



# In the Loop Realty Newsletter

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## **CONFUSED ABOUT FED RATE V. MORTGAGE RATE??**

by: Albert M. Cerone, IFAS, FELLOW

**SHORT TERM FED. RATE & MORTGAGE RATES**— Maybe you, as so many others including mortgage professionals, thought that the Fed's lowering the Federal Funds Rate would lower mortgage rates. *NOT SO!* In fact the home mortgage rates went up a few basis points across the board. Incongruous? No, it's a phenomenon that occurs whenever there's concern for credit and the affect on various markets. The mortgage market typically precedes the fed's rate change. In fact, it's thought it lends credence to a fed decision with regard to rates. So, "Does the tail wag the dog or the dog wag the tail?" The rate is most likely to help the Jumbo loans of which the rates jumped dramatically over the past couple of months. Apparently, investors are afraid of the quality of a block of jumbo loans and don't want to commit to that type portfolio.

Another interpretation is that what true impact will lower mortgage rates

really have if the credit requirements for buyers are so restrictive that most won't be able to qualify anyhow?. Likely very few unfortunately. In addition the rate change by the Fed's was prefaced with a cautious word that this does not imply that more cuts are imminent before the year's end. Of concern is inflation which is ignited and / or fueled by creating cheaper money. In addition a large part of the problem isn't the interest rates it's the availability of capital for lending. Investors are gun shy and rightfully so. In fact, despite the stock market's reaction to the lower rate, some economists believe this movement is bailing out or rewarding the culprits who created this economic turmoil, the lenders; and, encourages market excesses in the future.

Another fear created by lower rates, is it prompts purchases by the general public. Now, this is necessary to a successful economy but it must be

for necessary purchases or to replace higher interest rate loans to reduce monthly fees. For major purchases people should seek a HELOC, Home Equity Loan, because it guarantees an affordable rate without concern of escalation in the short term. For short term needs, a Equity Line of Credit is likely the best choice.

**BUYER'S MARKET & SELLER'S WOES**- A friend who believed as many that the housing market would not be dramatically hurt, placed his house on the market about a year ago and played the old game, list high because you never know what dummy will come through the door. Well, now facing a declination of his house's value by about \$100,000, the tears flow. This is a buyer's market in most of the bubble locales in the U.S. of which New Jersey is one. Yes, there are exceptions in every area, but overall values are down and further declin-

-ing is very likely. For the sellers, please insist on discussing and responding only to written offers, not your broker on the phone telling you what he / she has. It's an old gimmick to get you to bid against yourself so they know just how low you will go. The next major concern is to know all the contingencies the prospective buyer needs. Do they need to sell a house, is their contract contingent on a mortgage which is not yet attained. Consider strongly the "72 Hour Kick-Out Clause" which I've discussed in the past. Get an attorney who knows real estate, please! Remember there is truly only one reason a house doesn't sell. The asking price is beyond that recognized as reasonable by the appropriate market.

Remember, serious sellers always find serious buyers. Choose the right Realtor, one with a proven track record. (**CON'T**)

Courtesy of

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**ON THE LIGHTER SIDE**— People are like stained glass windows. They sparkle and shine when the Sun is out, but when the darkness sets in, their true beauty is revealed only if there is a light from within.

**QUESTIONS THAT HAUNT ME**— Why do you have to “put your two cents in” but it’s only a penny for your thoughts”?

Why does a round pizza come in a square box?

Why do people say they “slept like a baby”, when babies wake up every two hours?

Why do doctors leave the room while you change. They’re going to see you naked anyway?

And my favorite. If the professor on Gilligan’s Island can make a radio out of a coconut, why can’t he fix a hole in a boat?

### **TOP 10 MONEY SAVING TIPS**

If you can cut out or at least down on the following you can save a 2 week European vacation for 2 or a 1 week Disney World vacation for a family of 4.

1.) Coffee- The average price for a cup is \$1.38. Buying it every weekday costs \$360 / yr.

2.) Cigarettes— A pack a day smoker spends \$1,660 / yr.

3.) Alcohol— A bottle of beer at a bar averages \$5 including tip. Cost / yr is \$3,650. Have another!

4.) Bottled Water— A 20 oz. bottle costs about \$1 or \$365 / yr.; and the bottles are not recyclable.

5.) Manicures- It doesn’t matter men, just pay the bill and shut up!

6.) Car Washes- Cost about \$15 per wash, so twice a month the annual cost is \$360. Get some exercise and wash it yourself, or if you invested in kids, make them earn their allowance.

7.) Week Day Lunches- On the average for the average blue collar and office worker, the cost is \$9 which equates to \$2,350. So, get a brightly colored bag and be different.

8.) Vending Machine Snacks— A pack of cookies every afternoon will cost at year’s end \$260. Didn’t need those calories, did you?

9.) Interest Charges on Credit Cards— A May 2007 survey indicates the average American has \$6,600 in credit card debt. Fixed interest average is 13.44%. If you make minimum payments it’ll take 21 years to pay off the debt and cost \$4,868 in interest. Where’s my scissor?

10.) Unused Memberships— Gym memberships can be about \$40 per month. An unused one will cost \$480 annually. Try running around the block, mowing the lawn, washing the car and running up and down stairs every time.

So, enjoy your European vacation or trip to Disney World.

**COLLABORATIVE LAW PRACTICE**— First, what is it? It is a non-confrontational means to a successful mutually agreeable matrimonial dissolution. The primary membership is attorneys, accountants and mental health specialists and professionals providing ancillary services. The concept is very good and hopefully it becomes the leading means to what is typically an emotionally charged fight between spouses looking to end the marriage. Recently, one of the states bar associations found the concept to be outside of its code of ethics. Apparently, the American Bar Association is about to release a posi-

-tion accepting the practice as within its code of ethics. This will hopefully be an inducement for state bars to accept the concept and support it also. The Jersey Shore Collaborative Law Group has worked diligently and smartly to bring into its fold a number of accomplished professionals and are seeing an increase in the number of cases via the collaborative practice. If anyone is interested contact Suzanne Jorgensen, Esq. at O’Malley, Surman & Michelini—732-477-4200.

### **APPRAISERS & DEBT COL-**

**LECTION**— Recently, appraisers and home inspectors are seeking the assistance of collection agencies to collect unpaid fees primarily from mortgage companies. There are two types of agencies, percentage and fixed fee. The latter is usually the better choice. Most of the requests for collection assistance occur after 6 months of not being able to receive payment. Also, it is typical that the amounts are small in terms of the collection agencies. These claims receive the least attention as they are small money return efforts. The vast majority of debt collection by an agency is when the debt is under 3 months. So, it is most likely they will collect and it guarantees their fee. The percentage agencies get as much as 50% for their efforts. The fixed fee agencies are much more affordable and work hard on even the small cases. The major factor about collection for either type agency is that you should select one which reports non-paying debtors to at least one of the national credit bureaus, as TransUnion, Experian or Equifax. Also, make it a point to advise as many other appraisers and/or home inspectors of each of the late or non-paying clients.