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## REAL ESTATE DIGEST

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

### Double-Digit Summer Heats Up the Nation

**S**ummer is hot. A growing number of metropolitan areas showed double-digit annual increases in median existing-home prices with the trend showing no sign of letting up, according to the latest survey by National Association of Realtors.

"We simply don't have enough homes on the market to meet demand," said David Lereah, NAR's chief economist.

The association's first-quarter metro-area home price report, covering changes in 136 metropolitan statistical areas, shows a record of 66 areas with double-digit annual increases in median existing single-family home prices and only six areas posting modest price declines. The previous record was 62 metros showing double-digit price appreciation in the fourth quarter of 2004.

The national median existing single-family home price was \$188,800

in the first quarter, up 9.7 percent from the first quarter of 2004, when the median price was \$172,100. The median is a typical market price where half of the homes sold for more and half sold for less. In the fourth quarter of 2004, the national annual rate of home-price appreciation was 8.8 percent.

#### Rates stay level

"Low mortgage interest rates are drawing new households into the market, but some are disappointed by their inability to find a home that meets their needs. We think the supply situation may improve next year when interest rates are expected to be higher – that should result in a lessening of demand and cooler price appreciation," said Lereah.

Three Florida metros led the nation in price growth. The strongest price increase was in Bradenton, where the first-quarter price of

\$275,100 represented an increase of 45.6 percent from a year earlier. Next was Sarasota, at \$326,300, up 36 percent from the first quarter of 2004. Third was the West Palm Beach-Boca Raton-Delray Beach area, with a first-quarter median price of \$362,800, up 35.9 percent in the last year.

#### West leads pack

Median first-quarter metro-area resale prices ranged from \$82,400 in Youngstown-Warren, Ohio, to more than eight times that amount in the San Francisco Bay area, where the median price was \$689,200. The second-most expensive area in the United States was Anaheim-Santa Ana (Orange County, Calif.) at \$656,900, followed by San Diego at \$584,100.

Regionally, the strongest increase was in the West, where the median existing single-family home price was \$282,900 during the first quarter, up 16.9 percent from a year ago. The strongest increase in the region was in Riverside-San Bernardino, Calif., where the median price of \$343,400 rose 36.2 percent from a year earlier, followed by the Las Vegas area, at \$291,000, up 29.4 percent, and Sacramento, at \$352,900, up 26.9 percent from the first quarter of 2004.

## TRENDS

### Single Moms Pair Up For Housing Muscle



Co-Abode.com addresses the challenges single mothers face in a novel way. The site, which is growing in popularity across the country, serves as a matchmaking

service for any single mother interested in sharing or purchasing a home with another single mother and her family. By pooling their energy and finances, the two families can provide each other the support that normally comes from a second parent.

"There are just so many ways that house sharing could help women," said Carmel Sullivan, Co-Abode's founder. Sullivan started the site three years ago when she found herself in a difficult and unfamiliar situation.

"I came out of a 17-year marriage," said Sullivan, a professional painter. "I didn't want to raise my son on my own."

She posted an ad on a Web site requesting a specific living arrangement: to share a house with a single mother with a child her son's age.

Most of the women responding to her ad were living either with their parents or in small one-bedroom apartments, with the mother sleeping on a couch, she said.

With training from her 8-year-old son on how to use the Internet, Sullivan started Co-Abode.com, a nonprofit organization that she continues to run out of her Los Angeles living room.

Charging a one-time membership fee of \$29.99 to cover costs, it quickly attracted mothers from California and then spread. The site has about 13,000 paying members across the country and thousands of others who visit regularly, Sullivan said. So far, about 550 women have found a family to share a home with.

Co-Abode is one of scores of Web sites people are using to find

new living situations. Sites such as craigslist.com and forrent.com have become popular for both apartment hunters and landlords.

### Housing Costs Take Bigger Income Bite



In six years, the number of low- and middle-income families who spent more than half their income on housing increased 76 percent,

according to a study by the Center for Housing Policy. The center, a nonprofit research affiliate of the National Housing Conference coalition, promotes affordable housing.

A general rule of thumb is not to spend more than 30 percent of one's income on housing-related expenses. In 2003, 4.2 million working families in the United States spent more than half their income on housing. Immigrant working families are 75 percent more likely to spend more than half their income on housing. According to the study, one in eight families in the United States had critical housing needs, meaning either they paid more than half of their income on housing or lived in dilapidated conditions.

### Consumers Mull Move Then Act Fast



Many consumers spend a year or more thinking about making a home purchase before they actually begin the process, but will spend only a few

days looking for a real estate agent, according to a new survey from the lead-generating company, House Values ([www.housevalues.com](http://www.housevalues.com)).

The survey indicates buyers and sellers may "collect home-related experiences" for up to four years prior to a transaction, and – in their own minds, at least – begin the transaction process months before contacting an agent.

According to the survey, sellers

take an average of 9.3 months from the time they begin actively thinking about a sale until the close date. Homebuyers spend nearly a year and a half – 16.7 months – thinking about purchasing a home before they actually buy. First-time homebuyers are even more deliberate, investing an average of 20.5 months in the entire home-buying process.

HouseValues CEO Ian Morris said the survey demonstrated that brokers and agents need to make contact with consumers early in the process and continue their contacts until the consumer is ready to buy or sell.

## TECHNOLOGY

### Web Site Lets Consumers Rate Local Builders



An independent consumer Web site has been launched to allow new home buyers to talk about their buying experiences,

naming names. The site is [RateMy-BuilderOnline.com](http://RateMy-BuilderOnline.com).

In addition to posting the experiences of consumers in the new home buying process, the Web site offers advice on what questions to ask builders and what guarantees consumers may expect. The site is not connected with any builder, trade association or realty company.

## MORTGAGES

### Fannie Mae Expands Forty-Year Loan



After a successful test run, Fannie Mae says it plans to expand its purchases of 40-year

mortgages.

While initial volumes aren't expected to be huge, the company sees the product as a way to make home ownership more affordable as interest rates rise and house prices continue to appreciate, she said.

While 40-year mortgages have been around since the 1980s, few lenders have offered them, largely due to competition from a suite of other products designed to make home ownership more affordable, including adjustable-rate mortgages and interest-only mortgages, which have been much more popular.

But 40-year fixed-rate loans could have more appeal to borrowers who plan to live in their homes for a number of years and don't want to run the risk that interest rates will rise significantly at the end of a five- or seven-year reset period.

## MARKETS

### Corporate Transferees Face Sticker Shock



California and other state's high housing costs are causing angst among employees looking to relocate to those markets. Employers have responded by offering new relocation incentives.

"Employees who job hunt in California get sticker shock really fast," said Arden Hjelm, a RELO relocation specialist and vice president of Young Realtors in Westlake Village, just outside Los Angeles. "The average sale price of a home here is \$680,000," she noted. "\$400,000 will buy you an 800-square-foot condo."

The same is true in Westchester, N.Y., a popular destination for executives who want to make the career-enhancing move to a New York City headquarters job.

"Employees, understandably, can be hesitant to accept a move and face these higher costs," said Ginny Logan, senior vice president, RELO Direct.

An executive in Houston might have to give up a 3,800-square-foot, custom-built home with a landscaped pool and waterfalls, valued at less than \$300,000, for a \$600,000 1,200-square-foot home in California, Logan noted. This makes for a huge affordability gap that employers and

home brokers are working to breach.

"Today there are several program options we are seeing corporations utilize to help employees transfer into higher cost-of-living areas," noted Logan. These are:

- \* High-cost housing bonus or a Cost of Living Allowance (COLA): COLAs are on the rise again and are being re-introduced into many relocation programs. Recent survey results indicate that approximately 48 percent of organizations offer this program to high-cost-area transferees.
- \* Mortgage subsidies: These subsidies can either be permanent, i.e., the corporation can buy the interest rate down over the life of the loan, or temporary. The temporary subsidy reduces the interest rate over a predetermined number of years.
- \* Salary increases: Some corporations are providing a one-time (or higher-than-normal) salary increase that is separate from performance reviews. Recent surveys indicated that approximately 38 percent of corporations offer this type of assistance.

## AGENT'S CORNER

### Public-Access MLS Web Sites in Decline



Brokers and agents are winning a fight with multiple listings systems over who should maintain Web sites with public access – the MLS collectives or the individual brokers and agents. Brokers and agents maintain large MLS sites cannot protect the listings from being stolen by competing non-Realtor sites.

The NAR's Center for Realtor Technology suggest that the number of MLSs with public access sites had fallen from 71 percent of those polled last year to 60 percent of those polled this year. Also, the survey said

only 42 percent of Realtor members responding to the survey supported MLS public sites. About 50 percent of MLS operators said they believed they should continue to operate public sites.

Some brokers and agents are concerned about whether MLSs are competing against their own members by posting listings on public accessible-Web sites, rather than forcing the public to go to broker-built sites. Large brokers with elaborate sites maintain the MLSs are undermining their investments. Small brokers and alternative business format brokers who cannot afford substantial Web presences say the MLS sites help keep them in business.

## LAW

### Feds to Texas: Rethink Limited Service Rule



The Justice Department and the Federal Trade Commission have asked the Texas Real Estate Commission to reconsider whether a pending rule – which establishes what minimum services agents must offer – is in the best interest of consumers. The federal agencies complain that if the growth of so-called limited-service brokerage is hampered, consumers could end up paying for services they do not feel they need.

The federal agencies believe the pending rule would have the effect of eliminating alternative service brokers that offer a menu of services or only offer to do things like post listings on the Internet for a fee.

Texas maintains its rule would only impact licensees – and that companies that only advertise listings could still exist, but not be licensed. Unlicensed companies would not be allowed to perform or receive money for performing other brokerage services. The Justice Department already has moved against Kentucky and Oklahoma, which it feels are hampering free competition between brokers. Other states could be added to the list.

## HUD Launches New Anti-Discrimination Ad Campaign



The Department of Housing and Urban Development has launched a Fair Housing advertising campaign in more

than a dozen cities that is geared toward helping Hispanics obtain homes that possibly are being illegally withheld.

The Spanish-language advertising will be seen in Los Angeles; Philadelphia; Chicago; Dallas; Austin; Houston; Orlando; San Diego; Charlotte, N.C.; Raleigh, N.C.; Bakersfield, Calif.; Fresno, Calif.; Odessa, Texas; and Amarillo, Texas.

The goal of the new campaign is to make tenants and their landlords, as well as home buyers, real estate agents, borrowers and lenders aware of federal law prohibiting discrimination in housing based on race, color, religion, sex, national origin, familial status or disability. The ads urge anyone who believes they have experienced housing discrimination to call HUD at 800 669-9777.

## Discriminatory Deed Leaves Authorities In a Pickle



Fair Housing leaders are pondering what to do with an individual home owner who says a deed restriction on his property requires him to only sell to whites.

In 2002, Rufus T. Matthews, who now says his home was never for sale, said he could not sell his home to Nealie Pitts because of the restriction. The Fair Housing group Housing Opportunities Made Equal sent African-American testers to the home, who also were turned away.

When HOME filed a complaint, the attorney general's office offered a settlement that would have required Matthews to take two hours of anti-discrimination counseling. The state's Fair Housing Board rejected that settlement as far short of what was appropriate and now is trying to decide how to proceed. A civil suit is winding through the courts, but it had hoped for stronger penalties from the state.

Race-based deed restrictions were ruled unenforceable by the U.S. Supreme Court in 1948, but many homes and even whole community associations continue to have the restrictions in their rulebooks.



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