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REAL ESTATE DIGEST

PRACTICAL REPORTS ON TAXES, FINANCING, MARKETS, LAW AND TECHNOLOGY

Industry Grapples with Data Security as Adoption of Digital Technology Accelerates

The security and privacy of consumer data in real estate transactions has become a red-hot issue now that more information is being stored on computers and digital devices and exchanged over networks and the Internet. Not surprisingly, incidents of technology attacks are on the rise.

According to security experts at the International Association of Privacy Professionals, real estate firms need to manage their privacy and security policies more closely to improve consumer trust and protect themselves from lawsuits.

"Clearly, in the real estate business, the Web is here," said Richard Mendenhall, principal of consulting firm WMWorks in Columbia, Mo., and former president of the National Association of Realtors.

Digital theft up

Incidents of computer break-ins have escalated over the last few years, according to Mark Lesswing, VP of NAR's Center for Real Estate Technology. Lesswing cites a Computer Security Institute Survey, which found that 92 percent of respondents have reported virus attacks on computer systems.

Mendenhall pointed to Web-use statistics in real estate transactions to illustrate why security and privacy issues are an imperative part of company business plans. Sixty percent of homebuyers now view properties on the Internet and 79 percent of consumers who use the Web to shop for homes also find their Realtor online, according to NAR research. That higher level of usage speaks to the greater need for

security systems and privacy protections.

"We want to reduce risk on the Internet. We want to demonstrate to consumers that we take care of their data," he said.

Companies should always use a firewall in their computer systems, and regularly update anti-virus software and software patches, he suggested.

Beyond technology


But security must also reach beyond technology to the people who use it, according to Darity Wesley, CEO and legal counsel of San Diego-based Privacy Solutions.

Wesley suggests real estate companies create a "terms of use" policy to display on their Web sites. Privacy policies minimize a company's risk of liability and build trust with clients, she added. "It's important for companies to pay attention to consumer concerns about how they obtain consumer data and what they do with it," Wesley said.

NAR's Realtor Secure program offers members a way to certify that they meet industry best practices by first performing a self-evaluation, then inviting a third-party security expert to assess a company's security practices.

ECONOMY

Is it Time to Burst The Bubble Theory?



National Association of Home Builders administrators and economic forecasters don't expect the booming housing market to hit a wall. In fact, indicators suggest the housing sector should do well for the next several years, said Jim Glassman, a senior economist for JP Morgan Chase.

Inflation has dropped to 40-year lows, while household income is roughly keeping pace with escalating home prices and debt service is very manageable these days.

"There is nothing going on to suggest that home prices are straining," he said. "I don't think there is anything spiky going on."

Additionally, any increases in interest rates will likely be due to the improving health of the overall economy, such as an increase in employment and income levels, he said, and shouldn't dramatically impact the housing market.

"I would be shocked if we didn't get job growth," he added.

Median home prices went up about 9.5 percent in the past year, with home prices estimated to rise four percent from fourth quarter 2003 to fourth quarter 2004.

Home Ownership As An Election Issue



There are early indications that home ownership rates, arguably the

brightest spot in the Bush economy, will play a major role in his re-election campaign.

In recent campaign appearances in Pennsylvania and Arizona, and again in his national radio broadcasts, the president boasted of improved home ownership in his administration and pointed to the success of pre-purchase counseling programs, low interest rates and low down payments as keys to achieving his goal of a 70 percent home ownership rate by the end of the decade. Bush says he is especially proud of his administration's work in making home ownership available to low-income Americans.

TRENDS

Americans Moving Less, Staying Put



Americans, once the mobile society, are settling down. The Census Bureau is reporting that Americans are not moving from home to home at nearly the pace they have in the past.

According to its Geographical Mobility report, 40 million people moved between 2002 and 2003 - about 14 percent of the population. That was down from a rate of 20 percent in 1948. Among people who changed residence, 51 percent moved for housing-related reasons, 26 percent for family reasons and 16 percent for work-related reasons. The report also said that about one-third of individuals in the 20- to 29-year-old group moved at least once during the year, more than twice the rate of all other movers.

Condos Sales Surge



Condominiums and town houses are becoming increasingly popular with this year's homebuyers. Nationally, sales and financing of these units is up by about 10.3 percent over last year at this time,

according to a report from the National Association of Realtors. The primary buyers of condos are first-time homebuyers and seniors seeking a maintenance-free retirement residence. Thus the trend is particularly prevalent in California, where there is an exceptionally large proportion these buyer segments.

"Most of my condo buyers in recent months have been first-time home buyers," said John Anderson, a California real estate broker who specializes in condo sales. "In many cases, they had been fence-sitting prospective buyers, waiting for an imagined bubble to burst. They finally realized there was no bubble to burst, and took action to purchase and finance a condo."

Average Commute Times Stay Under 30 Minutes



Quick, how long does it take for the typical person to get to work? The Census Bureau has released new commute-time data that shows the typical commuter in 2000 left home between 6:30 a.m. and 8:29 a.m. and drove alone for 26 minutes to get to work. The average male worker took 27.2 minutes to get to work and the average female worker took 23.6 minutes.

According to the report, about 53 percent of all workers headed to their jobs between 6:30 and 8:29. Another 20 percent departed for work between midnight and 6:29 a.m., up 2 percentage points (or 4.8 million workers) from a decade earlier.

TECHNOLOGY

Top Ten: Smart Home Automation Products



Americans love gadgets, and more and more gadgets are being integrated in "smart homes."

Smarthome.com, a Web site specializing in the sale of high-tech home gadgetry, has announced its annual list of top-selling home automation products.

The top products were:

✿ **BoosterLinc**, a product that uses a home's electrical wiring to improve connections between a variety of communication devices, such as televisions, security cameras, radios, stereos and computers.

✿ **Sensaphone**, a device that monitors homes for temperature, leaks, motion and other events and then calls the home owner to alert them of an event.

✿ **SwitchLinc**, a line of compatible dimmers and switches that feature brightness indicator bars, adjustable "on" levels and whole-house controls.

✿ **Doorbell Fun Door Answering System**, which rings the home phone with a distinctive tone after a visitor has pressed a compatible button on the intercom station at the front door. The homeowner can talk to the person at the door without going to the door.

✿ **Speed Wrap All-In-One Cable**, which combines multiple fiber optic, coaxial and telephone cables into one bundle, reducing installation time by allowing installers to pull all cables at once.

MORTGAGES

MBA Pushes Up Mortgage Forecast



The Federal Reserve's reluctance to raise interest rates is causing the

Mortgage Bankers Association to again lift its estimate on how many mortgages will be sold this year.

At the beginning of the year, the MBA - predicting interest rates would go higher as the economy recovered - forecast a 2004 volume of about \$1.5 trillion. As the

economy remained stagnant, however, and the Fed declined to raise rates, it predicted 2004 volume could hit \$2 trillion.

Now, however, with doubts circulating that the Fed will raise rates until December, the MBA says the continuing low interest rates could trigger as much as \$2.5 trillion in business this year. More than half of mortgage volume is a result of refinancings.

Consumers Offered Wider Access to Credit Scores



A few months ago, it was very difficult for people to learn their "credit score." There seemed to be a veil of secrecy and mystery engulfing the scoring system. Today, an increasing number of home mortgage lenders and other firms are eager to provide personal scores to those who request it as a customer service. And some firms accompany the score with suggestions for improving it, thus helping them qualify for a better mortgage loan and terms.

For example, San Francisco-based Providian Financial Corp. (www.providian.com) offers customers unlimited access to their credit scores any time they request, at no charge. They can also sign up for free automatic e-mail alerts any time their scores move by more than 10 points. As an added benefit, that service provides an effective defense against identity-theft credit crimes.

AGENTS CORNER

Move Over FSBO, Say Hello to SUMO



There may be too many acronyms in the business already, but British

newspapers are noting that real estate agents in the country have coined a new term for an increasing number of customers they are seeing - SUMOs - short for "splitting up, moving out."

SUMOs are the fallout from an increasing divorce rate across Europe, agents say. Some 36 percent of marriages in the European Union fail, according to reports. Agents say the term "SUMO" is not intended to be derogatory to Japanese wrestlers of the same name. Said one, "it's just a trade term and not meant for the public's ears."

Home Inspectors Share Savvy with Consumers



The American Society of Home Inspectors (ASHI) has put a "virtual home inspection" tool on its Web site and is urging consumers to use it to help them in the purchasing of homes.

The VHI is located on the ASHI site at: www.ashi.org. While not a do-it-yourself kit, the site does go over some of the basic problems found in 10 main systems in the home and helps consumers understand what inspectors look for.

MLS Goes Mobile For Real Estate Pros



The real estate industry continues to be intrigued by mobile technologies, especially those that offer simple access to data in real time. Retrieval Dynamics Corp.

(www.retrievaldynamics.com) thinks it has one solution with its Mobile Listing Advantage, a hosted wireless application for agents, brokers and appraisers.

The MLA application allows portable access to MLS databases. The technology currently is available through BlackBerry handheld devices, though George Stolpe, marketing director for the company,

said MLA data will be available through Java-enabled cell phones or Palm-like devices in May or June of this year.

"This technology enables real estate professionals to search and retrieve property listings while they're out of the office," Stolpe said. The concept is intended to help Realtors speed up the sales cycle, increase productivity and lower overhead costs.

LAW

Apartment Web Sites Hit with Lawsuit



The Fair Housing Center of Greater Boston has filed Fair Housing lawsuits against local apartment-listing Web sites that use phrases such as "professionals only" or "good credit required" in their advertisements.

A spokesman for the center says the ads are discriminatory because they prevent low-income Americans from applying for apartments, as well as families with

children. The lawsuits ask the sites to cease discriminatory practices. Owners of the Web sites, including BostonApartments.com and Apartment Depot, said the first time they were aware of the allegedly flawed advertising was when they received the court papers.

MARKETS

Feds Offer Affordable Housing Incentives



The Department of Housing and Urban Development announced recently it would create a new funding incentive to encourage state and local communities to remove excessive regulations that inhibit the production of affordable housing.

On March 22, HUD notified potential applicants of its competitively awarded grant programs that it would begin awarding priority points to governmental and non-governmental applicants in communities that have successfully demonstrated efforts to reduce

regulatory barriers that prevent many working families from living in the communities of their choice.

Common regulatory barriers include exclusionary zoning, antiquated building codes, duplicative reviews and approval processes and excessive and unwarranted fees. These regulatory burdens can add tens of thousands of dollars to the cost of affordable housing, the agency said.



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