



Rockyfield Newsletter

US Economy & Housing Market

There should be no dispute that a strong middle-class is imperative to democracy and prosperity. A country with a strong middle-class has more purchasing power, productivity and higher educational level.

It is estimated that over 10 million people are currently unemployed, and this figure is expected to increase. With job losses for 10 months in a row, we are certainly in a recession. This is not a typical cyclical trough, but a structural economic breakdown that is the underlying fundamental of the real estate burst and financial meltdown. Without rectifying the structural issues, stimulus tax rebates or rate cuts will not work as we have already seen. It is somewhat similar to Japan in late 80's where the real estate burst, credit crunch and capital depletion at financial institutions choked the economy for over 10 years, during which nothing, including fiscal spending or tax cuts, helped. There is a critical difference between Japan and US: individual assets were intact and remained huge in Japan whereas the middle-class is debt ridden in US. In fact, the middle-class did not share the last economic growth, which was built on large corporate profitability and soaring stock market. Household income decreased since 2000 due to the weakness in small businesses, collapse of the housing market and skyrocketing healthcare costs. Despite all these, consumption remained robust by borrowing deeper and deeper. Restoring the middle-class is the key to the economic growth and eventually the housing market recovery.

Under the growing economy with the strong middle-class, tax cuts for wealthy and corporations could increase investments and employment, bringing further economic success. However, such tax policy would be ineffective for today's crisis. The equation: saving = investment, exists only in theory under a closed economy. Today's international economy offers financial investment vehicles that are not

To Restore US Economy (1) Middle Class

Foreclosure Rescue Begins

We have reiterated that foreclosures must be contained to get out of the financial meltdown and housing slump. Politicians who proposed to "buy bad loans" have little knowledge of the mortgage market. The majority of mortgage loans were sold and securitized right after they were made. We like the proposal by Chairwoman Bair of the FDIC to guarantee the modified loans, even though this plan may not be perfect. The Government has already created a quantitative system for faster processing by setting up the parameters like limiting the monthly payment to 38% of the borrower's gross income.

The FDIC has also started modifying the terms of loan in the IndyMac's portfolio. IndyMac was seized in July. Following this experiment, Bank of America will start modifying sub-prime loans owned by Countrywide on December 1. J.P. Morgan Chase has also announced that they would modify the terms of WaMu loans. About 400,000 loans will be subject to these modifications for each bank.

If other major banks follow suit, foreclosure rescue operations will become in full swing and we will soon see a beacon of hope to eventually curb foreclosures. This means, banks will become more flexible in making loans as opposed to the current frozen state.

After foreclosures are contained, then job environment must decisively improve to restore people's confidence in their future income, and the economy will start growing again. This may take a year or more.

The housing recovery will come after that. First the number of home sales should begin increasing; then it may take another two years or so before home prices start rising.

directly related to business investment in equipment and facilities as evidenced in the recent commodity future market. Because the strong economy and consumption will benefit the wealthy who are investors and business owners, restoring the middle-class is a sensible investment. Every one is hurting right now.

Foreclosure rescue, support for small and new businesses and tax system adjustments will be important as well as public works to improve economic efficiency. We strongly oppose handouts like the last \$150 billion tax rebates.

Palos Verdes Housing Market

The housing market that completely halted due to the financial meltdown in mid September has resumed at a very slow pace. The market usually becomes quiet in mid November until January. It seems that it has already closed this year. The only active segment is bank-owned properties. In Palos Verdes and Torrance, teaser prices are often seen: listing at unbelievably low price for bank-owned houses to receive 10's of offers, creating de-facto auctions on the MLS. Their final sold prices are often not particularly cheap though they are still below the market value. Tons of bank-owned homes for sale in other newer areas in LA still offer great opportunities for long-term investors.

A few of our customers, who own a few properties, have had trouble refinancing or obtaining a new purchase loan. They are considered high-risk borrowers by lenders.

While fixer-uppers are still popular, there are two issues: 1) it is difficult to obtain a loan if the property is not immediately livable; 2) home equity loan to finance repairs is almost impossible for newly purchased homes unless it was bought with a large down payment.

The market inventory remains around 260 and in-escrow, just above 50. After Thanksgiving, many sellers are expected to put their listings on hold. The best performing price range is under \$1 million, and also between \$2 and 3 million.

Reassessment to Reduce Property Tax

Proposition 8 allows a temporary reduction in assessed value when property suffers a "decline-in-value." A decline-in-value occurs when the market value of your property is less than the assessed value as of January 1, 2008. The best information you can provide that supports your opinion of the market value of your property is sales of comparable properties. You should try to find two comparable sales that sold as close to January 1, 2008 as possible, but no later than March 31, 2008. While the submission of sales is helpful in determining the market value of your property, applications submitted without comparable sales will be accepted and processed. Rockyfield is very happy to assist you with comps.

Application form: www.rockyfield.com/propertyus.html

Foreclosure -related Scams

There are always people who make money from any thing. Watch out for "Foreclosure Consultants" who are not licensed or bonded. They are "scam artists." Some of the red flags include asking for: upfront money before any service, a transfer of title or interest in the property, sell a home for a price above the market value, urgent actions under pressure, power of attorney, signatures on a grant deed or deed of trust, signatures without giving time to review the documents, signatures on a document with blank spaces, making mortgage payments to someone other than the lender, not discussing the matter with family members or others, or so forth. Do not make any decision or take any action in a panic mode. The basic rule is: "If it sounds too good to be true, it probably is." These scam artists often approach people pretending they share the same social background. The link to this full article and Federal Reserve's link are as follows:

<http://www.car.org/legal/2008articles/foreclosure-scams/>
<http://www.federalreserve.gov/consumerinfo/foreclosure.htm>

Free Notary Service

We offer free notary public service to our readers. Customers who buy or sell their homes through Rockyfield will have free notary service for 5 years.

(Direct service only, excluding loan documents; additional charge for a trip to your place.)

Please make an appointment with Catarina at 310-544-0857 ext. 2#



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Now you can search by yourself properties for sale in the MLS.

visit: www.rockyfield.com

A Gift from Rockyfield to Our Readers

Free Almanac 2009

It's already November. As it was very popular last year, we have decided to offer to our readers a free World Almanac (New York Times) 2009.

If you want to receive a copy, you can either:

- *Call 310-544-0857 and press 3#. Leave a message, mentioning Free Almanac and your name, address, and phone number to reach in case we cannot confirm your name or address.*
- *Or, you can email us with subject: Almanac (must be exactly Almanac and nothing else). Write your name and address.
Email: properties8@rockyfield.com*

One almanac per household. The last name and address must match our database.



SELECTED LISTING SAMPLES

For Listing Information,

Please contact

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S: Sold B: Backup P: Pending
C: Contingent A: Active
Prices in '000s. Source: MLS (as of 11/09/08)