



Realty Executives Florida Keys

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2 February 2010

Hello, everyone ...

Quick, what's the first thing that pops into your mind when you look at these photos?



Yeah, me too ... The General, Larry Platt, should have gotten a Grammy for the hottest song of the year!

Pants on the ground, pants on the ground
Lookin' like a fool widja pants on the ground
With the gold in your mouth, hat turned sideways
Walkin' downtown widja pants on the ground

Sometimes I don't know what's gotten into me. But enough of that ... back to Florida Keys real estate.

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Banking takes a big hit (once again) in this selection of articles. And Happy Ground Hog Day!

The multi-unit inventory grew a little bit in JAN 2010 ... 8 newbies on-the-market, 6 departed, net (+2). Of the newbies, three made it directly to the TOP matrix. These are the 6 departed:

<u>Address:</u>	<u>Type:</u>	<u>Listing Price:</u>	<u>Results:</u>	<u>Date:</u>
2011-13 Roosevelt Dr	Duplex	\$ 399,000	SOLD for \$365,000	on 27 JAN 10
1217-19 3 rd St	Duplex	\$ 275,500	SOLD for \$286,000	on 4 JAN 10
1620 Johnson St	Duplex	\$ 595,000	EXPIRED	on 27 JAN 10
3314 Northside Dr #24a	Duplex	\$ 285,500	EXPIRED	on 21 JAN 10
1821 Harris Ave	3-4 Unit	\$ 475,000	SOLD for \$475,000	on 28 JAN 10
802 Southard St	3-4 Unit	\$ 949,000	EXPIRED	on 21 JAN 10

Jim Smith, Broker Associate
Realty Executives Florida Keys

What Caused the Recession? Let Blaming begin

By Jacob Weisberg Jan 9, 2010

Narratives of The Meltdown are flooding bookstores, think tanks are cranking out white papers, and Congressional committees are investigating. **The debate over how to prevent the next collapse has begun. But, how did the last one happen?** The only near-consensus is that in 2007 the housing bubble burst, leading to a high rate of defaults on subprime mortgages. Exposure to bad mortgages doomed Bear Stearns and then led to a banking crisis. A global recession became inevitable once the government let Lehman Brothers fail. But right about here, agreement ends.

There are no strong candidates for **sufficient condition** — a single factor that would have caused the crisis in the absence of any others. There are, however, a number of plausible **necessary conditions**—factors without which the crisis would not have occurred. **Most analysts find former Fed chairman Alan Greenspan at fault:**

- (1) Conservatives blame Greenspan for **keeping interest rates too low, too long** as the real-estate bubble inflated, spurring a frenzy of irresponsible borrowing.
- (2) Liberals focus on Greenspan's **aversion to regulation** and how it turned innovative financial products into lethal weapons. The emergence of an unsupervised market for more and more exotic derivatives allowed heedless financial institutions to put the entire financial system at risk. Fed chairman Ben Bernanke also echoes this view, attributing the crisis to regulatory failure.

Further down on the list are **factors that didn't cause the crisis but made it worse than it might have been.** These include:

- (1) Global savings imbalances ... rising asset prices and lowering interest rates.
- (2) Mistakes by rating agencies (Moody's, Standard & Poor's) on the safety of mortgage-backed securities.
- (3) Lack of transparency about bank risks, using off-balance-sheet entities to hide what they were doing.
- (4) Excessive reliance on math models, which under-priced unpredictable forms of risk.
- (5) Flawed models of compensation that encouraged financial firms to take on excessive risk.

Other analysts look to the **underlying mindset that encouraged the meltdown: shortsightedness, stupidity, and greed.** But those are weak explanations, unless you think human nature changed in the final decades of the 20th century to make people greedier or more foolish. A subtler psychological argument is that investors fell prey to **recurring delusions about risk and bubbles**, which the economists Carmen Reinhart and Kenneth Rogoff describe in their book, *This Time Is Different*. In another new book, *How Markets Fail*, John Cassidy of *The New Yorker* focuses on the **fallacies of free-market fundamentalism**. Still other writers, like Nobel Prize winner Joseph Stiglitz, in his new book *Freefall*, point to the way **globalization spread the toxicity** from the US mortgage market to the rest of the world. Libertarians and *The Wall Street Journal* editorial page continue to insist that **government did it**. The conservative jurist Richard Posner argues in his book *A Failure of Capitalism* that the **free market itself is to blame** for the recent troubles. Unfortunately, these explanations don't lend themselves to practical solutions.

Historians are still debating what caused the Great Depression, so it's not likely **this** argument will be settled any time soon. But **if we haven't at least learned that our financial markets need stronger regulatory supervision to prevent bad bets by big firms from going viral, we'll be back in the same place faster than you can say "30 times leverage."**

Underwater, but Will They Leave the Pool?

Millions of US homeowners owe more on their mortgages than their homes are worth. Yet most of them are continuing to pay their mortgages, despite substantial financial incentives for walking away. A 2006 buyer may owe \$600,000 on a home now worth \$300,000. She could rent for much less, saving hundreds of thousands over a decade.

Some think it's immoral to default. This view was reinforced by former TreasSec Paulson, who said anyone who walked away from a mortgage is "simply a speculator, and not honoring his obligation." (A former investment banker denouncing speculation!). Borrowers think they must repay their loans even if it is not in their financial interest, while their lenders are free to do whatever maximizes profits. Consider ... the loan was initiated by a mortgage broker maximizing fees at the expense of the borrower, while the debt was packaged and sold to investors in the hope of earning high returns, using models that predicted possible default rates.

In some states (like CA, AZ) mortgages are nonrecourse loans, meaning the mortgage is secured by the home only, and the lender has no claim on a borrower's other possessions. The borrower has the option to give the lender the keys and walk away. Under these circumstances, deciding whether to default might be no more controversial than deciding whether to claim insurance after your house burns down. In fact, borrowers in nonrecourse states pay extra for the right to default without recourse. HUD estimated that home buyers in such states paid an extra \$800 in closing costs for each \$100,000 they borrowed. Most borrowers are unaware of it, otherwise more people might be willing to default, figuring that they had paid for the right to do so. We could be facing another wave of strategic-default foreclosures. Bankruptcies and foreclosures are "contagious." People are less likely to think it's immoral to walk if they know others who have done so. And if enough people do it, the stigma begins to erode.

Suggestion: Any underwater homeowner living in a ZIP code where home prices have fallen at least 20% should be eligible for a loan modification, where the bank reduces the loan balance by the average price reduction in the neighborhood. In return, the bank would get 50% of the average neighborhood gain when the house is eventually sold.

Those homes would no longer be underwater. Many people would no have no reason to default. They would maintain their homes because, if they later sold for more than the average price increase, they would keep the extra profit.

If a new wave of foreclosures begins, the banks would be better off under this plan. Rather than getting only the house's foreclosure value, they would also get part of the eventual upside when the owner voluntarily sells. This plan may not be perfect, but something like it may be necessary to head off a tsunami of strategic defaults.

Richard H. Thaler is a professor of economics and behavioral science at the Booth School of Business at the University of Chicago.

MULTI-UNIT PROPERTIES:

1 February 2010

address = "Short Sale" or foreclosure

DUPLEX (top 10):		ROI:				ROI:			
1119 Catherine St:	\$449.9K Max	8.24%	On market	26JAN	3314 Northside #17	\$224.9K Max	12.93%	On market	20SEP
MLS112405	NEW Min	7.27%			MLS111626	Min	11.23%	Reduced	22JAN
2404-07 Flagler:	\$285K Max	8.80%	On market	5JAN	1317 Sunset Dr:	\$385K Max	9.73%	On market	1OCT
MLS112267	NEW Min	7.50%			MLS109389	Min	8.60%	Reduced	6MAY
823 Terry Ln:	\$250K Max	11.87%	On market	1MAR	800 Elizabeth St:	\$400K Max	9.10%	On market	4MAY
MLS110398	Min	10.22%			MLS110803	Min	7.83%	Reduced	18NOV
1319 2nd Ave:	\$299K Max	10.97%	On market	8MAR	2007 Flagler:	\$360K Max	11.27%	On market	8JUN
MLS110430	Min	9.92%			MLS110984	Min	10.03%	Reduced	29JUL
2226 Patterson:	\$450K Max	9.07%	On market	5APR	1508 Duncombe St:	\$314K Max	7.37%	On market	26AUG
MLS110648	Min	8.06%	Reduced	19NOV	MLS111997	Min	6.39%		
3-4 UNIT (top 6):		ROI:				ROI:			
1130 Elgin Ln:	\$410K Max	10.80%	On market	5JAN	1614 Dennis:	\$559K Max	9.25%	On market	20FEB
MLS111405	NEW Min	9.66%			MLS107921	Min	8.12%	Reduced	16DEC
904 Truman Ave:	\$325K Max	11.23%	On market	28SEP	2618 Fogarty Ave:	\$670K Max	8.23%	On market	24NOV
MLS111640	Min	9.56%			MLS109707	Min	7.43%	Reduced	24DEC
1125 Washington:	\$688K Max	8.67%	On market	18FEB	719 Frances St:	\$400K Max	11.44%	On market	13NOV
MLS107914	Min	7.51%	Reduced	24JUL	MLS544226	Min	9.97%		
> 4 UNITS (top 2):		ROI:				ROI:			
1301 Truman Ave:	\$1.5M Max	13.38%	On market	18JUN	1214 Catherine:	\$649K Max	13.79%	On market	9NOV
MLS111056	Min	11.45%			MLS111893	Min	12.56%	Reduced	24APR

Sample ROI calculation:

123 Blue Street duplex: on market 4/1/09, asking \$750,000, MLS# 555666

Unit #1 is 2-beds, 2-baths	Max rent = \$1,350/mo	Max income Unit #1: (12)x(\$1,350)x(0.95) = \$15,390
	Min rent = \$1,300/mo	Min income Unit #1: (12)x(\$1,050)x(0.95) = \$11,970
Unit #2 is 1-bed, 1-bath	Max rent = \$1,050/mo	Max income Unit #2: (12)x(\$1,300)x(0.95) = \$14,820
	Min rent = \$ 995/mo	Min income Unit #2: (12)x(\$ 995)x(0.95) = \$11,343

Vacancy rate: 5%

Max sell price = 96% of ask price
 Min sell price = 92% of ask price
 Taxes + insur = 2.5% of sell price

Max ROI =	$\frac{(\text{MaxIncome} - \text{MinExpenses})}{\text{Min Sell Price}}$	=	$\frac{27,360 - 17,250}{690,000}$	=	1.47%
Min ROI =	$\frac{(\text{MinIncome} - \text{MaxExpenses})}{\text{Max Sell Price}}$	=	$\frac{26,163 - 18,000}{720,000}$	=	1.13%

Reported like this:

123 Blue Street:	\$750K	Max	1.47%	On market	1APR
MLS555666	NEW	Min	1.13%		

Assumptions made in the analysis:

- (1) Rental income is taken from MLS or estimated for comparable properties
- (2) The following data is NOT factored-into the ROI calculations:
 - Financing (assumed cash purchase)
 - Maintenance expenses
 - Utilities (assumed paid by tenant)
 - Property management fees
 - Tax benefits to owner of investment property
 - Potential for appreciation

If you would like to see ROI calculations using a different set of assumptions, please contact me and I'll re-run the analysis.

This analysis is based on many assumptions and approximations. ROI estimates are believed to be reasonable, but they are not guaranteed. Prospective buyers may use this as a guide and arrive at their own determination.

Banks say cut out the courts

Floridians facing foreclosure could be kicked out of their homes in as little as 3 months. The Florida Bankers Association, has presented state legislators with a bill to establish "non-judicial" foreclosures by July 1. The bill is called *The Florida Consumer Protection and Homeowner Credit Rehabilitation Act*. Banks would accelerate foreclosures against defaulting homeowners by bypassing the courts. Judges would no longer rule on foreclosure cases.

37 states already grant that fast-track foreclosure authority, including California, Georgia, Alabama and Texas. But Florida, has always been big on homeowner rights. However, if you're a financially strapped Florida homeowner, the bill contains worrisome signs:

- **Non-judicial foreclosures must conclude within 3-to-12 months.** Most Florida foreclosures take a year to 18 months to work through the courts these days, longer if a lawyer fights a successful rear guard action.
- The Florida Supreme Court's newly endorsed **mandatory mediation for lenders and homeowners would effectively go bye-bye.** The bill provides only for informal meetings between creditors and debtors.
- Even after homeowners are evicted, **banks can still pursue them for unpaid mortgage debt.** But banks will waive that right if homeowners avoid trashing or stripping the house before the new owner takes over.

The Bankers Association views the bill as a way to break a foreclosure crisis partly caused by mortgage fraud. He offered a list of innocents the bankers aim to help: neighbors annoyed by abandoned houses next door; condo associations pursuing dues from properties in legal limbo; cities grappling with urban blight; and judges overloaded with thousands of foreclosure cases. "We don't want the property. We want the property out of the courts and sold to a productive family."

Finalizing a foreclosure is time-consuming and expensive. Each foreclosure can cost lenders an additional \$30,000 in legal fees. Banks themselves are to blame for much of the judicial foot-dragging. "These cases are stuck in legal limbo because banks don't want to push foreclosures. I've seen cases where nothing is done. **The lenders don't want these homes back. They know they have to pay assessments once they take them back.**"

What's the chance of this legal revolution getting consideration? As of yet, the bill has neither an official number nor formal sponsors. **With populism resurgent and anti-banker attitudes rife, passage could be a stretch.** Gov. Charlie Crist would have to sign a pro-banker bill as he's contesting a U.S. Senate seat. "Sure, it's a change in Florida law. But it will help us get to the bottom of the foreclosure crisis faster."

Bankers Without a Clue

By PAUL KRUGMAN

January 15, 2010

The official Financial Crisis Inquiry Commission has begun taking testimony. In its first panel, the commission grilled four financial-industry honchos. What did we learn? Disappointing. We got witnesses blurting out: “Yes! I’m clueless!”

OK, not in so many words. But the bankers’ testimony showed a stunning failure, even now, to grasp the nature and extent of the current crisis. It tells us that **as Congress and the administration try to reform the financial system, they should ignore advice coming from the supposed wise men of Wall Street**, who have no wisdom to offer.

Recap: The US economy is still grappling with the consequences of the worst financial crisis since the Great Depression. Trillions of dollars of potential income have been lost. The lives of millions have been damaged, in some cases irreparably, by mass unemployment. Millions more have seen their savings wiped out. Hundreds of thousands will lose essential health care because of job losses and draconian cutbacks by cash-strapped state governments.

And **this disaster was entirely self-inflicted**. We’re in trouble entirely thanks to the dysfunctional nature of our own financial system. Everyone understands this — everyone, it seems, except the financiers themselves.

There were two moments in Wednesday’s hearing that stood out:

(1) **JPMorgan Chase** declared that a financial crises “happen every 5-7 years. We shouldn’t be surprised.” **In short, stuff happens, and that’s just part of life**. It was also startling that JPMorgan Chase never even considered the possibility of a large decline in home prices, despite widespread warnings.

(2) **Goldman Sachs** compared the financial crisis to a hurricane nobody could have predicted. He urged Congress not to push too hard for financial reform “that is solely designed around protecting us from the 100-year storm.” So this giant financial crisis was **just a rare accident, a freak of nature, and we shouldn’t overreact**.

But the truth is that from the late 1970s on, the American financial system, freed by deregulation and a political climate in which greed was presumed to be good, spun ever further out of control. There were ever-greater rewards for bankers who could generate big short-term profits, pushing loans and hyper-leveraging within the financial industry. **Sooner or later, this runaway system was bound to crash. And if we don’t make fundamental changes, it will happen all over again.**

Do the bankers really understand what happened? The important thing is to **stop listening to financiers about financial reform**. Wall Street executives will tell you that the financial-reform bill the House passed last month would cripple the economy with overregulation. But **what do they know? The answer, as far as I can tell, is ... not much.**

By Regina Corcoran: I've been researching the foreclosure process in Florida. I have retrieved scores of pages ... some just plain wrong, others hopelessly mangled. Are the foreclosure procedures a matter of opinion, or stories handed down generation after generation? **Rule #1: Even in foreclosure, it is critical to seek the advice of an experienced attorney.** Let's take it from the top.

- (1) Buyers get a loan to finance a home. Among the dozens of documents they sign, two are very important.
 - (a) Short one, often only one page, is the promissory note. The borrowers promise to repay the money.
 - (b) Long one, perhaps 18 pages, is the mortgage. It establishes the house as collateral for the note.

In other words, I promise to repay the money. If I don't, you can get a judgment against me and you can sell the house to recover the money.

- (2) The buyers sign the mortgage and they give the mortgage to their lender. Being the givers of the mortgage, the buyers are the mortgagors. Being the receiver of the mortgage, the bank is the mortgagee. In Florida, the new happy owners clutch the warranty deed in their hands as they leave the closing. The lender never gets the title to the home unless they default.

- (3) The lender files that mortgage at the courthouse to establish a lien, and thus the lender is the lien-holder. The lender is the note-holder. After the Clerk of the Court records the mortgage, they return it to the bank. Thus, the lender is the mortgage holder.

- (4) Time passes. Sad to say, but the owners get behind on their mortgage payments.

- (5) The mortgage holder may send a letter threatening to call the note, after a couple of months. That message will serve as notice that they intend to implement their acceleration clause. That means, "Mr. and Mrs. Homeowner, if you don't bring your account current, send us back the whole remaining balance."

- (6) Then the lender files a *lis pendens* at the courthouse, raising the stakes. A process server tries to deliver a copy to the owner. If the owner receives a copy, the mortgage company can have their "day in court" 20 days later. Otherwise, they have to wait at least 30 days. Often the process takes much longer.

- (7) The next step is the auction of the property at the courthouse steps. Before the auction, the date of the sale must be published weekly at least three times, the last one not less than five days prior to the auction.

I followed 3 of these proceedings from the start to current date. All three *lis pendens* were filed Jan 5, 2009. Only one of the three properties has been sold at the courthouse steps. The bank is the same on all three. The bank has been awarded a judgment on all three. But one year later, the bank has only ordered the sale of one.

Contrary to existing myths, the bank doesn't "get your house." More often than not, the bank, having the greatest interest in the property, is the winning bidder at the auction, even though they don't really want the property. Now they must sell it and try to recoup their losses.



Real Estate the New Way!

Matt Jones

January 20, 2010

What would you think of a major university where only 15% of its graduates went on to get a job? Would you want to send your kids there? Or what would you think of a brand of automobile if 9 out of every 10 sold broke down beyond repair in the first two years? You probably wouldn't rush right out and buy one, would you? What would you think of a football coach whose team went 2 and 12 for the season? I know... you probably wouldn't want to buy season tickets.

Then let me ask you this: Would you choose to enter a career where 85% of all the people entering — smart people: college-educated, mature adults — failed miserably in their first two years, in spite of investing thousands of dollars in their education, skills training, and tools, no matter how hard they worked? Well, don't look now, but you already did!

Welcome to the real estate business ...

Sad thing is, the figures in the 1st two paragraphs (above) are correct. Where am I going with this? Rather than be down-in-the-dumps, I'm introducing depression-prevention humor ... one-liners to live your life by:

Old Farmer's Advice:

Keep skunks and bankers at a distance

Life is simpler if you plow around the stump

Don't interfere with somethin' that ain't botherin' you none

Timing has a lot to do with the outcome of a Rain Dance

Always drink upstream from the herd

Sometimes you get, and sometimes you get got

Do not corner something that you know is meaner than you

Most of the stuff people worry about ain't never gonna happen anyway

Live a good, honorable life ... then when you get old and think back, you'll enjoy it a second time

Universal Laws:

Law of Mechanics: When your hands are greasy, your nose will itch and you will have to pee

Law of Gravity: Any tool, nut, bolt or screw, when dropped, will roll to the least accessible corner

Law of Probability: The chance of being watched is proportional to the stupidity of your act

Law of Random Numbers: A wrong number never gets a busy signal and someone always answers

Law of Variation: If you change lines, the original line starts to move faster

Law of Close Encounters: The probability of meeting someone you know increases dramatically when you are in the company of someone you don't want to be seen with

Law of Attraction: If there are only two people in the gym, they will have adjacent lockers

Law of Marketing: When you find a product you really like, they will stop making it

Law of Medicine: If you don't feel well, make an appointment with a Doctor, and by then you will feel fine. Make no appointment and you will stay sick.

Law of Logic: Anything is defensible if you don't know what you are talking about

Law of Expectations: If you tell your boss you were late because of a flat tire, the next day you will have a flat tire.

Word to the wise: There are a LOT of cell phones out there. Almost everybody carries one everywhere they go. Almost all of those cell phones have *cameras*. Remember that. Refer to the Law of Probability (above).

Southernmost Stars:

1 February 2010

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:
1016 Howe St #4	\$149,000	1	1	144	1035	Short-sale
1012 Truman Ave #103	\$149,900	2	1	750	200	Foreclosure
3930 S Roosevelt #302S	\$160,000	1	1	521	307	Short-sale
419 United #3	\$160,000	1	1	343	466	Short-sale
1207-09 William #1	\$165,000	2	1	560	295	Short-sale
3312 Northside #513	\$179,000	2	1	856	209	Conventional sale
3655 Seaside #421	\$180,000	2	2	772	233	Short-sale
3930 S Roosevelt #313W	\$189,000	2	2	802	236	Short-sale
112 Golf Club Dr	\$192,500	2	1.5	780	247	Short-sale
1445 S Roosevelt #410	\$199,000	1	1.5	522	381	Conventional sale

Missing from last month's report:

3029 N Roosevelt #3 ... under contract
1318 Duncan St ... under contract

3655 Seaside #119 ... under contract
3675 Seaside #135 ... under contract
66 Merganser ... listing cancelled

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

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	\$/Sqft:	Other:
3325 Pearl St	\$189,000	2	1.5	720	263	Conventional sale
2420 Patterson Ave	\$210,000	2	2	1509	139	Convntl sale, tear-down
221 Petronia St	\$225,000	3	2	1155	195	Short-sale
3314 Northside #17	\$224,900	3	3	1537	156	Foreclosure (duplex)
728 Windsor	\$260,000	2	1	654	413	Conventional sale
2307 Patterson Ave	\$270,000	2	3	864	313	Conventional sale
1107 Thomas St	\$225,000	2	1	1102	248	Short-sale
3314 Northside #23a	\$275,000	3	3	1358	203	Conventional sale (duplex)
323 Angela St	\$285,000	3	1	840	339	Conventional sale
2405-07 Flagler Ave	\$285,000	4	2	1479	193	Short-sale (duplex)

Missing from last month:

309 Julia St ... under contract
3314 Northside #24a ... listing expired
3321 Eagle Ave ... under contract

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.



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