Realty Executives Florida Keys
1824 Flagler Ave
Key West, Fl 33040
Phone: 305-296-4422
Cell Phone: 305-304-2433
FAX: 305-296-4462
jimsmith@realtyexecutives.com

Hello, everyone é

1 October 2013

What a circus in Washington DC! Our elected royalty should be ashamed, in my opinion. And we let these buffoons legally trade on insider information.

<u>Table of Contents for this issue</u>:

I hesitate to include an article about our ñdudò of a Hurricane Season so far é   Jim Croce warned not to tug on Supermanôs cape. Itôs not over yet.

As a consequence of getting a new laptop computer and a new email address, I find myself now the proud owner of a vacant ñblogò. Great, now what? Iôm learning that I can do a LOT with a blog, including acquiring an *internet presence*, which yeah yeah I should have had all along. One thing is é   I can store all my old newsletters for easy reference for me, and for all of you. There can be photos. And jokes. And recipes, oh my! Of course, this could open up a bag of worms, too. With a name like Jim Smith, what cyber-fates await me?

The 4th month of 2013 Hurricane Season is past! The prediction for the whole season was 13-to-20 named storms. Four in September (Gabrielle, Humberto, Ingrid, Jerry) brings the total to 10, two of which made hurricane status (Humberto, Ingrid). <u>None</u> have impacted Key West. For trivia fans, Humberto was within mere hours of being the latest arriving hurricane on record! The scoreboard looks like this:

2013 Forecast: **13-to-20 <u>named storms</u> w/wind > 39 mph**
→ **of which 7-to-11 will be <u>hurricanes</u> w/wind > 74 mph (CAT I + II)**
→ **of which 3-to-6 will be <u>major hurricanes</u> w/wind > 111 mph (CAT III, IV and V)**

2013 Actual: **10** **Named Storms**
As of 9/30/13 **2** **Hurricanes (CAT I and II)**
0 **Major Hurricanes (CAT III, IV and V)**

Jim Smith, Broker Associate and part-owner
Realty Executives Florida Keys
1824 Flagler Ave, Key West, Fl 33040
Ph: 305-296-4422 ext 244
Cell: 305-304-2433 FAX: 305-296-4462

Aol Real Estate.

By Credit.com | Posted Sep 5th 2013 9:00AM

Alternative Ways to Come Up With the Down Payment on a Home

To successfully purchase a home today, you will need a down payment of at least 3.5% of the purchase price. Gone are the days of no down payment alternatives, down payment assistance and seller-offered programs to come up with the money needed to buy a home. Instead, let's look at the five ways you can come up with a down payment to seal the deal.

1. Gift Money: Gift money is simply that -- a gift from family or documented close relationship. The giftor needs to provide a gift letter and paper trail for the monies they are gifting for the benefit of the buyer. In other words, they'll have to provide a bank account showing that they had the ability to gift the money. In short, gift monies cannot be funds sitting at home in a safe.

2. 401(k)/Retirement Loan: Typically, borrowed funds for a down payment are a no-go, but the exception is a 401(k) or equivalent retirement account (or current home equity line). If you can borrow money from your 401(k) for your down payment, this is accepted for obtaining a purchase mortgage loan. Note: Depending on the terms of your loan, this could be counted as a liability and factored into your debt-to-income ratio.

3. Sale of a Good: Believe it or not, you can sell your recreational vehicle and use the net proceeds from the transaction as your down payment. Let's say that you decide to sell your motorcycle for $10,000. You'll need to provide the full bill of sale -- as well as the bank statement depositing those funds, matching the bill of sale -- to your mortgage lender. Same goes for any other recreational vehicle, or other item that "makes sense." The key is as long as it's plausible and passes the litmus test and you can paper trail the monies from start to finish, you should have no problem using those monies for the house purchase.

4. Trust Funds, Settlement Awards, etc.: If you come into a chunk of change via an inheritance, settlement, lottery winning, trust fund disbursement, family buyout, even a gambling victory, all of these monies can be used for the down payment as long as the sourcing of the monies is fully documented from A to Z with no stone left unturned. Matching of the amounts of monies used to the original deposits will be required when it comes time to secure the loan.

5. Line of Credit: Where a down payment lacks, enter strength in income. You can take out a line of credit or a personal loan, deposit the full funds into your bank account and after two months, the funds will be eligible for use in the transaction.

While a down payment is needed to purchase in the current real estate market, a prudent homebuyer should also have plans for having available funds for closing costs. The same out-of-the-box strategies listed above can also be used to procure funds for closing costs.

Closing costs run at about 3% of the purchase price, on average. So the total funds to close would be 3% of purchase price plus 3.5% down for an FHA loan.

Do your homework. If you don't have a down payment for a house, or your down payment is coming from more than one source, make sure that you talk to a lender upfront so they can help you navigate the best way to properly support and document your monies used. Doing this on the front end will save you from wasting time creating and gathering unnecessary paperwork.

KEY WEST multi-unit properties: On-market and recent sales. 1 October 2013

	List Price:				$-per-Unit: (blue = under $200K ea)	
DUPLEXES:						
1612 Bertha St:	$ 410,000	ROI	8.23%	duplex	$ 212,500	
2514 Staples Ave:	$ 595,000	ROI	5.21%	duplex	$ 297,500	
1122 Eaton St:	$ 599,000	ROI	3.51%	duplex	$ 299,500	
1004 Watson St:	$ 669,000	ROI	4.91%	duplex	$ 334,500	
1321 South St:	$ 750,000	ROI	3.12%	duplex	$ 375,000	
914 Frances St:	$ 795,000	ROI	2.49%	duplex	$ 397,500	Short-sale
1324-28 Duncan St:	$ 799,000	ROI	3.63%	duplex	$ 399,500	
~~1011 Whitehead St:~~	~~$ 499,000~~	~~ROI~~	~~4.83%~~	~~duplex~~	~~$ 250,500~~	Bank-owned, under contract
1113 Watson St:	$ 929,000	ROI	3.44%	duplex	$ 464,500	
1114 Watson St:	$ 745,000	ROI	4.09%	duplex	$ 372,500	Price reduced
815 Eisenhower Dr:	$ 1,395,000	ROI	2.12%	duplex	$ 697,500	
3 UNITS:						
1614 Dennis St:	$ 649,000	ROI	7.62%	3-units	$ 216,333	
1126 Pearl St:	$ 788,000	ROI	6.23%	3-units	$ 262,667	New to the market!
1821 Harris Ave:	$ 799,000	ROI	7.27%	3-units	$ 266,333	
622 Grinnell St:	$ 1,200,000	ROI	2.35%	3-units	$ 400,000	
4 UNITS:						
1023 Whitehead St:	$ 850,000	ROI	11.79%	4-units	$ 218,750	Temporarily off market
1411 Flagler Ave:	$ 899,000	ROI	5.63%	4-units	$ 449,500	
1119-23 Simonton:	$ 1,100,000	ROI	4.71%	4-units	$ 275,000	
530 William St:	$ 1,645,000	ROI	10.36%	4-units	$ 411,250	
Greater than 4 UNITS:						
1301 Truman Ave:	$ 1,200,000	ROI	10.36%	8-units	$ 115,625	Price increased
733 Whitehead St:	$ 1,000,000	ROI	8.40%	6-units	$ 166,667	
400 Simonton St:	$ 1,599,000	ROI	2.61%	6-units	$ 266,500	

SALES: recent or imminent

1112 Southard Street
Duplex
SOLD 9/30/2013
Sale Price = $825,000

1320-22 Olivia Street
3-4 Unit
SOLD 9/26/2013
Sale Price = $460,000

316 Amelia Street
Duplex
SOLD 9/9/2013
Sale Price = $496,000

Doyle Rice, USA TODAY September 7, 2013

Hurricane season has been a dud despite dire forecasts

The preseason predictions were all dire, using words like "extremely active" and "above-normal" to describe the forecast for the 2013 Atlantic hurricane season. NOAA predicted that 7 to 11 hurricanes would form, while AccuWeather predicted 8. A typical JUN-NOV hurricane season has 7 hurricanes.

In fact, the season is about to enter record territory for its unusual lack of hurricanes. If the first hurricane of 2013 forms after 8 AM on 11 September, it would set a record for the latest first hurricane to arrive in the satellite era (1967) says the Miami National Hurricane Center. *Gustav* in 2002 holds the current record.

Once orbiting satellites were able to spot hurricanes that otherwise might have been missed, a more accurate count of the actual number of tropical storms and hurricanes each year became possible. Hurricane records go back to 1851, but because tropical storms and hurricanes spend much of their lifetime over the open ocean ð some never hitting land ð many systems were missed during the late 19th and early 20th centuries.

So, what's happened to all of the expected hurricanes this year?

(1) Several tropical storms (7 so far) dissipated when they ran into dry air and wind shear and did not affect the US. Wind shear ð strong winds that roar from different directions at various levels of the atmosphere ð can tear developing hurricanes apart.
(2) Strong winds blowing west off of the Sahara Desert have helped bring dry, dusty air into the Atlantic this summer, which can tend to decrease hurricane formation.

Several tropical waves coming across the tropical Atlantic in recent weeks have run into the same environmental issues and have failed to develop any further. Tropical waves are small weather disturbances that spin off the western Africa coast, which sometimes can strengthen into tropical storms and eventually hurricanes. ñStrong westerly winds aloft have continued to interrupt tropical development for almost every budding system so far in 2013," according to AccuWeather.

But now is not the time to get complacent, experts say.

"We are only at the midpoint of the six-month hurricane season, and have just entered the peak of hurricane activity (mid-August through late October)," the Hurricane Center warns. "It is a mistake to believe that the second half of the season would resemble the first half. Hurricane formation in the Atlantic is overdue and is soon likely to shift in favor of multiple tropical systems.ò

As of late Friday afternoon, the hurricane center was monitoring three separate tropical disturbances in the Atlantic. However, none is forecast to develop into a hurricane.

My Current BUYERS in the Lower Florida Keys:

October 2013

These are a sample of 5 buyers I am currently working with, in no particular order é what they are searching for, what their concerns are, what issues must be overcome, etc. Some of this may resonate with <u>you</u>, too! It will be a challenge to highlight 5 <u>new</u> buyers each month é but, letôs see how it goes. By my calculations, the present inventory of buyers will be exhausted in a few short months, so Iôll need a steady pipeline of newbies to replenish the inventory and keep this column going. Anyway, if you are a seller (or know someone who is), maybe one of these buyers would be a good match! I hope you find this interesting, even with identities withheld. If you <u>are</u> one of my buyer-prospects, surely you will recognize yourself!

<u>Buyer #1</u>: This is an unusual one. A Michigan-ite purchased a home in Key West (not my listing or buyer) after over a year of unwelcome surprises and closing postponements. We began conversing about a listing of mine, and it spilled-over onto his difficulties with the other property. I was able to give him several good recommendations (a local attorney, an architect, a General Contractor, even a dentist, etc). He was so appreciative of my help that he has sorta promised to refer any of his friends, neighbors or acquaintances to me in the future. I know thatôs open-ended. How can I claim him a ñBuyerò? OK, guilty. But I feel good about it. Justifiable.

<u>Buyer #2</u>: The husband of a ñsnowbirdò couple from church who summer in Cleveland OH dropped me a note that he recommended me to his northern dentist. Thank you, very much! The dentist and his wife vacation regularly in Key West, and they may be considering purchasing a property. Iôm guessing that their target will be an upscale condominium along the lines of my church friendsô property é high-rise type, on the waterfront. The inventory is low currently, but things change daily, and sooner than you expect, we will be moving into the ñseasonò when activity picks up. Iôm forearmed to start searching now!

<u>Buyer #3</u>: After a communications snafu of a couple of monthsô duration, I have re-established contact with buyers looking to settle in Key West. Email discussions were waylaid when their emails to me were stored in the secret recesses of a software program that I was unaware of. Nice! Actually Iôm not bad with the tech stuff, but this is more proof that the technology frontier may be expanding *faster* than my capability is growing (I wish this was an isolated example!). We are back-on-the-beam now, good things ahead.

<u>Buyer #4</u>: I was contacted by a woman from Tampa FL who saw my name and number on a For Sale sign. We saw that listing and established good rapport (I think!). She is a natural-born Conch, had moved away for a long stretch of time, but now wants to re-unite with her family in the Southernmost City. I am not sure the property we saw will be suitable for her, but we have agreed to discuss future properties for her to consider for purchase. Proof once more that listings have a multiplier-effect, compared to working strictly with buyers!

<u>Buyer #5</u>: The same listing that attracted Buyer #4 motivated another buyer to contact me through the website www.keywesthomelistings.com , mentioned several times previously in this newsletter. The company pays the vendor per-click for the ñlead generationò and the software + system are very good. Many of our agents have gotten valuable leads from the site, leading to closings. Me, too. These buyers are going to be visiting Key West soon, and we have decided to take at least one day to see if there are any properties that fit their criteria. Good news!

msn Money

By Charley Blaine, MSN Money, 16 September 2013

10 things we learned from the 2008 crash

The 2008 crash shattered the illusions about how we live our financial lives. It generated anger that still hasn't faded. The fallout has also made our politics feel downright nasty. 10 important things we learned:

No. 1: Bankers are gamblers -- and often not very good ones: Bankers are supposed to take risks. That's the point of banking, or at least the part of it that involves lending to support new ideas and new ventures. But they too easily take risks they shouldn't. For example, Merrill Lynch (and others) got *way* too bullish on toxic mortgages. The 100-year-old investment house had to sell itself to Bank of America to avoid outright bankruptcy.

No. 2: The global financial system is too complex: Markets around the world are so intertwined that a problem in one country can cause havoc everywhere else. Big banks are still too big. The system basically remains unchanged.

No. 3: Markets can be manipulated too easily: Not only is the global system unbelievably complex, it's also so interconnected it can easily be gamed -- even by a guy trading in his basement with the help of a Twitter account, let alone a huge brokerage house. It is easy to manipulate a market. Day traders can do it. Imagine what big firms can do.

No. 4: Regulators work for the regulated : In 2007, Countrywide Financial found itself struggling with its regulator, the Comptroller of the Currency. So, it simply switched to the more flexible Office of Thrift Supervision. The rating agencies, which are supposed to be objective, are paid by the security issuers they “regulate”. And it appears that hasn't changed.

No. 5: The crash forced us all to expand our vocabularies: Subprime mortgages, mortgage-backed securities (MBSs), collateralized debt obligations (CDOs), synthetic CDOs, credit default swaps, derivatives, etc.

No. 6: Home prices can fall: Every 10 to 15 years or so prices fall, and housing markets usually recover. But millions of "underwater" homeowners today still can't sell because the value of their home is less than they owe on the mortgage.

No. 7: Investors are muppets, and consumers are suckers: This view was exposed in a broker's e-mail that explained how clients could easily be taken for a ride. We learned that brokers and advisers can lie to clients and even push them into investments they knew were risky – or even designed to collapse – without facing any punishment. The financial crisis exposed brokers who hawked investments to customers without telling them what they were buying, let alone if the investments were appropriate. The bottom line for investors and consumers alike … look out for your own interests.

No. 8: Austerity isn't prosperity: Greece has endured a recession that's now six years old. Austerity has only made their economy worse. Greece isn't alone, either. The same prescriptions have been applied to Spain, Portugal, Italy, Cyprus and Ireland. Austerity measures haven't freed up capital and creativity. It has added to the misery.

No. 9: There are no safe investments or guaranteed returns: The essence of capitalism … you take a risk for the potential to make a profit on an investment. Even what looks like a safe investment can fall in value in a heartbeat. Take Apple stocks. Take Bernard Madoff.

No. 10: The banker who kills the bank keeps most of his money: None of the CEOs of the banks that fell apart in 2008 have faced serious punishment or any criminal charges. While some had to give some money back, they're still very rich men. Investors and consumers suffered. Taxpayers suffered. The CEO of Merrill Lynch left with over $200 million. The CEO of Washington Mutual left with over $25 million. The CEO of Countrywide left with hundreds of millions, and it cost Bank of America over $40 billion to clean up the mess. Will something be done about it? The statute of limitations on violations of securities laws expires soon. So probably not.

THE WALL STREET JOURNAL.

4 September 2013
By Nick Timiraos

Jumbo Mortgage Rates Fall below Traditional Ones

A Flip That Hasn't Happened Before, Say Lending Executives

Interest rates on mortgages for pricey homes have dropped below those on smaller mortgages. Jumbo mortgages, which are too big for government backing (exceeding the $417,000 limit), historically have been set higher than rates on what are known as conforming loans, which are backed by Fannie Mae and Freddie Mac or government agencies.

But in the past two weeks, the relationship has flipped, a combination of interest-rate volatility, government policy and banks flush with cash that are enjoying lower funding costs, making jumbo mortgages an attractive investment for them.

The average 30-year fixed-rate conforming mortgage was at 4.73% last week, according the Mortgage Bankers Association, compared with 4.71% for the average jumbo 30-year fixed-rate mortgage.

Executives say the inversion in the so-called spread, or difference, between jumbo and conforming loans is unprecedented. "In my 30-year career, I've never seen nonconforming loans priced below conforming loans," said Brad Blackwell, executive vice president of Wells Fargo Home Mortgage, the nation's largest mortgage company.

The rest of the article is available on-line … just google "WSJ Jumbo Mortgage Rates".

JSmith Note: I just wanted to show you that it is true! The Jumbo loan premium has been a bone of contention for me, for quite a while. Jumbo borrowers have always been charged more. I say there is no reason for that, except that banks are able to do it. Here's what I think:

(1) Jumbo borrowers are not more risky. Just the opposite … they are *much* better credit risks! Banks love them. They are great cross-selling candidates.

(2) Lenders claim without the FNMA or FMAC *implicit* government guarantee, they are at greater risk. That guarantee is imaginary … its absence should have no effect. You have a right to be confused after the bail-outs resulting from the 2008 Financial Crisis. Please ignore that we essentially proved that the implicit government guarantee was in fact very real.

(3) Small lenders might claim that a big Jumbo borrower represents too large a percentage of their loan pool … one bust could cripple the whole lender. OK, small lender, so don't make the out-sized loan.

A LOT of complicated market forces have created the situation we have today, where big borrowers get better interest rates than the regular borrowers. To me, that's proof that the long history of bank's charging more for Jumbo loans has been unjustified. Except that it adds to the lender's bottom line. It's done because it can be done. Period.

This part has always irritated me, too. The threshold is $417,000. Let's say you borrow $425,000 … a Jumbo loan. You might well expect that the *first* $417,000 of that loan receives the lower (non-Jumbo) interest rate. Then the higher Jumbo rate applies to the excess loan over $417,000. Wrongo! The Jumbo rate applies to the entire loan amount. What, they didn't explain that to you?? You could have put down another $8,500 cash, gotten a $416,500 loan instead and paid a lower interest rate.

FloridaRealtors® News

Source: “Luxury Home Owners Believe Home Ownership is a More Sound Investment Than the Stock Market, Survey,” **RISMedia** (Sept. 10, 2013)

What do luxury buyers want in a home?

Luxury homeowners and buyers place a high value on real estate, according to a new survey of 500 luxury homebuyers conducted by Better Homes and Gardens.

According to the survey:

(1) 75% of luxury homebuyers believe homeownership is a sounder investment than the stock market.

(2) 57% of luxury homeowners said homeownership is a bigger indicator of success than their job or title.

ñThe luxury consumer is considered a trendsetter in most industries, and to see the strong connection this consumer has with óhomeô is very significant as we look at the real estate market as a whole,ò says the president and CEO of Better Homes and Gardens Real Estate LLC. ñThe luxury homebuyer has high standards and invests the money, time, and the commitment to making their home fit their needs and reflect who they are. Itôs remarkable that they do this so well that nearly all ï 93% ï believe their house is the best one on their block.ò

The survey revealed some of the following insights into the luxury homebuyer and owner:

(1) They want more than one home: 53% of those surveyed said they prefer owning multiple ñlifestyleò homes to support their lifestyle activities, such as skiing or attending the theatre. 58% said they already own multiple homes.

(2) They’re willing to sacrifice square footage for amenities: 60% of luxury homebuyers said they would rather have as many upgrades as they can afford in their home rather than greater square footage. 94% would be willing to give up 1,000 square feet of living space to get the amenities they most desire, such as living in a better neighborhood, living in a house with ñcharacter,ò more land, access to dining and entertainment and a shorter commute.

(3) They want a high-tech home: 60% expressed a stronger desire for having a ñsmartò home than a ñgreenò home. 87% said they would not consider purchasing a home that wasnôt tech-friendly.

(4) They value their outdoor space: Luxury homebuyers also placed a high value on outdoor amenities as must-have essentials in a home. For example, they expressed a big interest in having a garden oasis, outdoor fireplace or fire pit, and a separate guesthouse outside the main home.

(5) They turn to a real estate agent for guidance and greater insights: Luxury homebuyers look for real estate agents to provide them insight into the neighborhood lifestyle (65%), advance notice of new listings (64%), advice on housing trends (55%), and support at a personal level through the buying process (53%).

JSmith Note: I have the “Green” Realtor designation. I’m surprised to hear that luxury homeowners would prefer high-technology over greenness. Those two features should complement each other! Technology improvements should facilitate the achievement of GREEN savings … to the environment, to health and to the pocketbook ☺ One day the MLS will include a GREEN rating for every home for sale. Don’t you think buyers would be interested in energy efficiency, conservation and saving money?

Southernmost Stars: **1 October 2013** The least expensive properties currently on the market on the island of Key West. Changes from last month are in **blue**!

Ten least expensive Condos or Townhomes in Key West:

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	$/Sqft:	Other:
3207 Eagle Ave	$154,900	2	1	1032	150	Foreclosure
3314 Northside #31	$175,000	2	2	920	190	Conventional
3312 Northside #307	$179,000	2	2	696	257	Conventional
1016 Howe St #10	$195,000	efficiency		110	1773	Transient license!
3312 Northside #104	$199,900	2	1	736	272	Conventional
3312 Northside #113	**$219,000**	**2**	**2**	**856**	**256**	**Conventional**
3314 Northside #47	**$235,000**	2	2	920	**255**	Conventional
3930 SRoosevlt #W-405	**$245,900**	**3**	**2**	**1074**	**229**	**Foreclosure**
3322 Duck Ave	**$252,900**	**2**	**1.5**	**1041**	**243**	**Foreclosure**
1011 Varela St #3	**$259,000**	**1**	**1**	**393**	**659**	**Conventional**

Missing from last month: 3930 SRoosevelt #N110 é under contract 24 Merganser é under contract
3312 Northside #213 é under contract 3255 Flagler #406 é under contract

Ten least expensive **Single-Family Residences** in Key West:

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	$/Sqft:	Other:
100 Geraldine St	**$199,000**	1	1	500	**398**	Conventional
727 Emma St	$299,000	2	1	640	467	Conventional
718 Thomas St	$349,900	2	2	855	409	Conv: Temp off-market
2831 Flagler Ave	$350,000	3	2.5	1300	269	Conventional
1121 Whitehead St	**$350,200**	**2**	**2**	**900**	**381**	**Foreclosure**
3525 Flagler Ave	$360,000	3	2	1104	326	Conventional
717 Galveston Ln	$369,000	1	1	532	694	Conventional (ren proj)
1007 Watson ï Rear	$374,000	1	2	646	579	Conventional
3515 Northside	**$390,000**	**2**	**2**	**1173**	**333**	**Short-sale**
1208 Florida St	**$399,000**	**3**	**2**	**948**	**421**	**Conventional**

Missing from last month: 206 Golf Club é under contract 1317 20th é under contract
1609 Trinidad é under contract

Again not very much turnover (35%) from last monthôs STARS é slow season. Note that the new entries are by-and-large coming in at the bottom of the grid (more expensive). And the term ñshort-saleò is being used less-and-less é only once in all of OCT Southernmost Stars!

Least expensive does not necessarily mean *best value*. That is determined subjectively by factoring-in other variables like appreciation potential, amenities, special features, location, condition, age, style, appeal, etc.

Jim Smith, Broker Associate, part-owner
Realty Executives Florida Keys
1824 Flagler Avenue
Key West, FL 33040
Cell: 305-304-2433
jimsmith@realtyexecutives.com