December 31, 2015. The HARP refinance was launched in with just two basic qualification standards:

- The refinanced loan must be backed by Fannie Mae or Freddie Mac, and been endorsed no later than May 31, 2009.
- The refinanced loan must be current, with no late payments in the last six months

What's New for 2014 – Building a Culture of Quality
Although some have called into question the value of homeownership, we continue to believe that owning a home, when responsibly undertaken can produce powerful economic, social and civic benefits. According to the Urban Institute, the overall national homeownership rate is unlikely to fall below 60% at any time before 2030. While the national rate stands at 65% today more than four points off its record high of 69.2% in 2004, nearly two-thirds of American households still own their own homes. Owning a home today will be long term. The National Homebuilders Association predicts that homeowners will stay in their homes 10-13 years before selling.

Addressing Obligations
Key to homeownership strategy is the straightforward notion that mortgage borrowers must understand their obligations and be well positioned to fulfill them. And lenders must underwrite loans based on the borrower's ability to repay.

Ability to Repay and "Qualified Mortgages"
Are we ready for the balancing act to manage the buyer's needs and the lender's need? We will likely see state laws adopting QM-like ability-to-repay rules and ignoring any nuances that may result from the overlay of Qualified Residential Mortgage (QRM) rules. Today your knowledge of compliance is more important than your referral list.

The final rule outlines the minimum requirements for creditors making ability-to-repay determinations. Under the new 2014 mortgage rules, lenders are assumed to provide what the CFPB calls a "qualified mortgage."

By law, the new mortgage rules require that lenders ensure that you are financially able to make your mortgage payments and it's all based on keeping your housing costs reasonable in relation to your income, and other debt obligations.

Under the new "Ability-to-Pay Rule," borrowers cannot exceed a 43% debt to income ratio, which is your total monthly debt divided by your total monthly gross (before tax) income. Private research firms estimate that from 10% to 50% of home buyers who qualify for mortgages under current standards will be shut out of the housing market when the stricter rules take effect on January 10, 2014.

New Terms for 2014

- Cost of Ownership; Cost of Lifestyle
- Affordability, Housing Sustainability
- The Whole Lifecycle of Houses
- Whole Home Performance
- Energy Audits, HERS (Home Energy Rating System)
- Appraisal "Green and Energy Efficient Addendum"

Financial Wisdom - It is going to be a great year in homeownership!
The recent economic crisis has highlighted how essential it is that individuals and families have the information, education and tools that they need to make good financial decisions in an increasing complex U.S. and global financial system. Indeed, we have learned the financial difficulties of individuals and families can dramatically affect the financial health of local communities and regional markets. The crisis has also illustrated that the financial well-being of individuals and families is fundamental to national financial stability and that a lack of financial literacy is one barrier that can lower standards of living and limit prosperity.

Vision
I believe that private sectors can and should work together to increase financial literacy and improve financial decision making, making sure all individual Americans and their families are aware of and have access to reliable, clear, timely, relevant and effective financial information, tools and resources as they pursue personal financial objective.

Financial Wisdom will address financial literacy and proposed calls to action in four areas deemed crucial to the promotion of financial education as we all work together to achieve our shared vision of financial well-being for all people in Georgia by:

To stay on top of your ever-increasing work, and be able to jump on exciting new opportunities, you need an efficient and cost-effective way to pick up specific skills, develop successful partnerships with the latest, most innovative practices. Today, I am excited to announce that I have developed a platform that fits this bill.

Instead of being transaction focused, my conclusion is that we need to look at our relationships with our buyers and sellers from a holistic approach. No longer can we be solely focused on terms like, purchase price, monthly payments, interest rates and closing costs.
I believe that we need to elevate the discussion to be focused on; "Ability-to-pay, total cost of ownership and cost of lifestyle, plus long term sustainable homeownership".

So, how do we do this? Well, in simple terms…we give more value! We plan to educate homeowners and homebuyers in advance, so they will be in the best position to make the right real estate decision regarding their housing needs for long term homeownership.

Financial Wisdom will address financial literacy and proposed calls to action in four areas deemed crucial to the promotion of financial education as we all work together to achieve our shared vision of financial well-being for all people in Georgia by:

- Building public awareness of available resources
- Providing effective financial education through many avenues
- Developing tailored, targeted materials and distribution strategies
- Tapping into effective partnerships of financial education providers and counselors
- Creating a network of information sharing opportunities
- Promote targeted messages about financial literacy to consumer and workplace initiatives

I have listed the key points of our meeting and would like to schedule a follow up date to discuss further details in how working together will bring more buyers and sellers to your front door in 2014.

- Introducing Energy Efficiency to real estate professionals and general public
- High Performance Lending Software Program – Cost of ownership over 10 years
- For Home Builders - Home Performance Warranty – An independent 3 Year Guaranty of Performance based on a HERS Rating
- Financial Wisdom – An continuous finance literacy platform for employers as an "added value" benefit for their employees
- Free Mortgage Cent$ Counseling before, during and after closing
- Free "Community Cent$" outreach events for community members
- Free 3 hour CE classes for real estate professionals – relationship building
- Resale – Free "Open House Consumer Training Event", i.e. Cost of Ownership/Affordability/Energy Audits
- Resale – Working with Sellers in "Financial Staging Their Home" with "Dream Home Cash for the Buyer" focused on the FHA 203(k) buy and repair program

My partnership with Synovus Mortgage and Bank of North Georgia allows me to implement an aggressive plan to ensure that strategies are in line with the changing of the housing industry. It's all about sharing solutions to grow our business, support homeownership for long term affordability and sustainability.

How can you participate in promoting financial success in Georgia?

- Embrace the “Financial Wisdom” strategy mission
- Join the my team
- Support and participate
- Provide leadership in the community where you live and serve

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