



# Rockyfield Newsletter

## US Economy & Housing Market

Democrats push Keynesian fiscal policy; Conservatives advocate the supply-side economics with tax cuts as its centerpiece. Economics is pragmatism, not idealism, aiming at sustainable prosperity. As a different ailment requires a different treatment and medicine, no economic theory is universal. When economic theories are used in conflicts over absolute values of political ideologies, their usefulness are tweaked to wrong directions.

A regular demand curve slopes down and supply curve, up to right with their cross point being the equilibrium point. When the demand curve shifts to right, the GDP increases and so does the price. As the supply curve becomes steeper, eventually only the price keeps rising with little increase in production. This is inflation. During the Great Depression, the equilibrium point was way down on the almost flat part of the supply curve; the demand curve shift by the large spending did not stress wages and resources for higher prices. After the war, however, managing the economy with fiscal spending seemed to make economic cycles even more volatile due to time lags in recognizing the condition, formulating plans, passing bills and finally implementing the plans. Fiscal spending to cure a recession is likely to end up in inflation. The supply-side economics advocates that shifting the supply curve to right will create a sustainable growth without inflation. In short, it is to improve productivity by government policy through promoting investments.

The classic economics defines Savings= Investments. Tax cuts for the wealthy, who tend to save more, was pushed forward. At the beginning of the Reagan era, the highest marginal tax rate was 70%; supply-siders also claimed that lower tax rates would increase tax revenues by economic growth. The monetarist theory insisted on a steady money supply increase regardless of the economic condition; this has been successful FRB's policy

## *To Restore US Economy (4) Supply-Sider vs Keynesian*

### *Losing Home Design Styles*

According to recent consumer preference surveys, a few home features are losing popularity. Some of them are no surprise; the others are a bit unexpected.

We all know that carpets are giving in to hardwood, laminate wood or tiles; desks in the kitchen are no longer popular as kitchens are becoming more like a show-off place; decorative living rooms may be considered corny by younger generations who prefer an open, airy great room.

Although fireplaces are still a must for high priced homes, people do not seem to consider a fireplace as a critical thing when buying a home.

There may be practical reasons for the declining popularity of skylights and granite counter top in the kitchen. While skylights may cause leaks, we strongly recommend solar tubes. New modern laminate and new artificial material counter tops offer low-maintenance and longer useful life with various styles and colors.

Among the hot trends in home design, we picked a few: Green design elements like water efficient appliances, LED lighting and energy efficient windows.

We were surprised by "his-and-hers" separate garages, and car lifts that are expected to grow for space saving with a basement under a garage or a high garage ceiling. Palmwood from coconut palms seems to grow popular for walls.

in containing inflation. The large capital gain tax cut, including the exclusion for homeowners realized a long economic prosperity without inflation during the 90's. Today's crisis in our view was brought about as political ideologies involved economic theories and policies into their fights. Different economic policy is needed for different economic condition. It is simply inappropriate to argue which economic theory or policy is superior.

## **Palos Verdes Housing Market**

A sign of activities appeared in late January, and sales obviously picked up in February. 30-year fixed rate is still in mid 5%. However, the jumbo loan rates are still high and larger equity is often required. Regional banks who keep loans on their own portfolio may offer attractive 5/ARM loans. The large deficit may push up the Treasury yield that will increase mortgage rates. The market price in PV dropped sharply following the financial meltdown in mid September, and now another 3-5% decline in early February while sales are increasing. The market price is about 12% down from the last year's peak. Active price ranges are below \$1.25million, especially below \$1.0 million homes are selling well. Foreclosure properties in PV have not been discounted so much as other areas; they are not hot. We have seen a few non-foreclosure homes that have been priced well below their market values. Unlike the booming times, fixer-upper properties must offer a large discount to attract buyers due to the difficulty of financing repairs or remodeling.

While there has been a rush of new listings in February, we feel many of them offer good quality and values. We show a list of properties we liked on our website after brokers' open house on Tuesdays. We usually choose about 3 homes; now we have to end up with more than 5, sometimes up to 10. Given the high level of market inventory, these good listings still have to face keen competitions.

## Mortgage Loan Modification Programs for Homeowners

It seems that the new Administration and Congress are working on more mortgage rescue programs for homeowners as a part of the Economic Stimulus Plan. It may still take a few to several months. Various plans have been already available but have not been utilized well.

They include:

**HOPE for Homeowners (H4H):** *The program provides new, 30-year, fixed-rate mortgages insured by the Federal Housing Administration (FHA).*

Three private banks offer modification plans.

- **Countrywide Financial (BoA):** *Borrowers must have received a qualifying subprime mortgage or a pay-option adjustable rate mortgage (ARM) prior to Dec. 31, 2007,*
- **CitiMortgage:** *The program begins Nov. 11, 2008 and ends May 2009. Contact your lender to determine eligibility*
- **JP Morgan Chase:** *The Targets Chase, WaMu, and EMC Mortgage Corp. borrowers with adjustable-rate mortgages (ARMs) including subprime and pay-option ARMs.*

**IndyMac Federal Bank, FDIC:** *designed to achieve affordable and sustainable mortgage payments*

**Federal Gov. Loan Modification:** *(Participants include: Fannie Mae, Freddie Mac, Federal Home Loan Banks, Well Fargo)*

Even if your lender is not on the list, we recommend you contact your lender what loan modification program they have.

Mortgage loan modifications are typically handled on a case-by-case basis. Homeowners who have difficulty meeting their mortgage obligation or are interested in finding out about a loan modification program should start contacting their lender. You can read the details of these programs on our website: [www.rockyfield.com](http://www.rockyfield.com) and click "mortgage loans" from the link menu in the left column, and there is also a link to the Federal Reserve foreclosure resource page. It is the best source of information.

### Free Notary Service

We offer free notary public service to our readers on our mailing list. 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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### Need a handyman?

If you are looking for a house cleaner, handyman, painter, plumber, gardener or contractor, we may be able to introduce a quality one. A painter who delivers an excellent job at a reasonable price is actively looking for more jobs as the housing slump started affecting him. If you need a painter, please give him a chance.

### Free weekly market information

We can provide a free weekly update of the housing market in your area, as a list like below with a short comment about the market. Please contact us via e-mail with your property address.



**Happy  
Valentine's  
Day**

## New Lease in Torrance

South High Executive Home

3186sf, 4 bedrooms, 3.5 Bathroom

2 master suites with fireplace and large bathroom

Rent: \$3850. Please contact Rockyfield for details.

### SELECTED LISTING SAMPLES

Please see Contact

Rockyfield

for listing information

S: Sold    B: Backup    P: Pending  
C: Contingent    A: Active