

THE TREND!

California

Median Price-SFH	Date
\$295,300	06/11
\$292,420	05/11
\$313,890	06/10

Sales change Prior Month -1.2%

Sales change Prior Year -3.6%

Sacramento

Median Price - SFH	Date
\$165,850	06/11
\$168,200	05/11
\$196,220	06/10

Sales change Prior Month 4.8%

Sales change Prior Year -2.5%

Source C.A.R. Research Dept.

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Next Issue:

Why is the Rental Market strong?

The Foreclosure Problem, Anyway Out?

The Foreclosure problem has been with us for more than three years and looks more likely to be a sustained problem for another two years, unless a major initiative is proposed by the current administration and the major lenders involved. To date the administration has been unable to address this fundamental issue affecting the economy. The administration has put forward several initiatives including Home Affordable Modification Program (HAMP), Home Affordable Foreclosure Alternatives (HAFA), and the Foreclosure Prevention Act of 2008 by the previous administration. However, all of these initiatives has been less than successful.

Problems with the Initiatives

- The main problem with all these initiatives is that they are all voluntary which makes its enforcement imperfect at best or close to nil. Additionally, there are no penalties for non-compliance.
- The initiatives afforded to lenders and servicers to prevent foreclosures have generally been minor incentive for them to get involved in the government sponsored initiatives.
- The problem was much

bigger than anticipated by most analysts, and by most estimates has surpassed the numbers postulated by many industry observers. This made the proposed solutions to the problem inadequate.

- The lenders and servicers reeling from their failed mortgage contracts, have lost revenue, and in turn cut back on staff. These same staff are needed to process the paperwork required to enable the resolution of the problems caused by the real estate crash.
- Additionally, most of these servicers were ill-prepared in the first place to process the immense number of problem mortgages.
- Lack of aggressive prosecution of culprits who brought calamity to the housing market. Unfortunately, the key players, especially Wall Street types, have been left almost completely unfazed despite the great harm they caused to the general health of our financial system.

Resolution to these Issues

Addressing these issues will go a long way to address the structural problem of the housing market, and in turn our economy. Additionally the following will help;

- Lenders, investors and services should aggressively pursue short sales and/or principal reductions to truly address these problems. By now, most people should know that loan modifications pursued by these entities were useless at best. The Real Estate Insider reported in their June 3, 2011 article that Bank of America has finally started to offer principal reductions in some markets, starting in Arizona,
- The big one which has been difficult to tackle is the unemployment problem that has left several homeowners out of work, and in or near to default. Additionally, employed prospects uncertain of the economic outlook has refused to buy homes, thereby keeping prices considerably low, and forcing the lengthening of the foreclosure crisis.
- While the prospects for Cramp-down has all but faded, since Congress lacks the resolve to tackle this problem frontally, looking at some permutation of this solution will be very helpful.

Until the foreclosure problem is addressed, and in turn the real estate market stabilized, we will continue to see weakness in the economy as a whole.

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