



Rockyfield Newsletter

US Economy & Housing Market

Although the government deficit should be an economic issue, it's been on the center stage of all sorts of political fights. Negative consequences of the deficit include inflation, high interest rates, crowding out private financing and future taxes. These are theoretically plausible but in reality, it is very difficult to point out their exact cause and effect relationship. Today's huge deficit has been created by two large tax cuts, Medicare reform, war spending, Tarp, stimulus package and more importantly, reduced tax revenue.

As to inflation, we are still in recession although we expect flat or small growth this quarter; a part of TARP is being repaid with some gains; the stimulus package, which includes investment in social infrastructures will be spent over years; economic recovery will suck up more taxes from the economy and reduce unemployment and other benefits. The FRB will tighten monetary policy as the economy recovers and will aim at measured growth. Stable growth and deficit reduction can be achieved by curtailing money supplies.

Some fear that the large debt issues may scare investors away from the US Treasuries or they demand higher interest rates. Main investors of US Treasury papers are our trading partners (countries). No market can replace or even substitute the US treasury market in terms of its size, liquidity and credit. Because the US dollar is the international trading currency, the amount of Chinese or Japanese foreign reserves in other currencies is very limited. As long as their trade surplus exists, their investments in the US Treasuries will continue. In other words, the fiscal deficit is being financed by the trade deficit. And the US is the only country in the world that can afford to have large trade deficit.

During a recession, spending on unemployment and welfare will automatically increase while the progressive tax rates accelerate the reduction of tax revenues. The opposite is true during a growth period. No single economic policy is correct

Brisk Sales Thru August. And September?

New Loan Regulations

Since August, new disclosure requirements apply to all mortgage loans secured by a borrower's home, including primary, second and refinancing loans. Investor loans are exempt.

- Lenders must give good faith estimates of mortgage loan costs within 3 business days after the loan application (early disclosure). The lender may not collect any fees before the disclosure is provided, except for a reasonable fee for obtaining a credit report.
- If the annual percentage rate (APR) changes more than 0.125%, the lender must provide a corrected disclosure and wait an additional 3 business days before closing. The APR includes not only the interest rate but certain other costs related to settlement.

Although the borrower can shorten or waive these waiting periods for a real financial emergency, the FED stated that waivers should be not used routinely and decided not to insulate lenders from liabilities even if the borrower chooses to waive the waiting periods. Therefore, it may be effectively very difficult to do so.

It may affect the loan contingency period in the purchase agreement. The standard period is 17 days from Acceptance. Considering weekends when escrow and financial institutions are closed, Rockyfield is using 21 days for practical reasons. We believe the industry practice will change. Homeowners may also have to allow a few more days to close a refinancing transaction.

in different economic conditions. While higher interest rates will be unavoidable as the economy recovers, how high rates will go or if inflation will kick in depends on timely and appropriate economic and monetary policies without political biases.

Palos Verdes Housing Market

The housing market usually enters a summer recess in mid July; after a short active period at the August end, it becomes dull in September. This year is totally different! Home sales have been fantastic in July, August and even in September. There are still many buyers actively looking for houses. However, prices are still stagnating; after a short and small surge in July, they backed off in August.

Good sales volumes are not limited to Palos Verdes, in fact, everywhere around here. In these brisk areas, so many short sales and foreclosed properties are keeping prices from recovering, even though many of them receive multiple offers. These circumstances around us seem to be preventing our market prices from going up. The \$8,000 first time buyer credit is also helping these low-price areas to keep their high volumes through this year.

Cash positions of "superrich" are still good as reported by the WSJ, and the high-end houses are selling in PV. A rare ocean front property with a large lot on Via Oleadas was sold in a week all in cash at \$5 million, which is over the list price. We also started seeing investors buying in cash. This should help the recovery.

However, for prices to increase, the market inventory (currently 260 from peak 320) must decrease below 200, and people feel more secure about their future employment and income. It is expected that employment will turn to positive early next year. The \$8000 first time buyer credit will not help the market price. So, the price recovery seems to happen no earlier than early next year.

August closed sales of single family homes were 46, up from 30 last year. Both average and median prices were slightly up, reflecting the small surge in July.

Killing Softly... by Natural Pesticides

Natural pesticides are gaining popularity. Behind this trend seem to be consumers' concerns over pesticide's potential harm to infants, pets and environment. It is an important issue for homeowners who have beautiful flowers and plants, or vegetable gardens.

Natural pesticides are available for both outdoor and indoor uses. They are typically derived from plants, animals, bacteria and minerals like mint oil, soybean oil, oil from thyme, geranium, rose or lemon, and chrysanthemum flowers, boron, ground fossils and so on. Many of them are considered safer to humans, pets and environment. A major boost happened this year when lawn and garden giant Scotts Miracle-Gro introduced the "EcoSense" line sold through major retailers. EcoSense is expected to meet or exceed their original sales projection. Pest-control companies are also responding by introducing natural solutions.

Of course, there are natural substances that are harmful to humans or environment; the EPA says biopesticides are usually inherently less toxic than conventional pesticides, and decompose more quickly, resulting in lower exposures and largely avoiding pollution problems. What's more, they often primarily harm only target pests, which can protect beneficial bugs and other animals. Many users of natural pesticides have reported that they are quite effective.

A research by Stanford University found that in-home use of insect-killing chemicals was associated with a 70% increased risk of Parkinson's disease, compared to no use of pesticides.

Free Notary Service

We offer free notary public service to the 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, excl. loan documents; additional charge for a trip to your place.)

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



Rockyfield contacts

DRE broker license:
01328577

27520 Hawthorne Blvd. Suite 144
Rolling Hills Estates, CA 90274
Phone: (310) 544-0857

Anthony Iwata Ext. 1# (English+Japanese)
Catarina Zerbinatti Iwata Ext. 2#
(English, Spanish, Portuguese, Japanese, little Italian)
email: properties8@rockyfield.com

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

visit: www.rockyfield.com

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. Please contact Catarina.

Our free fair market value analysis

If you just remodeled your house, it is very natural to be interested in how much your home is worth now. Or you may be simply curious. We will be happy to provide a fair market value estimate based on our own method. If you have no plan to sell your home, please say so when you contact us.

Breathtaking Ocean and Islands View from all rooms

New listing by Rockyfield: 3 bedroom condo in the Sea Gate complex on Ocean Crest. Private and bright end unit, protruding toward the ocean side. Contact us for more information.



SELECTED LISTING SAMPLES

For Listing Information

Please see the attached

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