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HOUSING NEWS REPORT

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NEW TRID MORTGAGE DISCLOSURES TAKE EFFECT

By Octavio Nuiry, Managing Editor

On Oct. 3, new mortgage disclosure forms were rolled out. In the future borrowers will receive two new disclosures: the Loan Estimate, outlining the terms and projected closing costs, and the Closing Disclosure, received at least three business days prior to the loan closing.

The Consumer Financial Protection Bureau (CFPB), the powerful federal regulatory agency, created the new disclosure forms to make the loan process easier for borrowers to understand.

But for the lending industry, and all the other parties involved in a real estate transaction, gearing up for the switch has been a monumental undertaking.

Huge Paradigm Shift

"This is the largest paradigm shift that Realtors will see in their careers," said Bill Burding, executive vice president and general counsel at Orange Coast Title Company in Santa Ana, California. "The Dodd-Frank Act is the largest bill of its kind in our lifetime since RESPA was passed in 1974. We are going to be working in a whole new paradigm. We are going to be working with new words. We're going to be using words that six months ago you never heard before. It's a huge paradigm shift. This is here to stay. It's the last major sea change in our careers."

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The New Sheriff in Town

Burding said the CFPB is a very powerful federal agency. Created as part of Dodd-Frank legislation in July 2010, the CFPB is unique among Washington bureaucracies. Funded by the Federal Reserve, the bureau operates independently of Congress, with no Congressional oversight. It is run by a powerful single director nominated by the president for a five-year term and removable only for cause. It has an annual budget of $550 million that is drawn directly from the Fed, rather than appropriated by Congress. It writes rules, conducts exams, enforces laws, answers complaints, provides research and promotes consumers' financial education. It can fine companies by hundreds of millions of dollars, and there is no appeal mechanism.

"My best guess is that there is going to be a significant amount of fallout in agents that are no longer going to be in this industry a year from now," said Burding, a board of governors of the American Land Title Association. "That's because they are not going to bother to learn these new rules."

Bill Burding, Esq.
Executive Vice President
General Counsel
Orange Coast Title Company
Santa Ana, California

> *"This is the largest paradigm shift that Realtors will see in their careers. The Dodd-Frank Act is the largest bill of its kind in our lifetime since RESPA was passed in 1974."*

Burding said that under the new TRID (TILA-RESPA Integrated Disclosure) rules closings will be 15 to 30 days longer than they are now. And lenders are taking on more risk and responsibility.

"They are putting the responsibility on the lenders," said Burding. "This is a lender-driven ruling. The banks are struggling with these new rules because they have the liability. Without question the new rules are going to make transaction longer. We have title companies working with new software. We have lenders working with new software. We have an additional 20 people touching the file. But eventually, it will work itself out."

Mickey Vandenberg, senior vice president and national escrow manager for WFG National Title Insurance Company in Irvine, California, agreed that big changes are coming with the new TRID disclosures.

"In the old world, we all worked in silos," said Vandenberg, referring to how agents, homebuyers, lenders and title professionals

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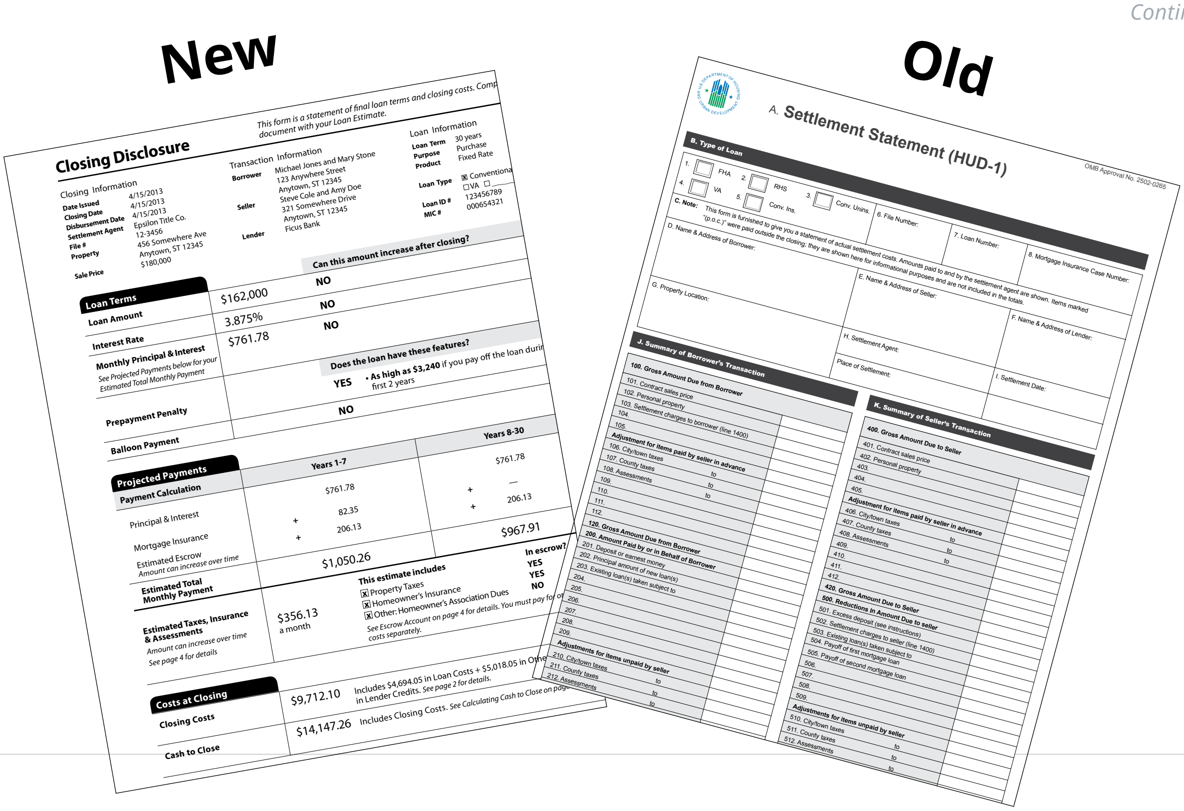

worked in the past. "Now, with the new TRID rules, everybody needs to communicate together up front. It's definitely going to be a learning curve for the industry. It's going to take time to get used to the new TRID world. It's going to take some time getting used to the new forms."

In the past, Vandenberg said, attorneys, lenders and title companies worked independently, providing buyers and sellers different documents on different schedules, making it easy to make last-minute changes. But under the new system, lenders must provide homebuyers with two new documents, requiring lenders to gather all the information from different parties before moving ahead with closings.

Vandenberg and other experts said compliance will present the industry with many challenges.

The new mortgage disclosure forms are part of a new financial universe created by the CFPB to fulfill its obligation under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to simplify and integrate the four different mortgage disclosures currently required under the Truth in Lending Act (TILA) and the Real Estate Settlement Practices Act (RESPA).

Mickey Vandenberg
Senior Vice President/ National Escrow Manager WFG National Title Insurance Company Irvine, California

"In the old world, we all used to work in silos. Now, with the new TRID rule, everybody needs to communicate together up front."

The TRID Twins

From Oct. 3, 2015, forward the old TILA and RESPA disclosures will morph into a new offspring — the TRID twins. Other dramatic changes include the elimination of the HUD-1 Settlement and Good Faith Estimate (GFE).

Specifically, the rules amend the TILA and RESPA that have been in place for over 40 years. These two sets of disclosures will be replaced with two new forms:

- The new loan estimate — which replaces the good faith estimate and the early Truth in Lending disclosure — that currently must be provided to the consumer within three business days of receipt of a loan application.
- The new closing disclosure replaces the Housing and Urban Development (HUD-1) settlement statement and the final truth in lending statement that must be provided to the consumer at least three business days prior to the loan closing.

The second form — the new closing disclosure — is the one to watch for, experts claim. The new closing disclosure looks completely different from the HUD-1.

This will impact buyers, sellers, Realtors, lawyers, mortgage bankers, title companies and everybody involved in the settlement process, experts claim.

As a result, closing this fall and beyond could take up to 60 days or more.

Fred Kreger, vice president of government affairs at the National Association of Mortgage Brokers, believes the new disclosures are a step in the right direction for consumer protection.

"I'm really excited about the new forms," said Kreger, a certified mortgage consultant at American Family Funding in Santa Clarita, California. "At the end of the day, the CFPB wants people to shop around for loans. I love the new forms. I'm just concerned about the first few months after the roll out. We need a test run period."

Expect Delays in Closing

Initially, Kreger warned, the new TRID rules could cause delays in closing real estate transactions. He said Realtors need to prepare buyers and sellers from the beginning that there could be delays. This means a discussion with sellers when agents take a listing so there are no surprises at the end.

"It's going to be a game changer in the real estate community," he said. "And Realtors need to know there are going to be delays. Realtors can expect a two week delay in closings. Realtors need to prepare buyers and sellers ahead of time. They need to educate buyers and sellers up front. And make sure they get lenders and brokers whatever they need."

Not only do the new TRID rules streamline the disclosure forms, but they also rewrite long-established rules about the timing and methods of disclosing.

"The Consumer Financial Protection Bureau does not want

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consumers to make financial decisions on a split second without even thinking about it," said Kreger. "What is built into the new TRID rules are delays for consumers to review the new calculations. In terms of reviewing the new loan estimate — and also reviewing the new closing disclosures. There's going to be hard set dates for consumers to understand the closing numbers."

Michelle L. Korsmo, chief executive officer of the American Land Title Association in Washington, D.C., said the industry is entering a new era in closing real estate transactions.

"This is not a form change," said Korsmo. "It's a process change. Title and settlement companies will have to work closely with lenders. It's important that the parties communicate with each other to make sure all the data is accurate. It's important to know who they are talking to. It's a pick-up-the-telephone situation and get the information that you need."

Fred Kreger
Vice President
National Association of Mortgage Brokers
Santa Clarita, California

"It's going to be a game changer in the real estate community. And Realtors need to know there are going to be delays. Realtors can expect a two week delay in closings."

TRID Critics

But not everyone is a TRID fan. It's not only the change of forms that is causing alarm bells in the real estate settlement industry, but fines could be steep, and legal liabilities could even be higher for violations.

Cindy Lowman, president of United Bank Mortgage Corporation in Grand Rapids, Michigan, said the new rules rework the entire disclosure infrastructure for mortgage transactions and dispense with 40 years of legal precedent.

"The new forms remain lengthy and intimidating to average consumers," said Lowman, testifying before Congress in May, on behalf the American Bankers Association. "The rules that lenders must follow are still confusing and difficult to apply. Given the scope and complexity of these new rules, the implementation of this regulation will impose high costs on all lenders and consumers. New processes will be required for every bank, and these processes must be tailored to each product type and each jurisdiction across every state."

More Responsibility on Lenders

The final settlement is generally a routine exercise for lenders, title agents and Realtors, but the new rules put more responsibility on lenders for the precise timing and accuracy of the disclosure, which must be given to borrowers three days before closing.

Additionally, the new format of the disclosures is different from the current forms, and lenders need to automate their internal systems to be in compliance with the new law.

Lowman said an ABA survey found that 74 percent of banks are using outside vendors or consultants to assist with TRID implementation. But as April 2015, only 2 percent of the compliance systems had been delivered, and a startling 79 percent of ABA member banks could not verify a precise delivery date.

"The complexity of new rules, and the central role they play in nearly every residential real estate transaction requires lenders, their compliance software vendors, and other parties involved in the settlement process be given adequate time to ensure compliance and a smooth transition to the new regulatory regime," she added.

Lowman asked Congress for "breathing room" in the enforcement period to give lenders time to implement new systems for the TRID rules.

"Ultimately, TRID, if implemented properly, should result in a vast improvement in the consumer experience," she said. "Let's give the lenders the breathing room they need to do this right.

"A delay in settlement could be a huge imposition to a buyer," added Lowman. "In more cases than not, the buyer planned a whole schedule around an expected settlement date, which likely involves moving homes and finalizing the sale of their current home. Having to push back the settlement date often has large costs to consumers. It can the lead to rate lock expirations, missed deadlines in back-to-back settlements, or in some cases could even lead to cancellation of entire transactions. If these problems occur on a widespread basis, as some fear, the impact could be felt more broadly in the economy. In a housing market that is still struggling to recover from the financial crisis, this is a mistake that can and should

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be avoided."

Top-down Government Overreach

Karen E. Koogler, CEO of the The Koogler Group, LLC, in Pinellas Park, Florida, is another critic of the nearly 2,300-page law. Koogler said the top-down big government overreach is going to put many small and independent title companies, lawyers and Realtors out of business.

"Already we are seeing a slow but steady exodus of small and midsize title agencies, law firms, and settlement/escrow companies that can no longer afford to compete with direct operations offices of national title insurers and large multi-state title agencies," wrote Koogler in a July letter to the CFPB. "Regardless of the industry, once small and midsize independent settlement services providers are driven out of business by the economic burden placed on their shoulders by onerous, albeit well-intentioned, federal regulations. Unfettered consumer choice becomes little more than smoke and mirrors. Applied to the mortgage lending and title insurance industries, big government overseeing big banks engaged via ownership, affiliation, or "preferred-partner" arrangements with big title is perhaps the greatest unintended consequence of an otherwise well-intentioned final rule. While 'big' will benefit greatly, consumers will pay hundreds if not thousands of dollars more for less service, less information and less protection."

Michelle L. Korsmo
Chief Executive Officer
American Land
Title Association
Washington, D.C.

"This is not a form change. It's a process change. Title and settlement companies will have to work closely with lenders."

Five years ago, when President Barack Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010, he claimed that the sweeping new Dodd-Frank law would deal a crushing blow to extravagant financial corruption that caused the housing and financial crash of 2008. "These reforms represent the strongest consumer financial protections in history," the president said on July 21, 2010.

At 2,300 pages, Dodd-Frank ostensibly rewrote the rules for Wall Street. It was going to put an end to predatory lending in the mortgage industry, crack down on hidden fees and penalties in mortgage contracts, and create a powerful new Consumer Financial Protection Bureau to represent the interests of ordinary consumers against Wall Street. There would be no more Lehman Brothers, and the world would never again face financial apocalypse because of reckless bankers.

Instead, critics warn, Dodd-Frank has reduced the number of lenders making loans, shrunk home purchase mortgage originations and caused homeownership to dwindle to historic lows.

Since the recession, the number of mortgage lenders has declined. In 2006, there were 8,886 mortgage lending institutions, compared with 7,062 in 2014, according to the Mortgage Bankers Association. In May, General Electric, one of the nation's largest financial companies, announced it was getting out of the mortgage industry and selling GE Capital. Lenders are leaving, or cutting back, because they are concerned that the new federal regulations are so unclear — and the penalties too high — to make the business viable.

Why are banks exiting mortgage lending?

In the wake of the mortgage meltdown, skittish banks — which have paid billions in legal settlements and loan buybacks forced by federal regulators — have tightened credit for all borrowers. These tighter lending standards hurt all borrowers, but they are especially harmful to low-income minority borrowers, especially back and Hispanic homebuyers.

As Banks Retreat, Private Equity Moves In

Not only are there fewer lenders making fewer home loans — due to closings, mergers and exiting the mortgage business — but new nonbank players are moving into the space, taking market share from larger traditional banks. Nonbank lenders like Quicken Loans and Caliber Home Loans have stepped into the breach.

The Rise of the Nonbanks

Nonbank lenders are gaining market share while traditional banks are losing market share when it comes to loan originations. During the last three years of the housing recovery, three nonbanks — Quicken, loanDepot.com and Caliber Home Loans — have been rapidly gaining market share compared with traditional banks like Wells Fargo and Bank of America. Through the first three quarters of 2015,

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Quicken's market share was bigger than the Bank of America share, which is the first time this has happened since 2000.

"Dodd-Frank and the CFPB are the prime reason the big banks are bigger and the small banks are now fewer," said Jeb Hensarling, R-Texas, chairman of the House Financial Services Committee. "This has eliminated competition, stifled innovation and given consumers fewer choices. Dodd-Frank and the CFPB have raised prices, eliminated free checking for millions, and are cutting off access to mortgages, bank accounts and credit cards."

Warning: Compliance Risk Ahead

Not only is Dodd-Frank a mind-boggling 2,300 pages of convoluted regulations, but the Bureau's Supervision and Examination Manual is another 900 pages of rules and regulations. All this bureaucracy is making mortgage lending a risky business, critics claim.

To ease the industry's anxiety, the U.S. House of Representative passed a bipartisan TRID grace period.

House Passes TRID 'Hold Harmless' Bill

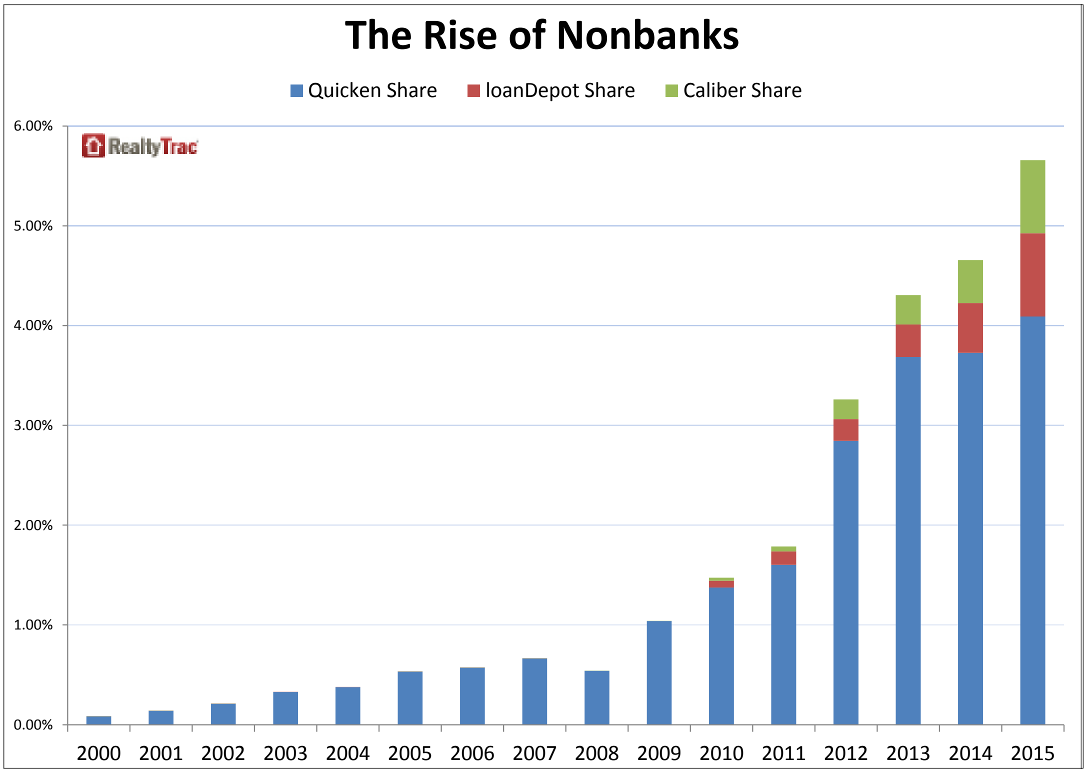
On Oct. 7, the House passed an industry-backed "hold harmless" bill to give a little breathing room to mortgage lenders and the real estate industry. The bipartisan bill — dubbed "The Homebuyers Assistance Act" — would give the industry affected by the new TRID rules a grace period until Feb. 1, 2016, to get up to speed on the 2,300-page regulation and new disclosure forms without threat of CFPB liability.

H.R. 3192 passed by a vote of 303-121. The count included 239 Republicans and 64 Democrats in favor of the bill; 121 Democrats and no Republicans voted against it. The bill now awaits approval by the Senate, but the bill's success might be moot.

President Obama has threatened to veto it.

"The Administration strongly opposes [the bill], as it would unnecessarily delay implementation of important consumer protections designed to eradicate opaque lending practices that contribute to risky mortgages, hurt homeowners by removing the private right of action for violations, and undercut the nation's financial stability," the White House said in a statement issued by the executive office of president. "If the president were presented with HR 3192, his senior advisors would recommend that he veto the bill."

As we enter the new post-TRID world, time will tell whether these new mortgage disclosures will be helpful or harmful to consumers.



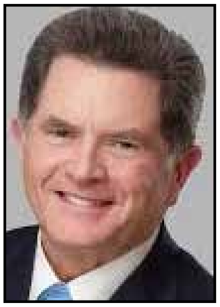
SOURCES: RealtyTrac

MY TAKE

By Patrick F. Stone

Chairman and Chief Executive Officer, WFG National Title Insurance Company

Every Challenge Represents an Opportunity — A Different Way to View TRID



We have all heard, and worried about the problems surrounding the Oct. 3rd implementation of TRID. The Consumer Financial Protection Bureau's integrated mortgage disclosures are designed to give the American consumer a better understanding of the terms and conditions of their mortgage loan. By integrating disclosures mandated by the Truth in Lending Act and the Real Estate Settlement Procedures Act, the CFPB seeks to provide borrowers with the data necessary to make informed decisions in a timely manner.

Most industry participants have been in serious discussions about the many problems surrounding the practical implementation of the new TRID forms. Concerns include an inability to readily access accurate title premium and recording fee information in certain markets and from certain providers. Other concerns include:

- the challenges in effecting rapid and accurate data exchange between lenders and settlement service providers;
- uncertainties surrounding deal process and workflow in various markets;
- unexpected delays potentially caused by late-stage changes to loan terms, closing costs and fees;
- the required disclosure times lines; and
- an anticipated drop in new orders beginning in early October and a decline in revenue starting as early as mid-November.

There are many more concerns such as losing transactions because of extended closing timelines and multiple changes in pertinent data points. In sum, the requirements of TRID will precipitate the most monumental change in the real estate process in 40 years.

While it is understandable that concerns and worries capture the majority of the conversation around TRID, there are some positive outcomes that can be realistically anticipated: a more well-informed conversation among transaction participants and clearer and more understandable information provided to the consumer earlier in the process and prior to closing — both of which will have a profound impact on real estate practices throughout the country. Additionally, there will be an increased emphasis on software integration among transaction participants, and it is forecast that fewer transactions will fallout, resulting in improved efficiency and profitability for all transaction participants.

As a result of TRID, there have been significant efforts to effect meaningful, rapid and accurate data exchange between lenders and settlement agents. The result has been the introduction of new products and a focus by many software providers on creating platforms for data exchange. It is noteworthy that there is a "new conversation" around software integration . . . . one long anticipated by the MBA in promoting MISMO Standards, but unrealized by the industry at large. Software integration will cause a major breakthrough in how business is conducted, resulting in fewer keying errors, to the benefit of improved efficiency and shorter processing times.

Under the current operating paradigm, and depending on the geographic locale, there can be up to 18 participants in the real estate transaction process. Given that the Realtor, lender, settlement agent, appraiser, inspector and frequently many more, are all entering the data common to the transaction — e.g. names, legal description, property address, etc. much of the information is entered up to 80 times in each transaction. Obviously, this takes time and fosters multiple errors. Simply reducing the number of times commonly shared data is entered will be a tremendous win.

In addition, data exchange efforts could and should lead to further integrations in workflow with the end result being a more collaborative and simultaneous effort and less production line-type operations. It is hard to predict the near-term and ultimate impact data exchange will have on the real estate transaction process, but thanks to TRID the door on software integration has finally opened. All participants will see benefits: the lender and settlement agent to start, but then the Realtor and consumer will rapidly have access to an

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expanded amount of online information and transaction status updates. Another byproduct of efficiencies in data exchange will be an immediate impact of less fallout in real estate transactions.

On average, one out of every five sale transactions opened in the U.S. falls out before closing. An even greater fallout percentage is experienced in mortgage refinances where one out of every three opened transactions fails to close. While these numbers may vary slightly by locale and by transaction type and size, the net effect is there is a lot of expense incurred up front with fewer transactions closing, which results in less revenue to the transaction participants. How much unnecessary expense will be avoided? Again, this will depend on the type of transaction, location of the property and the provider involved. Currently, about 33 percent of the cost of a resale transaction is incurred by a settlement agent event if the transaction does not close. Correspondingly, about 25 percent of the cost of a refinance transaction is incurred even if it does not close. It is safe to assume that lenders and Realtors also incur significant costs regardless if a transaction actually closes. So, what is the potential impact of increased software integration and a drop in the current fall-out rate for real estate transactions? While not clearly known, it will be significant.

While it is difficult to estimate the precise impact TRID will have on new order fall-out rates, it is safe to assume that an earlier and better informed consumer will result in at least a 5 percent decrease in transactions that fail to close. This estimate — while a guess — is predicated on the observation that many transactions fail because of surprises surrounding the data points of a loan and the cost to close that are discovered late in the transaction process or at the closing table. By nature humans don't like surprises or unexpected changes, and the real estate transaction is currently burdened with plenty of both.

It is also difficult to judge the impact increased software integration will have on the real estate transaction process. But it is safe to assume that it will enhance the efficiency of transactions and probably over time lead to the elusive "eClosing." It seems reasonable that an effective data exchange, and its positive impact on the timeliness and certitude surrounding a deal structure, should result in an increased closing ratio. Given a couple years of continuous improvement, it is possible that an effective data exchange integrated with eClosing will result in another 5 percent increase in deals that close. Assuming we see an increase of 10 percent in the number of transactions that actually close based on the same number of openings, the participants in the transaction will notice a meaningful increase in their revenue, gross margin and the dollars to the bottom line.

Some Realtors have expressed dismay over the TRID implementation, correctly assuming that TRID will result in a longer closing process — possibly extending closings from 45 to 60 in most markets….at least temporarily. For many Realtors this represents a challenge, as they have had transactions fail due to extended closing times. Yes, this may be a risk, but typically the consumer balks at extensions because they represent unexpected changes and/or the discovery of unknown or unexpected issues. TRID may have exactly the opposite effect — a more well-informed and knowledgeable consumer with a lower level of anxiety going into closing. The prolonged closings cycle is best addressed by setting realistic expectations for closing when the offer is written.

Finally, everyone currently involved in the real estate transaction process is painfully aware that for most consumers there is a black hole between making an offer and receiving the keys to a home. Uncertainty and confusion surround the process, making all participants unnecessarily wary of the process. Implementing TRID may be awkward and painful at first, but the result with be a consumer that is easier to deal with, and over time a more profitable business model for all participants in the process.

Patrick F. Stone, also known as Pat, serves as a Chief Executive Officer and President of Williston Financial Group, LLC. He serves as a Chief Executive Officer and President of WFG National Title Insurance Company. Mr. Stone is an Operating Executive at Golden Gate Capital. He is focused on investment opportunities in the services sector, specifically Real Estate and Financial Services. Mr. Stone has also served as a Chief Executive Officer of Fidelity National Information Solutions, Inc. since Jan. 1, 2002.

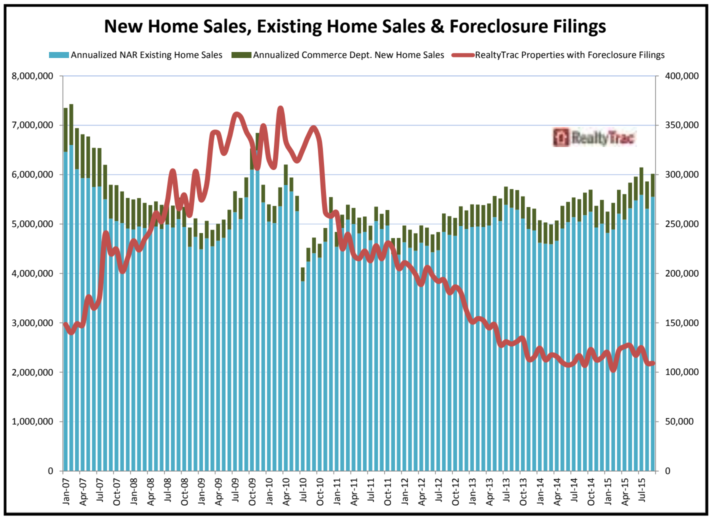
NEWS BRIEFS

New Homes Sales Surge, But Existing Home Sales Fall

Sales of newly constructed single-family houses, unlike their existing home counterparts, continued to rise in August. While existing home sales overall fell by 4.8 percent in August and single family sales by 5.3 percent, new homes sold at a seasonally adjusted annual rate of 552,000 units, an increase of 5.7 percent from July's sales and 21.6 percent higher than sales in August 2014 of 454,000.

The August new home sales rate was the highest in more than seven years and was far above analysts' expectations of 515,000. The median price of a new home sold in August was $292,700. A year earlier the median and mean prices were $291,700. At the end of August there were approximately 216,000 new homes available for sale, an estimated 4.7-month supply at the current rate of sales. Homes that sold during the month were on the market a median of 3.7 months.

Regionally, new home sales in the Northeast were 24.1 percent higher than in July as well as in August 2014. The Midwest was the only region where sales declined for the month, down 9.1 percent, but it remained 15.4 percent higher than the previous August. Sales rose 7.4 percent month-over-month in the South and 27.6 percent year-over-year. Meanwhile, the West was up 5.4 percent and 11.4 percent for the two periods.



SOURCES: RealtyTrac, Census Bureau, National Association of Realtors

Loan Origination Up 23 Percent

RealtyTrac released its Q2 2015 U.S. Residential Loan Origination Report in August, which shows that 1,950,267 loans were originated on single family homes and condos in the second quarter, up 22 percent from the previous quarter and up 23 percent from a year ago to the highest level since the third quarter of 2013.

The total dollar volume of loans originated in the second quarter was nearly $540 billion, up 14 percent from the previous quarter and up 29 percent from a year ago. Refinance originations represented nearly $307 billion in the second quarter, 56.7 percent of total loan origination dollar volume, and purchase loan originations represented nearly $234 billion, 43.3 percent of total origination dollar volume. As a share of total loan origination dollar volume, purchase originations reached a recent peak of 51.3 percent in the third quarter of 2014.

SOURCE: RealtyTrac

Home Builders Optimism Hits 10-Year High

A national gauge of home builder sentiment rose to a 10-year high in October, signaling that a key sector of the economy is gaining positive momentum.

The National Association of Home Builders/Wells Fargo housing market index climbed to 64 in October, up from 61 in September. A reading of 50 indicates that most builders generally see conditions in the single family housing market as positive.

"With firm job creation, economic growth and the release of pent-up demand, we expect housing to keep moving forward as we start to close out 2015," said David Crowe, chief economist at NAHB.

Though new homes represent only a fraction of the housing market, they have an outsized impact on the economy. Each home built creates an average of three jobs for a year and generates about $90,000 in tax revenue, according to NAHB data.

SOURCE: National Association of Home Builders

N.J. Lender Accused of Redlining

The U.S. Justice Department and the Consumer Financial Protection Bureau reached a settlement with Paramus, New Jersey-based [Hudson City Savings Bank](#) on August 24 over allegations that the bank intentionally withheld giving loans to minorities.

In the largest residential mortgage redlining settlement in history, Hudson City agreed to pay $33 million, including about $27 million in direct loan subsidies to qualified borrowers in the affected communities, plus a $5.5 million penalty.

Between 2009 and 2013, the bank avoided locating branches and loan officers in areas with large African American and Hispanic communities, a practice the federal government described as redlining , according to the settled case *Consumer Financial Protection Bureau v. Hudson City Savings Bank*.

Redlining is the discriminatory practice by banks or other financial institutions to deny or avoid providing credit services to a consumer because of the racial demographics of the neighborhood in which the consumer lives.

Hudson City Savings Bank — a federally chartered savings association with assets of $35.4 billion and 135 branches in New Jersey, New York, Connecticut and Pennsylvania — is currently awaiting approval from the Federal Reserve for a merger with M&T Bank Corporation. The bank neither admitted nor denied wrongdoing.

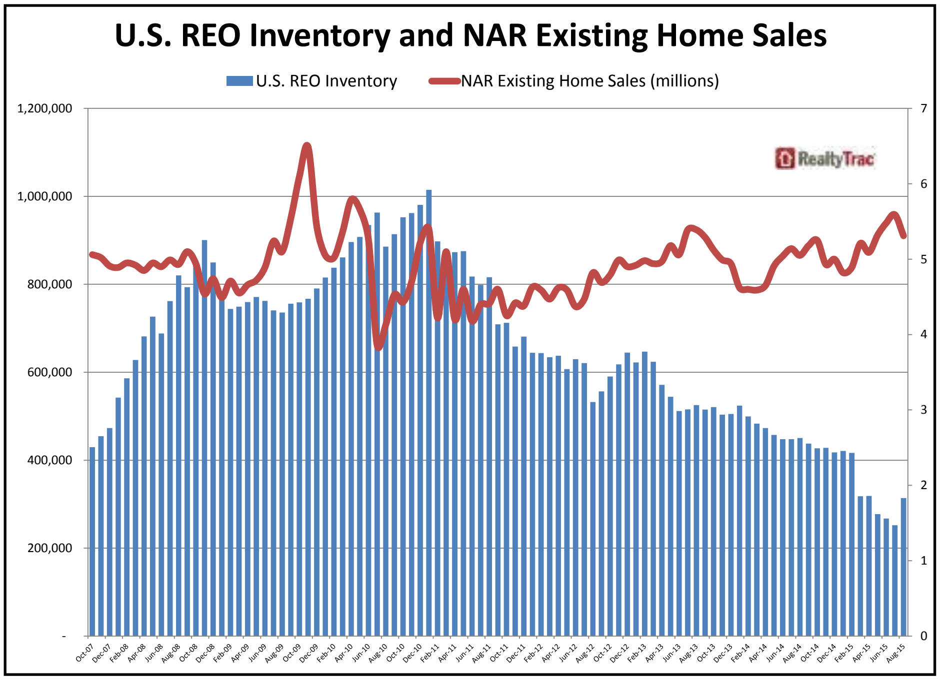
SOURCE: *Consumer Financial Protection Bureau v. Hudson City Savings Bank*

Trump Suit Becomes Class Action

A California civil racketeering lawsuit against real estate developer Donald J. Trump can proceed as a class action, a federal judge ruled, in a victory for former students accusing him of running a bogus investment university.

The ruling by San Diego federal judge Gonzalo P. Curiel means that a California businessman named Art Cohen can sue Trump on behalf of anybody who bought seminars from Trump University

The lawsuit accuses Donald Trump and his university of violating federal racketeering law by scheming to defraud students into paying thousands of dollars for useless real estate investing classes. The case is *Art Cohen v. Donald J. Trump*.



SOURCES: RealtyTrac, National Association of Realtors

FINANCIAL BRIEFS

Existing-Home Sales Rise to 8-Year High

The pace of existing homes sales rose 2 percent in July to a seasonally adjusted rate of 5.59 million, the highest level since before the recession, but low inventory and higher prices threaten to curtail those gains heading into the fall, reported the National Association of Realtors.

July's sales pace was the highest since February 2007 and 10.3 percent higher than a year earlier. July's price increase was the 41st consecutive month of year-over-year gains.

Despite the uptick in July sales, thinning supply and high prices loom as headwinds that could slow the recovery, the NAR said.

"The creation of jobs added at a steady clip and the prospect of higher mortgage rates and home prices down the road is encouraging more households to buy now," said Lawrence Yun, NAR chief economist. "As a result, current homeowners are using their increasing housing equity towards the down payment on their next purchase."

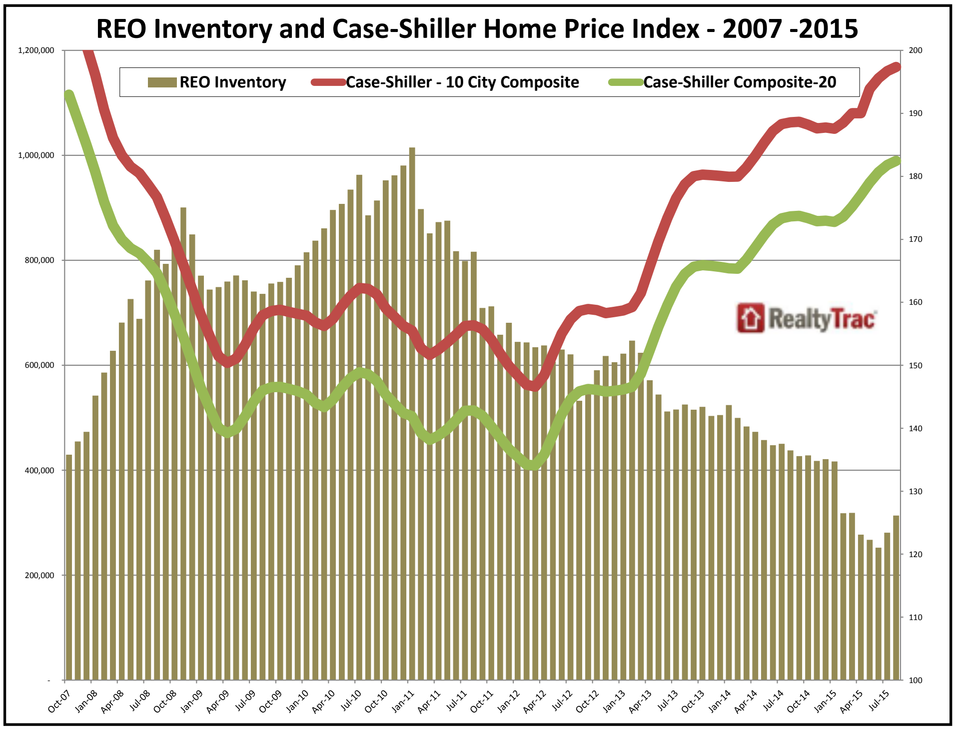
Total housing inventory at the end of July fell 0.4 percent to 2.24 million existing homes available for sale, 4.7 percent lower than a year ago (2.35 million). At the current pace of sales it would take 4.8 months to exhaust the supply of homes on the market, down from 5.6 months a year ago, the NAR said. The median home price in July was $234,000.

30 Million Dip into Retirement Savings

A high number of Americans are dipping into their retirement savings for emergencies, according to a Bankrate.com report.

The study found that 30 million Americans withdrew funds from their retirement savings for emergency reasons in 2014. The report also found that 21 million Americans aren't saving for retirement at all.

Those in the most dire financial situation are those in the 50 to 64 age bracket. Some 26 percent of those said their financial situations deteriorated over the past year. Furthermore, 17 percent of those reaching retirement age had to dip into retirement funds for emergency purposes.The survey was conducted by Princeton Survey Research Associates International and can be seen in its entirety here.



SOURCES: RealtyTrac, S&P/Case Shiller Home Price Index

LOCAL SPOTLIGHT

San Diego Housing Market Not Out of Steam — Yet

By Daren Blomquist, Executive Editor

Two years ago the San Diego housing market hit a soft patch that likely did not register on the radars of most casual market observers but drew the attention of some housing data geeks.

"I had very savvy investors tell me a couple of years ago to stop buying houses because everything was going to fall apart," said local real estate investor Justin Williams, who runs the investor coaching website www.houseflippinghq.com and said he and his team have flipped more than 500 houses since he jumped into real estate full-time eight years ago.

What did those savvy investors see in the data?

First, home sales volume slowed. In October 2013, sales of single family homes and condos declined 4 percent annually following 21 consecutive months where home sales volume was flat or increasing on a year-over-year basis, according to RealtyTrac public record sales deed data. The 4 percent decline in October was followed by five consecutive months of double-digit percentage decreases in home sales volume.

Second, home prices softened. While average home sale prices continued to rise annually in the metro area, they declined on a month-over-month basis for three consecutive months starting in October 2013. It was the first string of three consecutive monthly declines in home prices since the three months ending in October 2011.

This soft patch in San Diego — which was masked by continued double-digit percentage increases in average sales prices that only later slowed to single digits in April 2014 — can probably be chalked up to a rise in interest rates. The average 30-year fixed mortgage rate crept above 4 percent in June 2013 after 19 consecutive months below that milestone, and was up to 4.49 percent by September — which in hindsight turns out to be a 50-month high.

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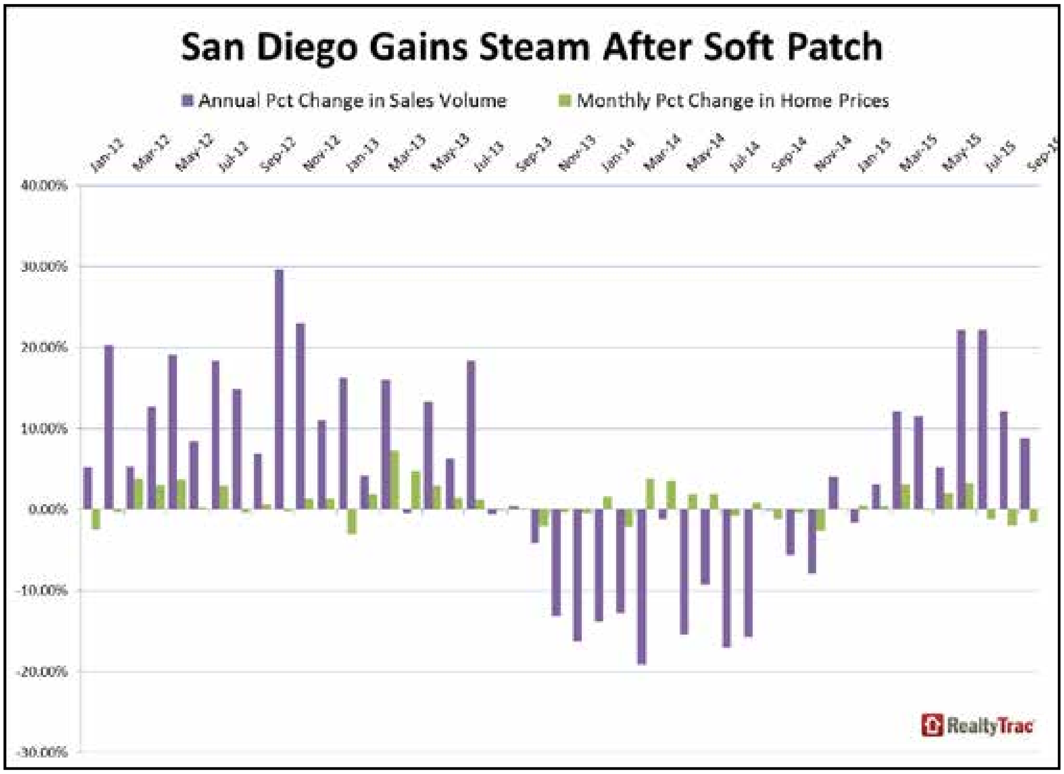

SOURCE: RealtyTrac

60-Day Risk Windows

But in the face of this softening market and advice to the contrary from other investors, Williams did not panic, continuing to buy and flip homes. He's now quite happy about that decision made two years ago.

"I've made a couple of million dollars in that time," he said, noting that as a flipper his risk is limited to about 60 days between when he buys the property and then eventually secures a buyer. "My higher risk is during that rehab time and the time it takes to find a buyer.

"I'm not an economist … so I don't try to be an economist," he continued, noting that the typical rehab time on his flips is three to four weeks. "My goal is to have an idea of what's going to happen within the next 60 days. Are we going to be OK in the next 60 days? And if the answer is yes, we are OK with buying a property. I don't need to know what's going to happen in a year."

Justin Williams
Investor
House Flipping HQ
San Clemente, California

"I had very savvy investors tell me a couple of years ago to stop buying houses because everything was going to fall apart. … "I've made a couple of million dollars in that time."

San Diego-based real estate analyst and author Robert Campbell, who produces data-heavy reports available at www.realestatetiming.com designed to help real estate investors and homeowners time their buying and selling in local housing markets, agreed that house flippers don't need to be as concerned with the long-term trajectory of a housing market.

"Theoretically flippers can make money in good markets and bad because they are so close to the market … and their time horizon is six months … and typically things don't change that much in six months," said Campbell, who noted that in a down market flippers need to account for decreasing home values. "You have to be careful in a rapidly dropping market because you may be adding value but you are also losing value."

Stability Scares Off Some Flippers

Because the soft patch in late 2013 didn't

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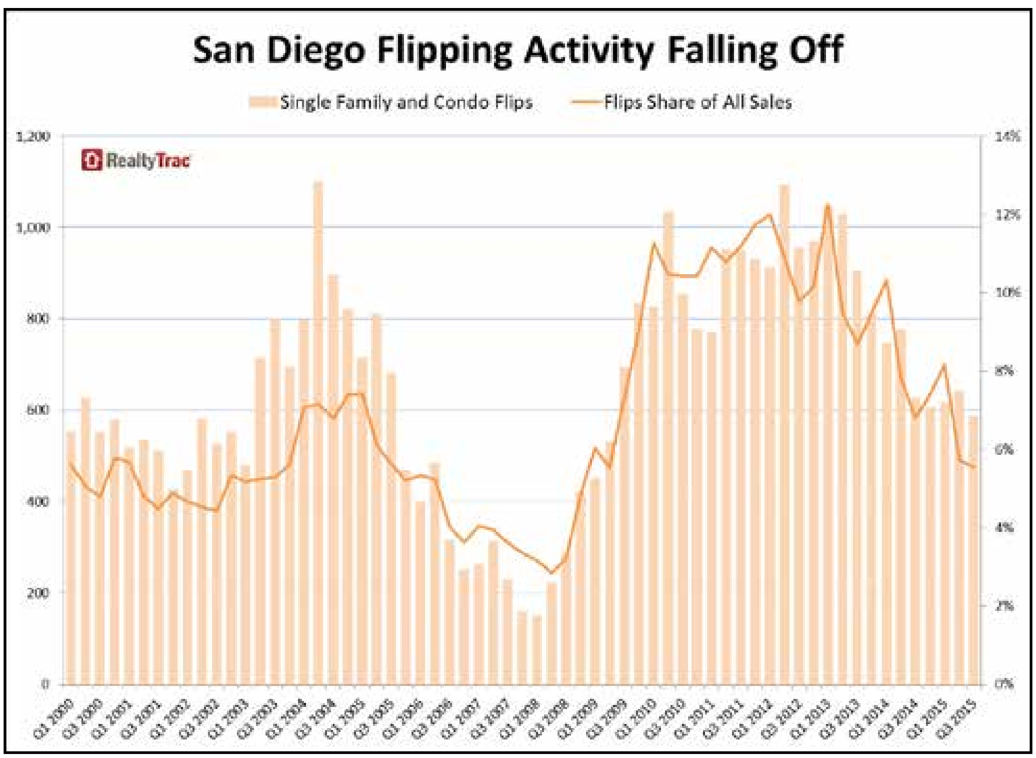


SOURCE: RealtyTrac

metastasize into a full-blown housing downturn in San Diego, Williams and other flippers did not have to deal with the added stress of a depreciating market. That was a welcome relief to real estate investor Doug Van Soest, who cut his teeth in real estate investing in Southern California in 2008 and 2009 when prices were plummeting and foreclosures were flying high.

"I've actually been very pleased that it's been virtually flat with a little bit of an increase over the past couple of years," said Van Soest, who said he and his wife, Andrea, started out in 2008 buying three houses and so far this year have done 49 transactions. "I'm not concerned with it being 5 percent lower or 10 percent lower like I was in the foreclosure days."

Van Soest noted that the more steady and stable market in San Diego and other parts of Southern California has reduced competition from other flippers afraid that the market was crashing again or just not content to operate in a more slowly appreciating market.

"They are kind of sitting on the sidelines now. … We're not sitting on sidelines," said Van Soest, who runs the website www.socalhomebuyers.net to attract homeowners who might be interested in selling their property off-market. "It's worked well for us. We've been able to do well when others are just kind of sitting on the sidelines."

Doug Van Soest
Real Estate Investor/CEO
So Cal Home Buyers
San Diego, California

"We've been able to do well when others are just kind of sitting on the sidelines."

Data from RealtyTrac shows flippers have curtailed their activity in San Diego over the past two years. Between the first quarter of 2010 and the first quarter of 2014, flipped single family homes and condos accounted for 10 percent or more of all sales transactions in all but two quarters with a peak of 12.2 percent in the first quarter of 2013. But in the second quarter of 2014, flips dropped to 8 percent of all transactions — down from 10 percent the previous quarter — and continued to decline from there. In the third quarter of 2015, homes flipped in San Diego accounted for just 6 percent of all sales, less than half the peak from 2013.

Premature Market Pullout

Investors who have already pulled out of the San Diego market

Continued Next Page

BEFORE REHAB

AFTER REHAB

FLIPPING: *Real estate investor Doug Van Soest and his wife, Andrea, purchased this property in the North Park neighborhood for $290,000 in March 2014 and sold for $540,000 in May 2015, making a net profit of about $98,000 after subtracting rehab costs of $81,000, loan costs of $7,000 and other holding costs of $46,000.*

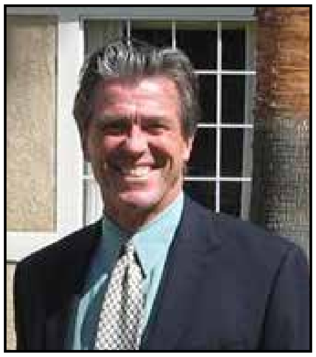
did so prematurely, according to Campbell, who said that his market timing data does not show the San Diego market as a sell — yet.

"I'm still advising them to stay long," he said of his clients who are invested in San Diego real estate. "Stay with this trend until the end."

Campbell acknowledged that San Diego's market upswing has exceeded even his expectations.

"I thought we would have a trend reversal in maybe the second or third quarter of this year, and that's not the case," he said, explaining that his real estate timing index for San Diego has only had three "signals" since 1995: buy in December 1996, sell in August 2005, and buy again in April 2010. "If you'd have sold at the end of 2014 based on what you thought the trends were going to be, you would have been premature. It got close, but it didn't actually signal a time to sell, and in fact things started increasing (in 2015)."

Still, Campbell said the days are numbered for the San Diego real estate market upward cycle, just as they are for any dynamic housing market.



Robert Campbell
Author
Real Estate Timing
San Diego, California

> *"I would anticipate that this trend in San Diego is going to turn to the downside maybe by the end of this year or early next year ... (but) if you'd have sold at the end of 2014 based on what you thought the trends were going to be, you would have been premature."*

"If you've been in a cycle for four or five years, you know that cycle is going to end as sure as the sun rises," he said, noting that axiom does not necessarily apply to slow-and-steady housing markets like many of those in the Midwest. "I would anticipate that this trend in San Diego is going to turn to the downside maybe by the end of this year or early next year."

Investors should look to the data to tell them when to sell, not try to anticipate the data in advance, Campbell reiterated.

"It really takes an objective person to really respect what the data tells you," he said. "Because that's really what makes money in the market. Not fortune-telling on the housing market."

A Dollar Per Distressed House

Data and on-the-ground intelligence is telling real estate investing wholesaler Luis Ontiveros there's still plenty of time to make hay while the sun shines in the San Diego market.

"I know there's a lot of friends that say we're looking at another downturn here, but I personally don't believe that," said Ontiveros, who describes wholesaling as a matchmaking enterprise where a homeowner with a problem property is matched to a real estate investor able and willing to take on that problem property and add value to it. "I still think we have a few years left to get as much as we can out of this hot market that we have."

The biggest challenge for real estate investors in the San Diego market is competition for the good deals, according to Ontiveros, who markets to potential homesellers via his website www.onropropertysolutions.com.

"People that are overpaying more are investors. I don't see that as much on the retail side where people are buying houses to live in," said Ontiveros, whose wife is a real estate agent. "Whenever we're dealing with a property owner, they have options now. They don't just have my marketing piece, they have Joe's, they have Larry's, they have Susan's."

That competition has forced Ontiveros and other investors to up the ante when it comes to finding potential deals.

"What it does is it makes it harder for us to extract deals from our marketing," said Ontiveros, who estimated he spends about $2,500 to $3,000 a deal in marketing costs, the majority of it in direct mail to homeowners he deems distressed based on a combination of public record data and boots on the ground. "We have bird dogs going out; we pay a dollar a house for them to confirm that it looks distressed."

Diversified Distressed Deals

Gone for now are the days when investors can rely solely on just one facet of distress, whether that be foreclosure or absentee owner, Ontiveros noted.

"A couple years ago you could build a business that was built on foreclosures and short sales," he said, explaining that is no longer feasible for most investors in Southern California. "I'm not saying we don't buy foreclosures ... but we only do it when the opportunity comes knocking. We

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aren't out there looking for them."

Williams said he's moved from buying almost exclusively foreclosures when he started investing to relying more heavily on wholesalers like Ontiveros.

"When we started buying high volume we were buying almost all trustee's sales … we buy now from wholesale buyers," he said. "We do a lot of direct marketing, direct mail, online marketing, networking … and now probably the majority of houses we buy are from other investors."

Van Soest described a similar evolution in his property acquisition strategy.

"What we do to find the homes has drastically changed since 2009, for sure," he said, noting that the first property he and his wife purchased in 2008 was a bank-owned home listed for sale on the multiple listing service. "We really don't look for homes on the multiple listing anymore, anywhere.

Luis Ontiveros
Wholesale Investor
San Diego, California

> *"Whenever we're dealing with a property owner, they have options now. They don't just have my marketing piece, they have Joe's, they have Larry's they have Susan's."*

"We'll do a lot of probate mailing. We'll try to contact the administrators and attorneys and go that route," he continued. "(In) certain areas, certain neighborhoods, we'll send out a letter to an absentee owner. We do a lot of Internet, SEO. We do target a lot of San Diego keywords that way."

Van Soest said his strategy in San Diego varies from inland markets in Southern California because of the higher price point.

"We're not looking to buy rentals in the San Diego market, and it's just due to price point. Not that I wouldn't like to have a rental in San Diego, but the price point is just too much," he said, noting that he and his wife own 58 units as rentals elsewhere in Southern California.

Extra Hot Trendy Spots

In San Diego, Van Soest is looking to flip homes in emerging neighborhoods with older homes that are being fixed up by owners and other investors.

Continued Next Page

WHOLESALING: *San Diego real estate investor Louis Ontiveros "wholesaled" this Escondido property to another investor for $199,000 after getting it under contract for $145,000 within a 48-hour time period.*

"Areas like North Park, that are trendy, we like that area," he said, describing a neighborhood slightly inland from downtown San Diego, sandwiched between the Balboa Park and Interstate 805.

But Van Soest noted that competition in these transitional neighborhoods is stiff, even for the off-market homes he is targeting.

"I can't think of the last house we bought that did not have at least one other investor involved. Even the off-market houses have multiple offers," he said, adding that more of his investments recently have been in the inland counties of Riverside and San Bernardino counties. "I think there's slightly less competition than we've experienced in San Diego, Orange County, LA. ... And also the price point is a little bit lower, which I'm a little more comfortable with. I have a little more flexibility in my exit strategy."

Vanessa Feil
Realtor/Manager
Ion Home Solutions
San Diego, California

"There are little spots that are extra hot ... it has restaurants, it has the nightlife. I'll end up listing it for a lot more than I anticipated."

The advantage of trendy, emerging neighborhoods in San Diego is that nicely rehabbed homes there sell quickly and often at a higher-than-expected price point, according to Vanessa Feil, who oversees the day-to-day flipping operations for investor Justin Williams' company, Ion Home Solutions.

"There are little spots that are extra hot ... it has restaurants, it has the nightlife," she said. "I'll end up listing it for a lot more than I anticipated. ... Usually you get offers that are at list price or just slightly above."

FHA Buyer Share Increasing

Feil noted that first time homebuyers are the primary target for the homes Ion flips in San Diego. That makes flipping in a high-priced market like San Diego more dependent on buyers who need to use low-down payment

Continued Next Page

FLIPPNG: *Real estate investing company Ion Home Solutions owned by investor Justin Williams purchased this duplex in San Diego along with three other properties for $1.225 million in September 2014 and sold them separately for a combined $1.819 million in 2015 for a net profit of nearly $220,000 after $250,000 in rehab costs and $125,000 in other holding and closing costs.*

Federal Housing Administration loans to be able to afford a property.

Those FHA buyers may be at a disadvantage when buying homes flipped in fewer than 90 days because of an FHA rule designed to cut down on irresponsible flipping that prohibits loans on homes that were sold within the past 90 days, according to Williams.

“FHA, they are supposed to be helping people, but they are hurting the very people they are supposed to be helping,” he said. “For someone like us we have to wait 90 days for an FHA buyer ... so if we get a conventional buyer we'll almost always take that even if it's a lower offer, because it's a bird in hand.”

RealtyTrac data shows 16.3 percent of all buyers in San Diego County used FHA loans in September 2015, up from 10.8 percent a year ago but still below the national average of 23.5 percent of FHA buyers in September 2015.

Interest Rate Sensitivity

The higher-priced San Diego market will also be more sensitive to a rise in interest rates, according to several local housing experts.

“I would get really concerned if rates go up too fast. I think it's inevitable that they will go up ... but if it goes up 1 percent, 1 and half percent, that concerns me, especially on the higher-end homes (in San Diego),” said Van Soest, who said he flips to many FHA buyers who could be priced out of San Diego if interest rates rise too quickly.

Local Realtor Michael Mewborn noted that while rising interest rates in the short term could result in some “mini rallies” in the San Diego market, ultimately they will have a chilling effect on sales activity.

“Increasing interest rates will significantly affect the buying power of buyers and thus the prices sellers are able to ask,” wrote Newborn in an email. “If rates go up by 2 percent or more it will greatly impact the lower echelon ($400K & under) and the middle-high tier ($700K - $2.5 Mil) in terms of prices and staying put as opposed to buying or selling. The middle tier will likely still buy, but albeit less often and at a lower price point than they could've afforded prior to the increases.”

Investor Sal Gallucci goes a step further, predicting that higher interest rates will result in more homeowners defaulting on their mortgages.

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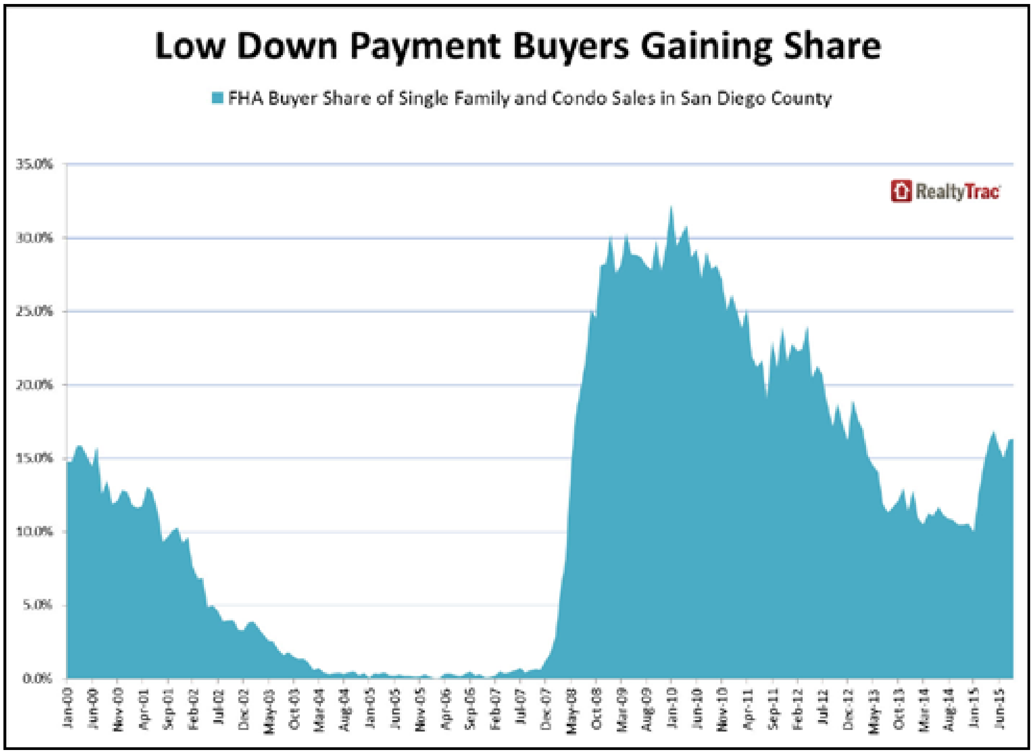

SOURCE: RealtyTrac

"When rates do go up, we will realize price retracement, followed by more NODs (Notices of Default)," he wrote in an email, adding that his overall outlook for home prices in San Diego is still positive for next year. "I do see that we will continue to see price escalations in year 2016 in the San Diego marketplace."

Sal Gallucci
Partner
West Realty Advisors
San Diego, California

"When rates do go up, we will realize price retracement, followed by more NODs (Notices of Default)."

Gallucci is Chief Business Officer at Note Capital Group (www.notecapitalgroup.com), which buys nonperforming notes mostly in other states because of the dearth of distress in the San Diego market.

"I have not seen very many NPNs for sale in the SD market place," he wrote, providing an overview of his strategy when buying these nonperforming notes. "We attempt to bring that borrower back into a performing situation to give them an opportunity for home owner retention, by loan modification, debt forgiveness, short pay refi. If these solutions do not work for the borrower, then we offer a short sale and if they are not cooperative, then we have no other recourse other than to foreclose."

Three Years to Close a Short Sale

The low inventory of distressed homes in the San Diego market comes at least in part from foreclosure processing delays that have created a shadow inventory of distress spilling onto the market in slow motion, according to Luis Lowe, a real estate broker and loan officer with First Nations Home Finance Corp. (http://www.fnhf.com/) in the north San Diego County city of Carlsbad.

"I just closed a short sale that took three years and nine months to close: 10 offers, two separate lenders, tax and HOA liens, delays after delays from Ocwen, the loan servicer," wrote Lowe, who said he has sold and listed REO properties in all areas of San Diego County. "The sellers' last mortgage payment was November of 2011. Prior to this administration and Congress, this property

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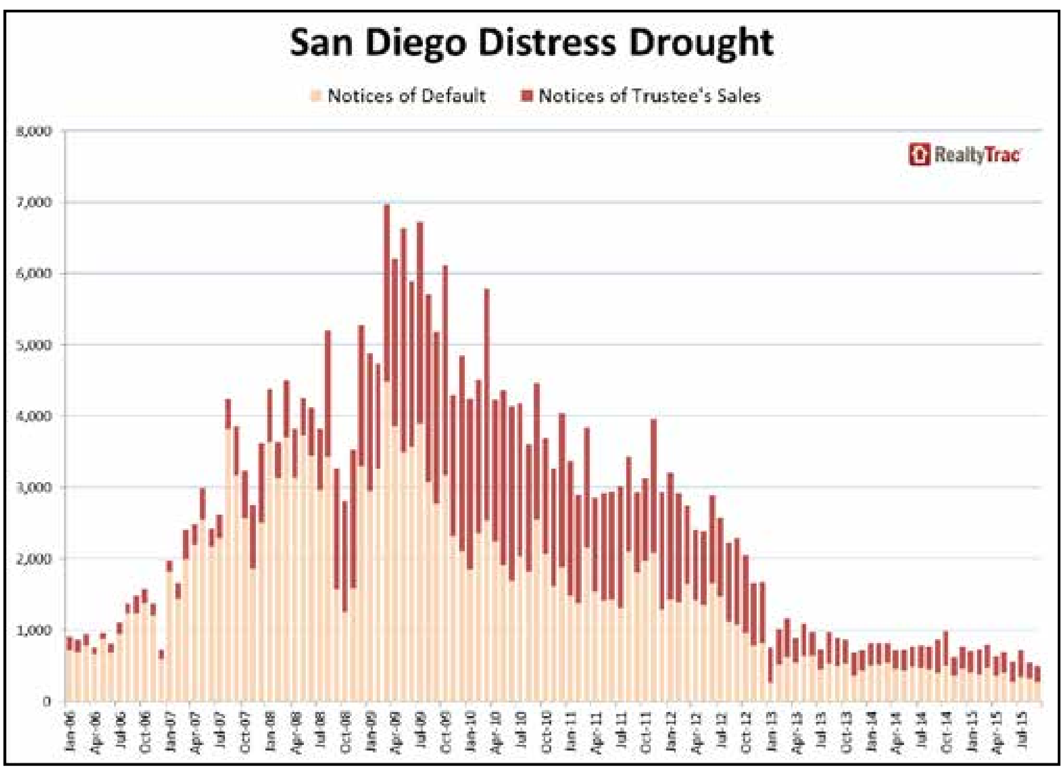


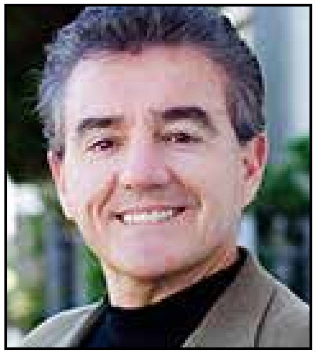
SOURCE: RealtyTrac

would have been on the market as an REO within six months. Now we know where taxpayer bank bailout money went."

There were 133 new bank repossessions, or REOs, in San Diego County in September, up 8 percent from a year ago and the sixth consecutive month where REOs increased on a year-over-year basis, according to RealtyTrac data.

Lowe also noted new rules for lenders that took effect Oct. 2 will have at least a short-term chilling effect on the San Diego housing market.

"Just like the government's response to the bank crisis, an over-reaching response to a self-created problem due to lax underwriting guidelines, the new TILA (Truth in Lending Act) requirement will increase the escrow period for transactions 30 to 45 days, increasing carrying costs to sellers and by extension list prices and increasing the cost of obtaining mortgages to borrowers due to higher administrative costs to lenders," he wrote. "This administration's method of operation of scapegoating perceived wrongdoers will be modified and adjusted by future administrations."



Luis Lowe
Broker/Loan Officer
First Nations Home Finance Corp.
Carlsbad, California

> *"I just closed a short sale that took three years and nine months to close: 10 offers, two separate lenders, tax and HOA liens, delays after delays from Ocwen, the loan servicer."*

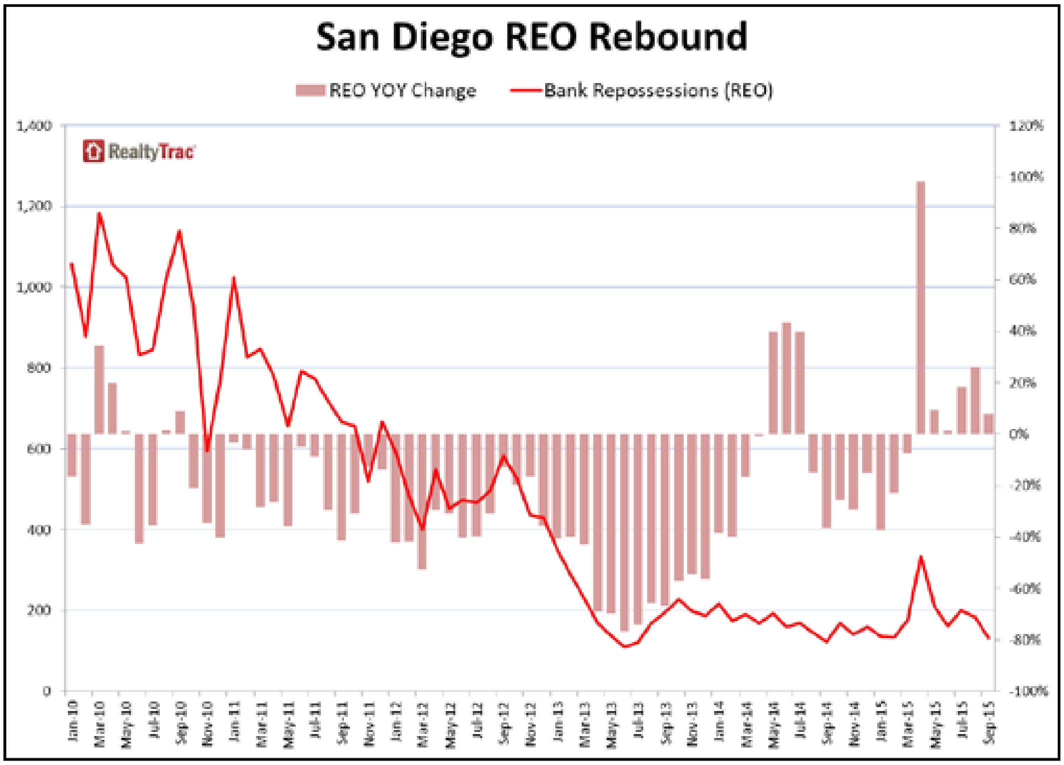
Stay or Go in San Diego?

Despite the cracks in the foundation of the San Diego housing market, Lowe said there is still plenty of opportunity left for investors in 2016.

"There is no such thing as perfect timing in real estate," he wrote. "I would encourage investors to buy as real estate values are increasing and take advantage of improved cash flow by taking advantage of historic low interest rates."

Lowe added that it may be time for some investors in San Diego to take some money off the table.

"Personally, I am nearing retirement age, I will be taking advantage of an increasing market, divesting and funding our retirement accounts and keeping just two properties," he wrote, referring to properties he owns in North San Diego County.

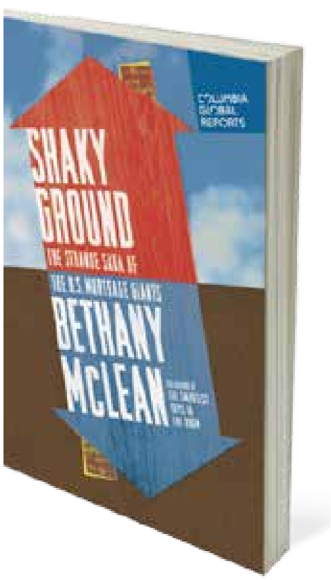


SOURCE: RealtyTrac

BOOK REVIEW

Are Mortgage Giants on 'Shaky Ground' — Again?

By Octavio Nuiry, Managing Editor



Shaky Ground: The Strange Saga of The U.S. Mortgage Giants

By **Bethany McLean**

(Columbia Global Reports, 159 pages, $12.99)

For the real estate industry, there is no more critically important entities than the U.S. mortgage giants Fannie Mae and Freddie Mac, the toxic twins currently under federal government conservatorship, who seem to be constantly under political and legal wrangling.

These two massive but little understood behemoths hold trillions in mortgage debt for millions of American homeowners. During the last financial crisis, housing was at the epicenter of the economic collapse. So, why after seven years, is the U.S. government still controlling Freddie and Fannie? And what would happen if there is another economic meltdown?

According Bethany McLean, author of the new book, "Shaky Ground: The Strange Saga of The U.S. Mortgage Giants," these government-sponsored enterprises, or the GSEs, are once again on "shaky ground." McLean reports that seven years after the housing crash, Fannie and Freddie are severely undercapitalized, plagued by several investor lawsuits and hampered by Beltway political infighting. She explores the history of Fannie and Freddie and the controversial saga that the GSEs continue to play in the wobbly housing recovering.

McLean begins her GSE narrative in an Iowa courtroom, where one of several legal battle pits New York hedge fund titans against Justice Department mega lawyers, fighting over who gets to keep billions of dollars of Fannie and Freddie profits that Uncle Sam has been pocketing since 2008 when they took them over.

"But overall, the lawsuits are about much more than one side's victory or loss," writes McLean, "They have reverberations for all of us."

Indeed, they do.

But first and foremost; it's about the money. The battle to control Fannie and Freddie is about the lucrative $5 trillion dollar secondary mortgage market that the GSEs now control. With that kind of money at stake you can understand why Wall Street insiders, Washington politicians and D.C. bureaucrats want to get their hands on it.

In "Shaky Ground," McLean gives a historical overview of what has been happening with the mortgage twins since they were put in conservatorship limbo in 2008. She argues convincingly that the mortgage market requires reform. She fears, however, that the dangerous conservatorship system that Fannie and Freddie is operating under today is draining their profits and putting them potentially on the path to insolvency.

Since 2010, she writes, the federal government has been using their profits to pay down the federal deficit, instead of paying investors dividends. This is why a slew of investor lawsuits have plagued the two GSEs over the past few years.

She also worries that low reserves could cause their major investors, including China, Russia and Japan, to lose confidence in the GSEs and pull out — triggering another potential global financial crisis.

"Most of the mortgage market in this country is now supported by government agencies, more so than it was before the financial crisis," writes McLean, referring to the federal government takeover of the toxic twins on Sept. 6, 2008.

New Deal Bureaucries

In 1938, during the Great Depression, as borrowers defaulted

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on mortgages en masse and banks found themselves strapped for cash, President Franklin D. Roosevelt and Congress created the Federal National Mortgage Association (FNMA), known as Fannie Mae in order to buy mortgages from lenders so that banks can make more capital available for new borrowers. In 1970, Congress created the Federal Home Loan Mortgage Corporation, or Freddie Mac, primarily to keep Fannie Mae from functioning as a monopoly.


Bethany McLean

Together, they have kept the secondary mortgage market machinery of U.S. housing churning out new mortgages and allowing new loans to be funded. Although Fannie began with just $1 billion in purchasing power, it slowly became extremely powerful and profitable, putting millions of Americans in their homes. Today, the two companies dominate the mortgage market, partly because of the belief that loans backed by Freddie and Fannie carry an implicit government guarantee; the companies are so large that the government would never allow them to fail — or so it's assumed.

Fannie and Freddie don't make mortgages. Instead, Fannie, and its smaller sibling Freddie, buy mortgages from banks and package them into residential mortgage-backed securities (RMBS) and sell them globally to investors in search of dividends.

So why is the federal government still controlling these two entities?

"Fannie and Freddie are still a battleground, as they always have been, and the battle is being fought in covert ways, as it always has been," writes McLean in the final chapter.

Federal Intervention

The mortgage giants troubles started in the fall of 2008, when U.S. Treasury Secretary Henry 'Hank' Paulson put Fannie and Freddie into conservatorship on Sept. 6, 2008, to prevent their potential failure. The federal government bailed out the mortgage duo, injecting $187 billion into the GSEs and creating a new bureaucracy the Federal Housing Finance Agency (FHFA) as their "conservator." At the time, Secretary Paulson said the conservatorship was supposed to be a "time out" period.

But the conservatorship has lasted seven years.

McLean argues that seven years after the mortgage meltdown, the toxic twins remains in conservatorship "limbo" because one of the biggest issues of the housing crash remains unresolved — namely what to do about Fannie and Freddie. She is sounding the alarm that Americans should be concerned because Fannie and Freddie — collectively, the largest financial institutions in the world with $6 trillion in debt on their books — are still potentially a financial threat to the U.S. economy.

How much capital do they hold against those $6 trillion liabilities? The answer is zero.

Massive Accounting Fraud

Each quarter since 2010, Fannie and Freddie generate billions in profit, but the federal government expropriates 100 percent of the profits of these entities, which the government books as income — not dividends for Fannie and Freddie shareholders.

"The story of how Fannie and Freddie came to be put under conservatorship is one of petty personality conflicts, global political concerns, incompetent oversight, tremendously bad business decisions in the midst of a housing bubble the likes of which no one has ever seen before — and ultimately, the flawed model of Fannie and Freddie," writes McLean in chapter one.

McLean is a business writer and contributing editor at *Vanity Fair*, and was an editor and columnist at *Fortune* magazine. In 2003, McLean chronicled the Enron scandal in "The Smartest Guys in the Room," a book she co-authored with *Fortune* colleague Peter Elkind. She followed that up with "All the Devils Are Here," a book she wrote with *New York Times* staffer Joe Nocera in 2011.

This well-written, 159-page book is organized into three sections: Part One, Downfall; Part Two, Origins; and Part Three, Limbo. The book contains 14 short chapters.

Readers of this complex tale of Fannie Mae and Freddie Mac will wonder why these corporatist organizations still exist.

For now, the GSEs are "safe" as long as they keep making money for the U.S. Treasury. Last year, the companies together generated $21.9 billion in net income. Currently, there's a political stalemate on what to do with them.

But what if the U.S. housing market tanks, and Fannie and Freddie start losing money again?

Are Fannie and Freddie on shaky ground — again?

McLean fears they are.

LETTER TO THE EDITOR

A Response to "Are Foreigners Stashing Billions in U.S. Real Estate?"

I just wanted to send you a note regarding your article entitled "Are Foreigners Stashing Billions in U.S. Real Estate?" (Sept. 2015). It was a great read and something close to my heart.

I work as a partner with Realtors who are selling properties to international clients investing in U.S. real estate market. When speaking with these clients there is a certain belief that the USA is the best house in a bad neighborhood.

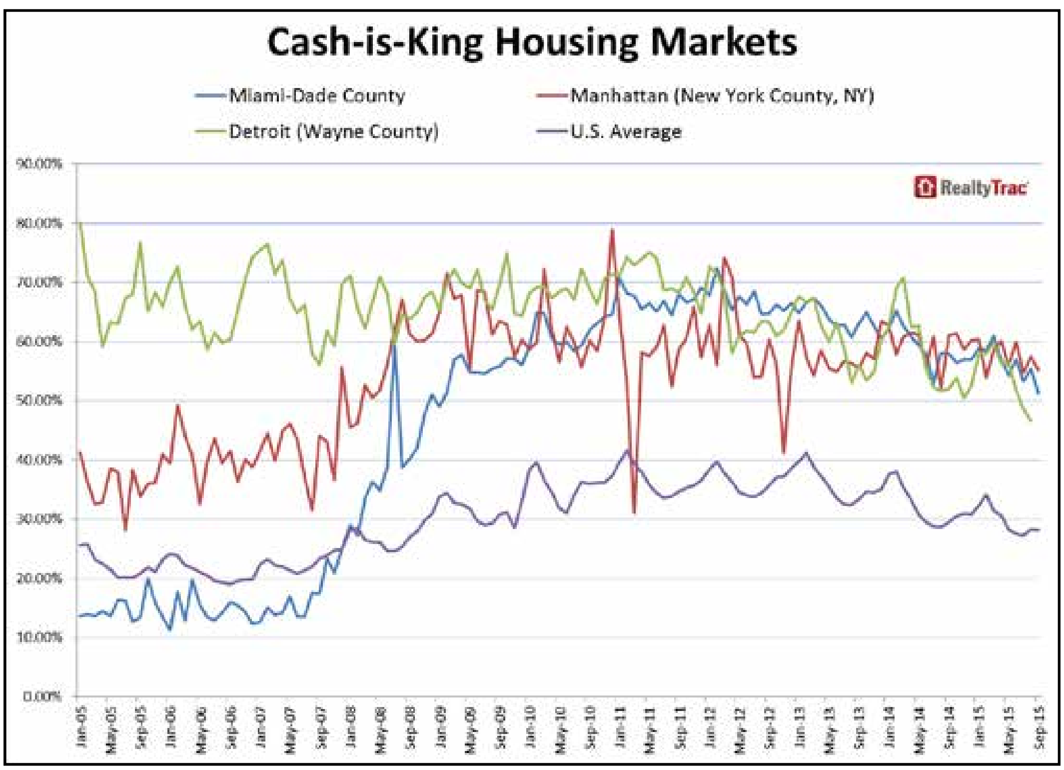
The European, Canadian, Chinese and Brazilian currencies have suffered against the U.S. dollar in the past 12 months. This has had little impact on international investors from these areas. We are selling more "Forward Contracts" than ever before. This gives investors the opportunity to lock in today's interest rate for a 10 percent deposit for up to 12 months. This product allows them the time to look for property without the fear their currency will continue to devalue.

Those people who were ahead of the curve now are taking advantage of increased property prices and the fact that they will also make money on the exchange rate when they sell.

Congratulations on the article and the information it contained. It was very educational and of great use to me.

Best Regards

David Nixon
Business Development Executive
Currencies Direct
Orlando, FL 32839



SOURCES: RealtyTrac

TOP 20

Foreclosure rates in the Nation's 20 largest metros in September 2015

Rank	Metro	Housing Units Per Foreclosure Filing (Rate)
1	Tampa, FL	523
2	Miami, FL	562
3	Chicago, IL	617
4	Philadelphia, PA	756
5	Atlanta, GA	773
6	New York, NY	788
7	Baltimore, MD	911
8	Riverside, CA	933
9	Detroit, MI	969
10	St. Louis, MO	1,130
11	Seattle, WA	1,155
12	Houston, TX	1,233
13	Dallas, TX	1,466
14	Washington, DC	1,470
15	Minneapolis, MN	1,580
16	Phoenix, AZ	1,745
17	Los Angeles, CA	1,777
18	San Diego, CA	1,859
19	Boston, MA	2,050
20	San Francisco, CA	2,281

SEPTEMBER 2015

STATE-BY-STATE FORECLOSURE ACTIVITY SUMMARY

State Rank	State	Default	Auction	REO	Total	1/every X HU (rate)	%Δ from Aug 2015	%Δ from Sep 2014
	U.S. Total	**27,219**	**41,603**	**40,308**	**109,130**	**1,210**	**-0.39**	**2.12**
28	Alabama	0	669	624	1,293	1,685	-11.13	11.18
42	Alaska	13	54	43	110	2,788	-14.06	-32.52
33	Arizona	0	787	723	1,510	1,894	-18.38	-13.32
40	Arkansas	0	134	352	486	2,718	37.68	230.61
22	California	3,810	2,961	2,285	9,056	1,516	-14.27	-26.37
39	Colorado	0	603	309	912	2,437	-3.90	-12.73
16	Connecticut	655	190	281	1,126	1,321	-2.00	-29.98
10	Delaware	117	161	102	380	1,073	11.11	-1.81
	District of Columbia	1	18	14	33	9,040	13.79	37.50
3	Florida	3,474	5,327	5,496	14,297	630	-5.39	-30.90
7	Georgia	0	2,174	2,285	4,459	918	21.17	22.06
34	Hawaii	70	17	184	271	1,927	-6.87	53.11
32	Idaho	131	124	102	357	1,877	-42.33	-34.50
4	Illinois	1,779	2,475	2,154	6,408	826	11.50	-4.44
9	Indiana	887	1,070	933	2,890	969	6.80	1.51
36	Iowa	202	226	225	653	2,054	11.82	-30.68
26	Kansas	151	429	163	743	1,663	9.59	112.29
41	Kentucky	65	473	157	695	2,777	-36.70	1.31
14	Louisiana	324	830	401	1,555	1,270	60.97	113.01
37	Maine	194	32	105	331	2,181	2.80	-22.84
8	Maryland	523	1,232	805	2,560	933	-42.73	-27.54
24	Massachusetts	980	495	323	1,798	1,562	13.22	54.60
18	Michigan	0	1,273	1,994	3,267	1,386	17.26	17.86
38	Minnesota	0	536	521	1,057	2,227	-23.68	12.81
44	Mississippi	0	186	102	288	4,436	-7.10	-5.88
27	Missouri	0	843	774	1,617	1,678	-10.37	184.68
49	Montana	0	17	30	47	10,283	74.07	0.00
43	Nebraska	79	56	142	277	2,889	27.65	89.73
2	Nevada	776	486	859	2,121	555	-8.73	44.29
31	New Hampshire	0	167	177	344	1,788	15.05	40.41
1	New Jersey	2,901	1,951	3,043	7,895	451	19.37	13.45
12	New Mexico	363	117	270	750	1,203	-16.48	136.59
15	New York	3,527	1,013	1,631	6,171	1,315	9.07	42.35
11	North Carolina	1,392	1,098	1,260	3,750	1,160	-16.37	-3.70
50	North Dakota	8	1	6	15	21,647	87.50	0.00
5	Ohio	1,693	1,856	2,344	5,893	870	19.22	17.25
30	Oklahoma	215	325	443	983	1,699	6.50	45.85
13	Oregon	317	531	476	1,324	1,267	-2.50	29.93
17	Pennsylvania	915	1,456	1,779	4,150	1,341	-9.25	5.52
35	Rhode Island	0	157	80	237	1,952	42.77	4.41
6	South Carolina	698	814	872	2,384	899	-4.06	19.38
47	South Dakota	0	27	19	46	7,950	-2.13	53.33
21	Tennessee	0	723	1,149	1,872	1,507	-17.39	97.89
29	Texas	27	3,845	2,096	5,968	1,687	31.69	49.91
20	Utah	188	299	185	672	1,471	-11.70	5.00
46	Vermont	0	17	27	44	7,339	-40.54	69.23
25	Virginia	0	1,450	648	2,098	1,612	19.27	100.19
19	Washington	16	1,335	723	2,074	1,398	-3.17	3.86
48	West Virginia	0	27	83	110	8,009	-7.56	57.14
23	Wisconsin	728	491	487	1,706	1,539	-6.01	-21.42
45	Wyoming	0	25	22	47	5,597	-55.24	-17.54

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