



Rockyfield Newsletter

US Economy & Housing Market

Many people cast a doubt if FRB's rate hike would happen this month, due to international stock market plunges precipitated by China; Euro economy with time bombs in multiple fronts; a new recession in Canada and so forth. Nonetheless, the US economy seems to be in a good shape: large upward revision of the 2nd quarter GDP and continued recovery in employment. And there is no sign of inflation right now or for the foreseeable future in part because of the large pool of long-term unemployed people, low oil and other resource prices thanks to the higher dollar. There is no need for a rate hike as prevention of future inflation.

Although massive money supply (Quantitative Easing) by FRB ended in Oct. last year, the excessive money stock still exists in the financial market, and it is no surprise that the stock market, dominated by cheap money, is super sensitive to interest rates. The Federal Fund rate is an overnight rate and the target rate is slated to rise just by 0.25%, departing from the zero rate policy. While stock prices could temporarily decline, how much it could affect the real economy is questionable.

The FRB's responsibility is to maintain the orderly financial system which is the arteries for the real economy, ensuring enough money supply and taming inflation. Lowering rates in a recession is an indirect support for the economy by ensuring the undisrupted money circulation. In short, the economic policy is not the FRB's responsibility but of the Administration and Congress. However, since 2000, as the political dysfunction deepened, the FRB has been forced to solely play the role to shore up the economy. The FRB's tool is limited to interest rates and money supply which are not effective to save the economy from a major recession as Bernanke reiterated the need for the fiscal policy in his Congressional testimony.

The most pressing task for the FRB is to absorb the excess liquidity in the financial market, without interfering with the economic recovery. The "measured" rate hike

Oversupply In Danger Zone Prices Holding

Clever Buying Tactics

Although the seller's market softened since August, good properties still attract multiple offers and are often sold above the asking price. While the price is the most decisive condition, there are a few ideas that improve buyer's chance. We often read that a personal letter to the seller will help. Yes, it is very important to create a good rapport with the seller, but it is unlikely to overcome the price difference.

Sometimes, the reason for sale and seller's personal or family issues may be a priority over small price differences. For example, needs to sell quickly or by a predetermined date include: the seller is missing a couple of loan payments; has already bought a new house; paying two loans, or has to move due to a job transfer. Related to the above, certainty can be the foremost importance to the seller. A cash offer closing within 30 days may win over a higher price offer. Or at least, a buyer can demonstrate the assurance of obtaining a loan within a specific time period.

If the day the seller can move out is uncertain because of buying a new home, relocation or other personal reasons, rent back after closing may be offered. But, if the seller has little or no loan balance, it makes no sense for the seller to pay a rent which is usually buyer's PITI (principal, interest, tax, insurance).

In any case, the most crucial thing is to understand the Seller's situation as much as possible. The buyer's agent must consult with the listing agent with well crafted, tactful questions. This process definitely distinguishes a good agent from a mediocre one. The seller's financial condition can be inferred from public records. Of course, it is rude and silly to ask direct personal questions. Listing agents who want clean and suitable offers will be happy to disclose the desired terms and conditions. Seller will say: "This is exactly what I want!"

is not to prevent inflation; it is to reduce the money stock. In addition, facing the uncertainty surrounding the world economy, the FRB would not have any tools left if a new recession comes, given the current zero rate and excessive liquidity.

Palos Verdes Housing Market

The market inventory of single family homes in PV started increasing in March; sales growth was following the new listings until the end of May. Since June, the in-escrow listings began decreasing while the inventory continued swelling, widening the supply-demand gap. The oversupply condition became the reality to us in August. Nevertheless, it did not mean a slump in sales which maintained healthy numbers every week; the issue was too many new listings. The median escrow price was not affected by the oversupply because the slowdown in low price sales and continued brisk mid and high price sales (over \$1.5 million). Then, the market inventory stopped growing and came down a little in mid August as new listings became more reasonable numbers; however, sales slowed toward the end of August. The inventory now increased again.

Prices measured as median escrow prices have been kept from falling thanks to the larger share of mid- and high priced properties. From our everyday work, we still see quite a few listings receive multiple offers and often being sold over their list prices. We also feel that today's buyers prefer remodeled houses despite a higher price than cheap houses in old condition. "The cost of remodels will not be recovered in the selling price" so we hear. That may be still true, but it is safe to say that remodeled houses (new condition) will sell much faster. Given so many houses for sale, upgrading or remodeling is worth.

September is seasonally a slow month. With his oversupply condition, we are a bit worried about how this fall market goes. We heard China is prohibiting individuals from taking money out of the country. Combined with the Chinese stock market crash, the PV housing market may see the dark international clouds coming.

Reverse Mortgage to Buy New Home

HECM (Reverse Mortgage) is designed for homeowners at the age of 62 or older who live in a house with large equity. While they receive money, they do not repay until they sell, move out, or die. Some seniors who have none or little mortgage may take a refinancing loan with large cash out to buy a new house, if they have enough income and satisfy other requirements to qualify for a conventional loan.

There is a little known "HECM for Purchase" program created by the Congress in 2009, which is also cost effective. As with the conventional federally insured FHA reverse mortgage program, it does not require income or other credit qualifications, but also borrowers do not have to own a house; nor do they have to sell their current houses.

Like a traditional HECM, a homeowner must be 62 or older, and no loan payments are required while living in the house. Borrowers receive a fixed-rate lump sum loan to finance the purchase. Unlike the conventional reverse mortgage, HECM for Purchase requires a down payment in lieu of equity of the new home. The required amount of down payment could be almost 50% and it decreases for older borrowers. The source of down payment can be savings, proceeds from sale of the other house or gift from a family member; but no borrowed money is allowed.

Because of no monthly payments, interests will be accrued on the principal, little or no equity may be left for heirs or their own financial needs like long-term care. This risk will be lessened if the property value substantially increases.

The borrower must pay insurance, maintenance and taxes, or the lender can foreclose the property. As all reverse mortgage loans are available for a primary residence only, the borrower must move into the new house within 60 days.

Free Notary Service

We offer free notary public service to the readers on our mailing list. Customers who buy or sell their homes with 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, Italian)
email: properties14@rockyfield.com

visit: www.rockyfield.com

Listings by Rockyfield

Los Verdes 4-bedroom house for sale
Excellent location with great potential

Need a handyman?

If you are looking for a house cleaner, handyman, painter, plumber, roofer, electrician, gardener, bathtub repairman, rain gutter installer or contractor, we should be able to introduce a quality one. Contact: Catarina

Free weekly market information

We can provide a free weekly update of the housing market in your area, including graphs. Please contact us via e-mail with your property address. The list below does not include many listings.



SELECTED LISTINGS

Please contact

Rockyfield

A: Active B: Backup P: Pending S: Sold
Prices in '000s. Source: MLS (as of 09/02/15)