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12/3 Wed ...MBA/WNYAMB /WNYCA/APMW

Annual Holiday Party
@ Salvatore's Restaurant



July 2003

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Issue #59

INSIDE...



1 • Home prices sizzle
• Announcements

2 • Prices sizzle...con't
• Feds flip.

3 • Sars scare

4 • Menu of services
• Calender of events

Publisher...Jim Kirchmeyer / Research...Tom Kirchmeyer
Layout...John Coccia / Printed by...Digicon Imaging, Inc.

Metro area home prices sizzle...

"Thirty-one U.S. markets report double-digit increases in median prices in first quarter 2003"

Inman News Features .

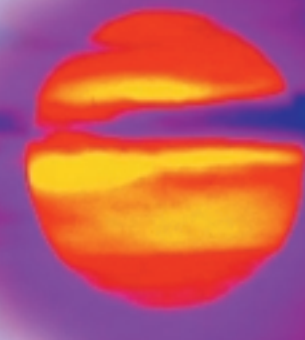
Most metropolitan areas experienced above-average appreciation in median existing-home prices in the first quarter, according to the latest survey by National Association of Realtors.

The associations first-quarter metro area home price report, covering changes in 117 metropolitan statistical areas, shows 31 areas with double-digit annual increases in median existing-home prices and only eight areas posting generally small declines. Most markets, 72, increased more than two percentage points above the rate of inflation, which is the high end of normal price appreciation.

NAR President Cathy Whatley said fewer markets are showing very sharp price gains. "In the fourth quarter, some 39 metros were experiencing double-digit price increases, the most on record," she said. "The good news is we're starting to see a little slowdown, which will be healthier for the market in the long run." The national median existing-home price was \$161,500 during the first quarter, up 7 percent from the first quarter of 2002 when the median price was \$151,000.

The median is a typical market price where half of the homes sold for more and half sold for less.

David Lereah, NAR's chief economist, said price gains should gradually ease. "The annual rate of national price appreciation has slowed from 8.4 percent in the fourth quarter, but it remains above historic norms," he said. "We still have tight housing inventories in many areas, which is continuing to apply pressure to market prices." "We're expecting a more balanced housing market this year between buyers and sellers. Even so, the market generally continues to favor sellers," Lereah said. "Overall, home prices should rise 5.1 percent in 2003." (continued on page 2.)



announcement...

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sizzle... (continued from page 1.)

The strongest price increases were in the Philadelphia area, where the first quarter median price of \$153,400 was 25.7 percent above a year earlier, and in Providence, R.I., at \$213,200, also 25.7 percent above the first quarter of 2002. Next was the Melbourne-Titusville-Palm Bay area of Florida, with a first-quarter median price of \$124,900, up 25.4 percent in the last year.

Median first-quarter metro resale prices ranged from \$80,700 in Waterloo-Cedar Falls, Iowa, to more than six times that amount in the San Francisco Bay area, which was \$509,000. The second most expensive area was Anaheim-Santa Ana (Orange Co., Calif.), at \$448,400, followed by Boston at \$413,500.

Low-cost markets included Beaumont-Port Arthur, Texas, the second least-costly area at \$83,400, and South Bend-Mishawaka, Ind., with a first-quarter typical resale home price of \$83,800.

The National Association of Realtors is a trade association representing approximately 880,000 members involved in the residential and commercial real estate industries.

Feds flip bill ON LENDERS

Inman News Features

Housing and Urban Development Secretary Mel Martinez on 5/1/2003 announced a new initiative in the Bush Administration's efforts to crack down on predatory lending.

The final rule, "FR-4615 Prohibition of Property Flipping in HUD's Single Family Mortgage Insurance Programs," makes recently flipped properties ineligible for FHA mortgage insurance. It also allows FHA to better manage its insurance risk by requiring additional support for a property's value when a significant increase between sales occurs.

Property "flipping" occurs when a recently acquired property is resold for a considerable profit with an artificially inflated value.

Predatory lending results when home purchasers become unwitting victims of lenders, sellers and appraisers, often working together. The unsuspecting homebuyer either purchase homes with sales prices far in excess of the fair market value or are substantially overcharged with costs associated with obtaining a mortgage.

The Mortgage Bankers Association of America expressed its support for the rule and "looks forward to working with the Federal Housing Administration (FHA) on implementing the rule so that it fulfills its intended purpose without unduly burdening responsible lenders."

Under the rule, only the owner of record may sell a home to an individual who will obtain FHA mortgage insurance for the loan; it may not involve any sale or assignment of the sales contract, a procedure often observed when the homebuyer is determined to have been a victim of predatory practices.

Re-sales occurring 90 days or less following acquisition will not be eligible for a mortgage to be insured by FHA. FHA's analysis disclosed that among the most egregious examples of predatory lending was on "flips" that occurred within a very brief time span, often within days. Thus, the "quick flips" will be eliminated.

HUD is a federal agency that implements housing policy.

“Rule holds lenders, sellers, appraisers accountable for inflated resale prices”

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Is housing immune to SARS?

Job loss, housing 'exuberance' may be more cause for concern...

By Jessica Swesey

Inman News Features

Some buyers and sellers may be terrified about the possibility—however remote—that SARS could spread throughout the United States, weaken the already soft economy and put a chill on the housing markets. But economists don't share those fears.

Karl Case, a professor of economics at Wellesley College in Massachusetts, said SARS isn't nearly as big a threat to housing as poor labor markets are. One useful measure is the national unemployment rate, which rose to 6 percent in April, according to the U.S. Bureau of Labor Statistics.

"SARS is slow-moving and a lot of people think its overblown, but we've lost 2.5 million jobs and that's real," he said.

Case said a lot of those lost jobs were concentrated in high-priced housing areas. The combination of inflated housing costs and a weakened economy eventually will take its toll in such places as the Northeast and California, he said.

"If we don't raise the number of jobs and people become increasingly unemployed, then income will fall, impacting housing demand. That's a much bigger problem than SARS," he said.

The World Health Organization reported 5,663 cases of SARS and 372 deaths in 26 countries worldwide as of 5/1/2003. Fifty-two of the probable cases and no deaths were counted in the United States.

Case admits it's not entirely crazy to connect the dots from SARS to the fear factor in consumer confidence readings to an economic slowdown to the housing market.

He believes demand for housing eventually will decline and SARS could play some part in making that happen sooner than current projections predict.

"When demand slows, we'll see a decline in sales because buyers will either get nervous or (make) lowball (offers). Sellers won't get (the price) they anticipated, so they'll hold out on closing the sale, which is what happened in San Francisco through the last three market cycles," Case said.

Ken Goldstein, an economist with The Conference Board, also said SARS won't impact U.S. housing markets.

Business sectors that would be hurt by the virus like travel and tourism already were suffering from other economic woes, so expectations for their health were low from the start, he noted.

"I don't see (SARS) as having the potential to warrant the kind of consideration as AIDS did when it first hit the headlines 20 years ago," he said.

He said the World Health Organization's announcements that the SARS crisis had peaked in Hong Kong, Singapore, Vietnam and Canada suggested the disease could be contained in places that have sufficient public health infrastructure.

(to be continued in August 03)

