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HOUSING NEWS REPORT

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Nightmare on Main Street Part I

By Daren Blomquist, Executive Editor

Editor's Note: *This is the first in a two-part series investigating the impact of disasters on the housing market. In Part I we investigate the impact of environmental disasters, and in Part II we'll investigate the impact of natural disasters.*

A silent and invisible enemy attacked Porter Ranch, California, as Halloween approached last year.

Residents in this high-end master-planned development about 35 miles northwest of the city of Los Angeles complained of nausea, nosebleeds, and a nasty smell — particularly in the part of the community north of Highway 118 nestled among the foothills of the Santa Susana Mountain Range.

"I personally went to the shopping center there for dinner but could smell it so strongly in my car I didn't feel it would make sense to go to the restaurant," said Bonnie Sterling, a real estate agent with Sterling Living covering communities near Porter Ranch.

A week before Halloween, Southern California Gas Company identified the apparent cause of these symptoms: an underground storage facility leaking natural gas and located near the top of Oat Mountain in the Santa Susanas, according to a timeline of events

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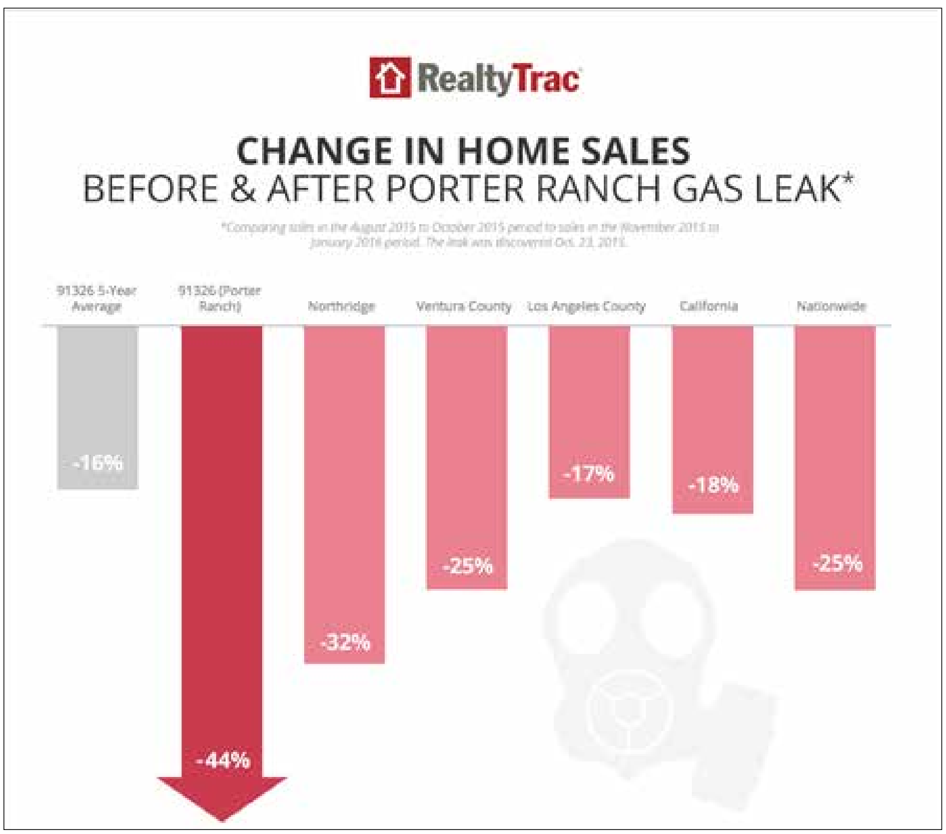

April 2016

Volume 10 • Issue 4

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provided by the *Los Angeles Daily News*. The domino effect from that discovery eventually led to the relocation of more than 2,500 families, lawsuits against the gas company by the Los Angeles city attorney and California state attorney general, and a state of emergency declared by California governor Jerry Brown.

Ripple effects from what Los Angeles Mayor Eric Garcetti called a "disaster" are also spreading to the local housing market.

Price Cuts in Porter Ranch

"It's the most important question that always comes to mind, how's the gas leak?", said Mamdouh Elalami, a real estate broker with Seven Star Properties covering Southern California's San Fernando Valley, including Porter Ranch. "Homes are sitting on the market much longer than they used to. … Sellers are being forced to go down in price … where buyers feel like it is worth based on this new nuisance of the gas leak."

Mamdouh Elalami
Broker
Seven Star Properties
Simi Valley, California

"Homes are sitting on the market much longer than they used to. … Sellers are being forced to go down in price."

Elalami provided two examples: renters moving out of two rental properties in Porter Ranch that he manages, and a friend selling his home in the ritzy Renaissance division of Porter Ranch.

"He had an offer a year ago for $3.2 million, and he ended up selling for $2.8 million … after the gas leak was discovered," said Elalami, who estimated sellers in Porter Ranch are having to lower asking prices 8 to 10 percent to get their homes sold.

That environment may be giving buyers the upper hand for the time being, according to Jim Sandoval, team leader with Park Regency Realty who had a property listed in Porter Ranch in February.

"Since putting the home back on the market

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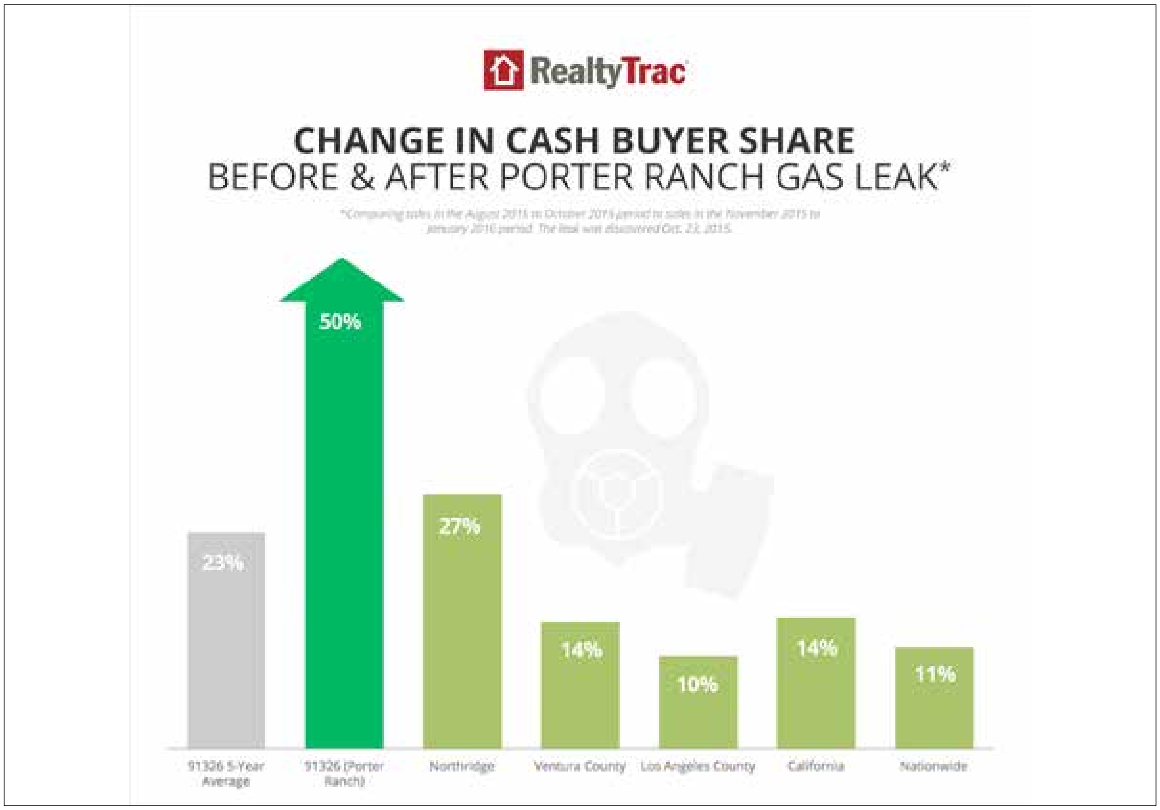

SOURCE: RealtyTrac

this month I've had good offers," he wrote in an email. "However, right now they are slightly lower than the ones we received in the past."

RealtyTrac public record real estate data shows home sales in the Porter Ranch zip code (91326) dropped 44 percent in the three months following the discovery of the gas leak compared to the previous 12 months, with sales of homes north of Highway 118 and closer to the gas leak — including the Renaissance subdivision — plummeting 60 percent during the same time period.

While home prices in the zip code overall were down less than 1 percent in the three months following the discovery of the gas leak, the median price per square foot north of Highway 118 was down 5 percent.

Meanwhile, the share of homes in Porter Ranch that sold to all-cash buyers jumped a whopping 50 percent in the three months following the discovery of the gas leak while the median price per square foot for all-cash sales dropped 21 percent during that time period — indicating that the most active buyers in the market have the upper hand when it comes to negotiating price.

"Some of (the buyers) are taking advantage of that situation and saying 'let's get a good deal,'" said Elalami, noting that his job as an agent is to provide the proper disclosures about the leak and allow the client to make the choice about whether to buy or not. "The majority of them, if they get a good deal, then they buy. If not then they go somewhere else."

Jim Malmberg
Realtor
John Hart Real Estate
Burbank, California

"I think there is a lot of fear in that market right now. From a buyer's perspective there are probably a lot of great deals."

Fear on the part of both borrowers and banks is fueling the surge in discounted cash sales in Porter Ranch, according to Jim Malmberg, a real estate agent with John Hart Real Estate who covers the west side of Los Angeles and the San Fernando Valley, including Porter Ranch.

"You still have a lot of environmental issues. A lot of the homeowners up there are still going through indoor air testing. I think there is a lot of fear in that market right now. From a buyer's perspective there are probably a lot of great deals," said Malmberg, who works with real estate investors and bought his first investment property at age 18. "I would imagine that while the leak was happening that no bank would have financed … And nobody up there was going to sell if they didn't have to."

Fear in Flint

Banks also initially balked at financing home purchases in Flint, Michigan, as a different type of environmental disaster involving tainted water unfolded there, according to Chris Theodoroff, 2015 and 2016 president of the East Central

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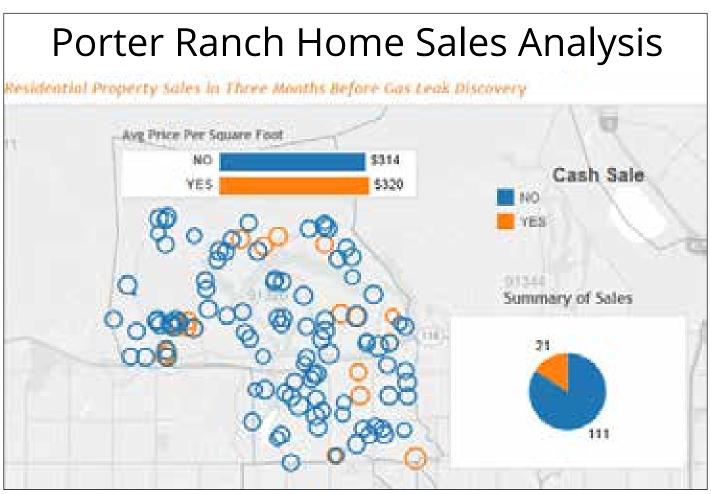
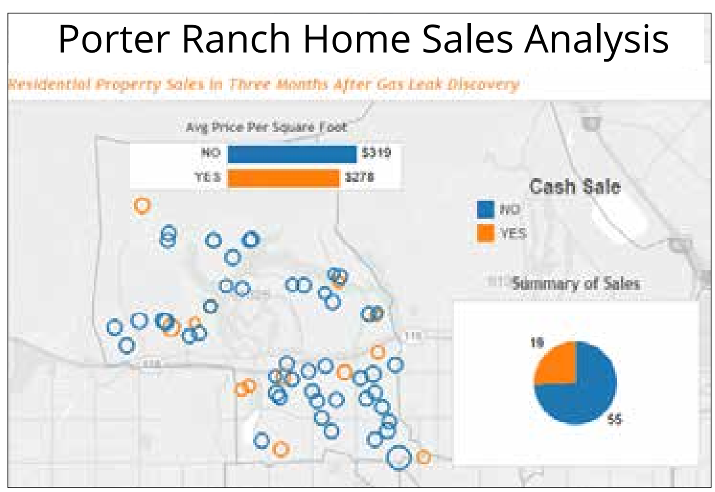


SOURCE: RealtyTrac



SOURCE: RealtyTrac

Michigan Association of Realtors.

"Initially we had a couple of lenders that started to balk, but we called them in and told them these houses are not in the city of Flint. … we are not on the Flint system, and we didn't have a problem," said Theodoroff, an associate broker at Piper Realty Company who lived in the city of Flint for 25 years before moving in October 2014, in the midst of the unfolding water crisis. "The suburbs got a bit shaky for about a week, and so we called in all the lenders and said look, these are not in the city of Flint … and so all their underwriters loosened up quite a bit."

Theodoroff added that even within the city of Flint, lenders are still will to lend "as long as you present them with a water test."

While lenders might be willing to lend in Flint, it's evident from RealtyTrac public record loan data that not many home purchases are utilizing that lending — a pattern that was evident even before the water crisis but is even more clear in the wake of the crisis. Of all single family and condo purchases in the city of Flint during the first two months of 2016, an astounding 79 percent were purchased by all-cash buyers — up from 74 percent cash buyers the year before and up from 67 percent in 2013 before the city switched its water source.

By comparison, 49 percent of home purchases in all of Genesee County, where Flint is located — in the first two months of the year were purchased by cash buyers, down from 50 percent the year before and down from 59 percent in 2013. Nationwide, 33 percent of home sales were to all-cash buyers in the first two months of 2016, down from 37 percent a year ago and down from 45 percent in 2013.

The foundation for the Flint water crisis was laid in April 2014 when the city decided to switch its water source from Detroit water to the Flint River. The domino effects from that decision started with a relatively innocuous boil water advisory in August 2014 and escalated exponentially in September 2015

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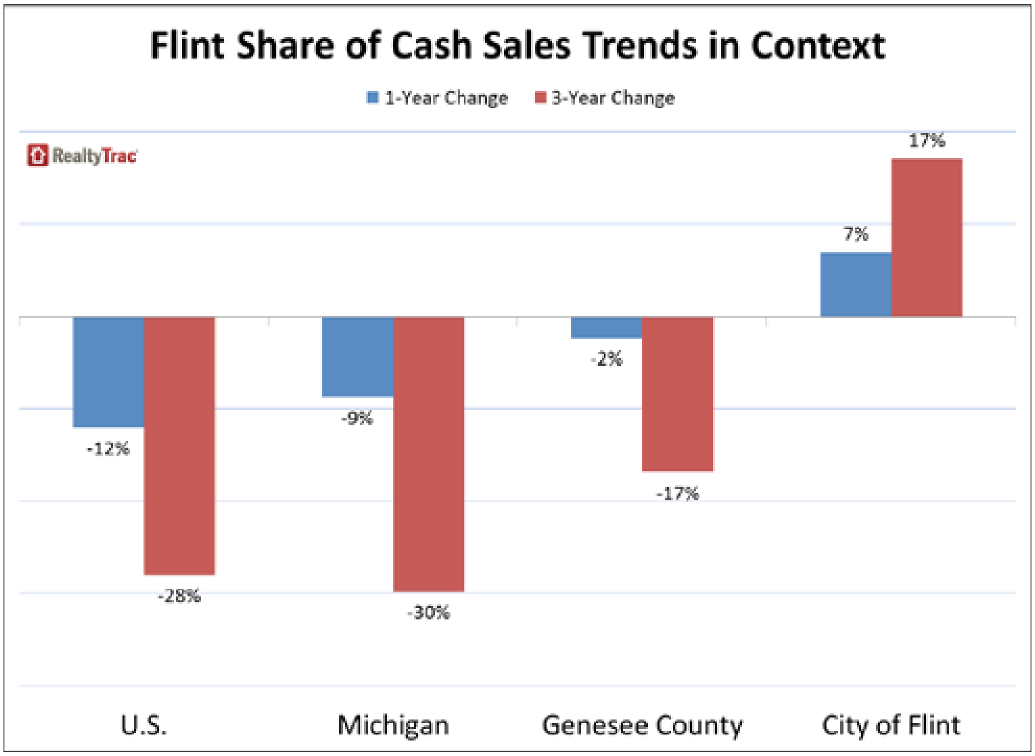
Chris Theodoroff
President
East Central Michigan Association of Realtors
Flint, Michigan

"Initially we had a couple of lenders that started to balk, but we called them in and told them these houses are not in the city of Flint. … we are not on the Flint system, and we didn't have a problem."



SOURCE: RealtyTrac

when high lead blood levels were discovered among Flint children — leading to the declaration of a public health emergency by the Genesee County Health Department in October 2015 and Michigan Governor Rick Snyder declaring a state of emergency in January 2016, according to a timeline of the crisis compiled by the *Detroit Free Press*.

Recovery in Remission

The impact on the Flint housing market: a nascent real estate recovery in the city of Flint that abruptly reversed course in early 2016 after the crisis escalated. Median home prices in the city of Flint dropped 21 percent in the first two months of 2016 compared to the first two months of 2015 even while median home prices countywide increased 8 percent during that same time period, and median home prices statewide in Michigan were up 18 percent during that same time period. Nationwide home prices were up 8 percent for the first two months of the year.

The real estate trends following the environmental crises in both Porter Ranch and Flint demonstrate that these types of crises do impact housing, if in varying degrees based on the nature of the crisis and the nature of the local housing stock and underlying economic fundamentals, according to Cliff Lipscomb, director of economic research at Greenfield Advisors, an Atlanta-based economic and real estate research firm.

"What both Porter Ranch and Flint show is that sales volume is affected by incidents that affect the way a person can use and enjoy their property," said Lipscomb, noting that the much more dramatic drop in Flint home prices may be due in part to an issue that is much more quantifiably dangerous for the health of residents. "The lead contamination has an immediate and oftentimes permanent impact on a person's use and enjoyment of their property."

The 21 percent drop in Flint home prices in 2016 reversed the trajectory of home prices in the city of Flint, which increased on an annual basis in the previous two years, and despite the sharp year-over-year decrease are still up 90 percent in the first two months of 2016 compared to the same time period three years ago in 2013.

"Our last four or five years have actually been quite good," Theodoroff noted. "The economy is coming back slowly but surely."

The economic recovery in Southeast Michigan has come as the auto industry — and all the ancillary and supporting industries around it — have started to bounce back from the Great Recession, according to Andy Sussex, Principal Broker and Owner with Castle Real Estate, covering parts of Genesee County along with parts of Oakland and Macomb counties in the Detroit metro area.

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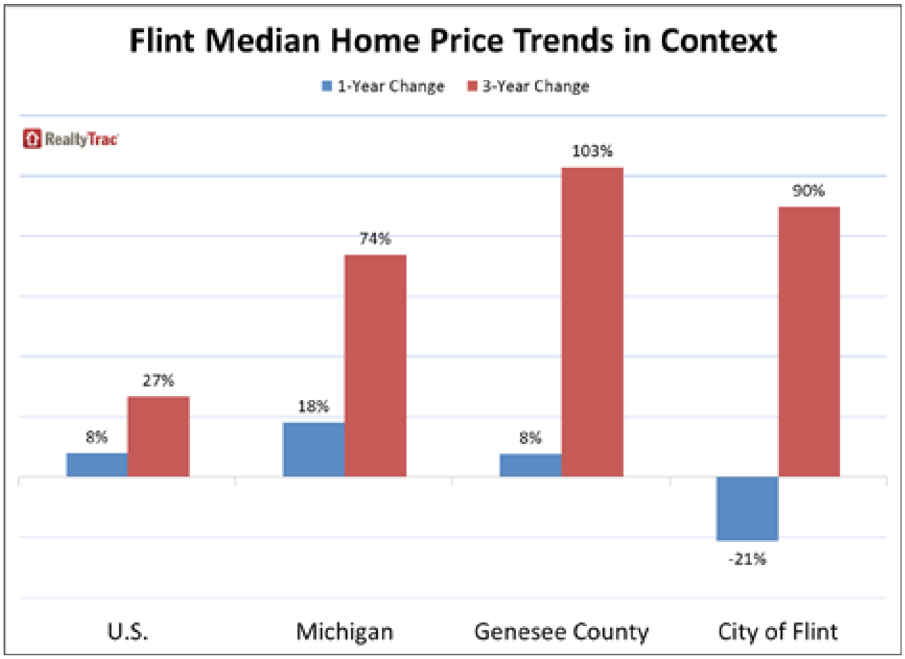

SOURCE: RealtyTrac

"The auto industry drives the majority of the Southeast Michigan economy. … The big three have regained their foothold and done very well," said Sussex, who has owned his brokerage since 2004 and said that the homes in the region lost roughly 35 percent of their value during the downturn. "Over the last three years, we've regained 20 percent to 25 percent of that 35 percent."

Sussex noted that the city of Flint was lagging the recovery even before the water crisis hit.

"In Northern Oakland and Genesee County, the values have been appreciating since 2013, which is a complete reversal from 07, 08, 09," he said. "Flint it has not seen the recovery that everyone else has. It has not seen the recovery in the car industry that everyone else has … And then you add the water crisis on top of that and it kind of squelches any kind of recovery."

Cliff Lipscomb
Director of Economic Research
Greenfield Advisors
Cartersville, Georgia

> *"What both Porter Ranch and Flint show is that sales volume is affected by incidents that affect the way a person can use and enjoy their property."*

Localized Impact

On the other hand, the recovery has taken hold in towns like Grand Blanc, located about five miles south of Flint, and Mount Morris, located about 10 miles north of Flint, according to Sussex. RealtyTrac data shows median home prices were up 11 percent year-over-year in Mount Morris in the first two months of 2016, and home prices in Grand Blanc were down 4 percent during the same time period — a relatively small decrease compared to the 21 percent drop in Flint.

Even the water crisis has done little to slow the momentum in those peripheral cities, according to Sussex, who said that he recently worked with buyers purchasing a home in Grand Blanc, and the water quality was a non-issue for them.

"It didn't even come up as a question in my buyers mind in terms of any disclosures whatsoever," he said. "It wasn't even on the radar. Because Grand Blanc, even though it's Genesee County, it's outside of the Flint Water District."

Betting on Flint

But some buyers are willing to bet on Flint, even with the required disclosures and water tests that come with buying a home within the city's water district, according to Theodoroff.

"There are a lot of younger people that realized that the biggest bang for the buck they can get is in the city of Flint. … I've had two listings in the past month in the city of Flint, and I sold them very quickly," he said, noting one listing sold to a single man for $27,000 and another sold to a family with young children for $30,000. "Our downtown area has had quite a revitalization with lofts, and an old hotel was converted into apartments that had a waiting list."

The price points of Theodoroff's recent two listings aren't too far off the median price for the city, which RealtyTrac data shows was $22,961 in the first two months of 2016, down from $28,788 in the first two months of 2015. Median prices in Flint zip codes range from as low as $6,528 in 48505 to $49,111 in 48532.

Thanks to steps that have been taken to mitigate the water crisis in recent months, the fight real estate agents are waging now is mostly about perception, according to Theodoroff.

Aging Infrastructure

"If anything good is coming out of this, we are going to get a ton of federal money to fix the infrastructure," he said, adding that many other Midwestern markets with older homes may be facing similar environmental problems caused by aging infrastructure in the near future. "I just want the pipes re-coated or everything dug up and fixed. And it appears we're going to get the fix now."

Lipscomb, the environmental economist, noted the Porter Ranch crisis was also rooted in old and failing infrastructure.

"Porter Ranch is an old oil well that was repurposed as a natural gas storage facility," he said. "It seems to be an infrastructure issue. Flint is very similar in that respect. This is an infrastructure issue. This is a lead contaminant problem caused by an aging infrastructure."

While the Flint water delivery infrastructure is being fixed, real

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estate consumers can mitigate risk through a few simple and cost-effective stops, Theodoroff said.

“Anyone can get their water tested for free. You can get filters and filter replacements for free,” he said. “You can buy a reverse osmosis system for $150 from Home Depot ... and that will get you clean drinking water ... We are mitigating where we can. ... We are putting in seller disclosures that the water from these houses is from the city of Flint.

“You walk into a listing, and the first thing you do is have the water tested,” he continued. “If you are listing something in that area you demand a water test. ... and you find out right away what your lead and copper contents are.”

Andy Sussex
Broker/Owner
Castle Real Estate
Genesee County, Michigan

> *“Flint it has not seen the recovery that everyone else has. It has not seen the recovery in the car industry that everyone else has ... And then you add the water crisis on top of that and it kind of squelches any kind of recovery.”*

Momentum Killer

Theodoroff characterized the water crisis as a “momentum killer” for the Flint housing market, but emphasized that the longer-term trend for real estate in the region is toward recovery.

“We are recovering but we are not recovering as quickly as some other areas or some of the suburbs,” he said.

The gas leak in Porter Ranch will also have a short-term impact on that market, according to Malmberg, who said the situation offers a good opportunity for real estate investors who are willing to wait even a few months for demand and prices to bounce back.

“If they can buy in at this point in life and hold for a few months, they are probably going to do a lot better than if they are going to do a fast flip — just because there are still a lot of environmental concerns,” he said. “I think by the time you get to mid-summer most of this testing will be done and most people will be back in their homes ... and once everything returns to normal that market should snap back to normal pretty quickly.”

Elalami likened the Porter Ranch environmental crisis to the powerful Northridge Earthquake that shook the region in 1994.

“I feel like it’s the 94 quake,” he said, noting that he still remembers experiencing the tremblor in his house. “The fridge was in the middle of the living room. It was a scary time. ... When it happened, everyone wanted to move out, and prices plummeted because of that, and people took advantage of that. But no one’s talking about the 94 quake anymore.

“That is the beauty of the human being. Quickly forgetful,” he added.

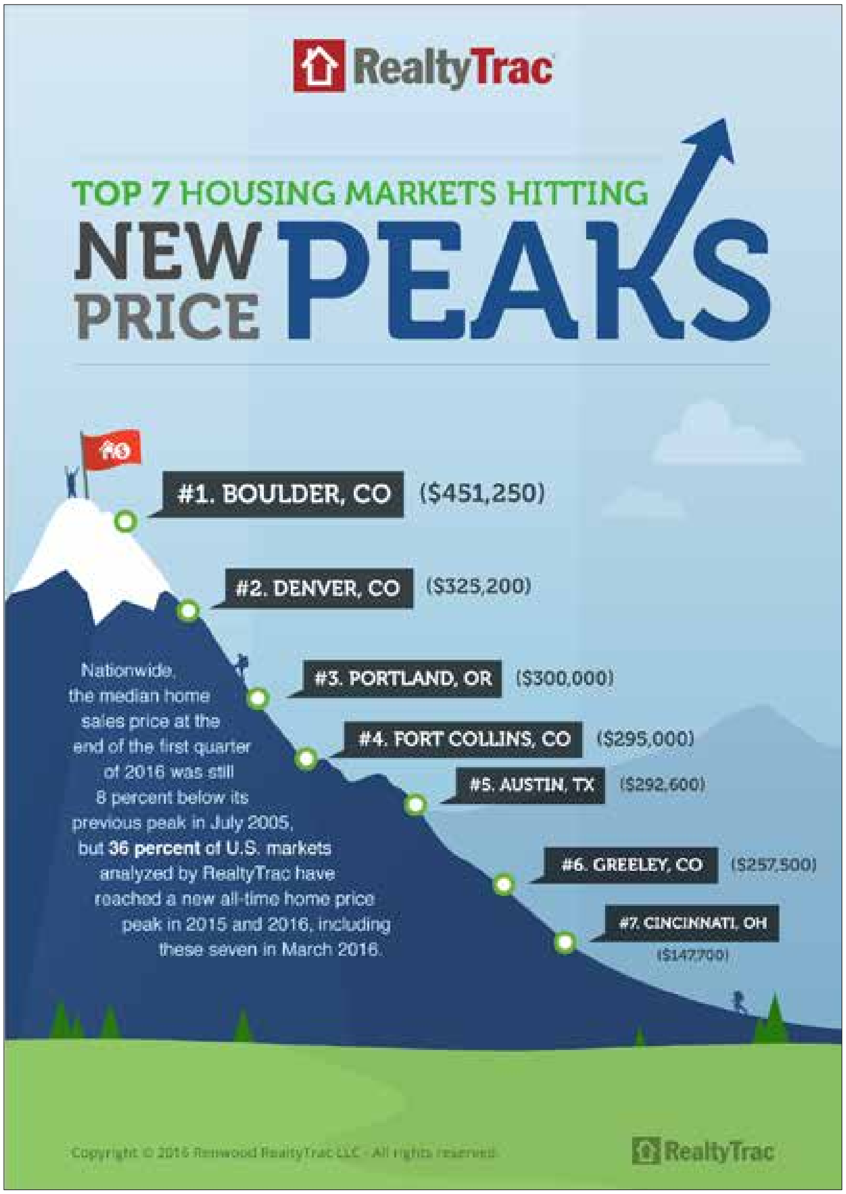
Lipscomb said the Porter Ranch crisis is less likely to have long-term impacts on the housing market than the Flint crisis.

“Between the two I think Porter Ranch is more likely to recover in the long run. Flint has had so many issues over the years, and this is yet another one that has impacted the area,” he said, reiterating that the recent crises in both Porter Ranch and Flint foreshadow growing environmental risk posed by the country’s crumbling infrastructure. “I think the two situations really exemplify the infrastructure crisis that our country is facing.”

Big Data Sandbox

RealtyTrac analyzed nearly 45 million single family home and condo sales nationwide over the past 15 years to calculate which markets in March 2016 reached new highs for home prices. Nationwide home prices increased on an annual basis in March for the 49th consecutive month, but prices were still 8 percent below their previous peak in July 2005.

On the other hand, among 125 metro areas analyzed in the report, 36 percent of them have reached new home price peaks since January 2015, including these seven markets that reached new home price peaks in March 2016.

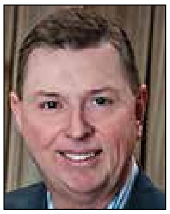


MY TAKE

By Eddie Speed and Kevin Shortle

NoteSchool President and CEO (Speed) and Director of Research (Shortle)

Make 5 Times the Profit by Combining Real Estate Investing with Notes



Eddie Speed

Kevin Shortle

Most real estate investors lose out on tens of thousands of dollars in profit on every deal they do. This happens because they don't have a clear understanding of how to architect a deal using both real estate and note investing techniques. Combining these techniques enables investors to make five times the profit! This article will use an actual transaction to show you how to do just that.

Let's start with a little background of the investors so that you can see where their mindset was and how it evolved from being just an investor in to what we call a deal architect.

The investors in this transaction were a husband and wife team. Their approach, like that of many investors, was to purchase properties at a discount and then sell to a rehabber. In this particular transaction, they found a motivated seller who was looking to sell a vacant home that they inherited.

The property had an after-repair value of $48,000 and the property seller was willing to sell it for $17,000. This husband and wife team (HW Team) figured their exit strategy would be to resell the property "as-is" to a rehabber for $25,000 cash. If they were successful in doing that, in a few months they would profit $8,000.

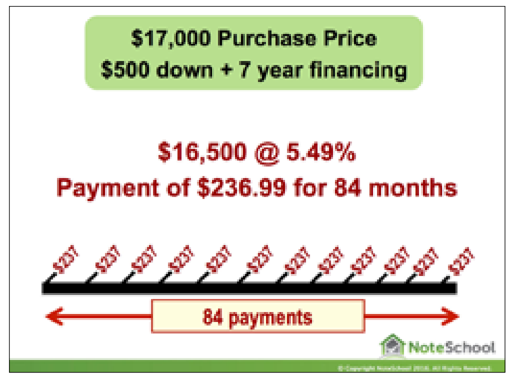
During this time, we were teaching them to become deal architects. They were starting to realize that not only were they missing out on bigger profits but they were also facing a changing real estate market. This changing market left them with thinner profits on their shrinking inventory.

They shifted their strategy to utilizing both real estate and note techniques and made more than five times as much. Here is how they did it.

First Step

After the seller turned down a low-ball offer of $10,000, they countered with the full asking price of $17,000 but on TERMS. They offered the seller $500 down and monthly payment of $237 per month for 84 months. In other words, they asked the seller to carry back a note.

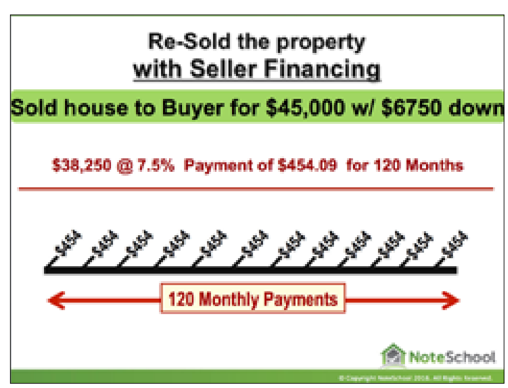
The seller accepted the offer as he figured that 5.49 percent was a much better return than he could get by putting the money in the bank.



Second Step

After a $500 cleanout, they sold the property to a buy-and -hold rehabber. They didn't sell it for cash rather they offered TERMS. They negotiated a $45,000 purchase price with $6,750 down and $454 per month for 120 months.

Now your knee jerk reaction at this point may be "no way, this investor is over paying." When the HW Team explained the benefits and value of this financing, the investor got it. He realized that he didn't need to come up with all the cash nor did he need to get a high interest hard money loan. He only had to come out of pocket with $6,750 to close. He could use the rest of his money for the light rehab.



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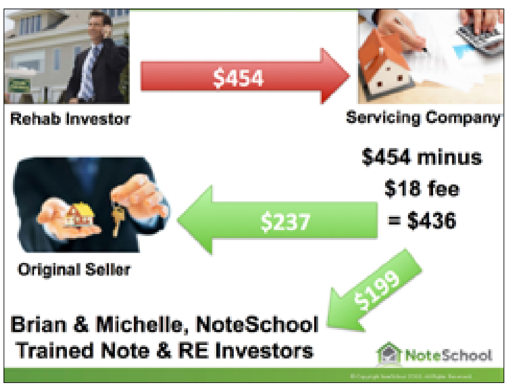
In addition, since he was a buy-and-hold rehabber, he realized that he could rent the home for at least $700 per month. This income was more than enough to cover his monthly expenses and debt service on the note so the tenant was essentially paying for the property.

Third Step

At this point, there are two notes on the property. One note "wraps around" the other note. Every month, the HW Team collects $454 on the note they own and pay $237 on the note that they owe. They made it very easy by using a licensed mortgage servicing company.

After several months, the original note holder call the HW Team and wanted to be "cashed out." Now the HW team was under no obligation to do so but once again, a deal architect knows how to work this out.



Fourth Step

They offered to cash out the original note holder, but not at the full-unpaid balance but rather at a discount. The note holder agreed to take $8,300 now rather than getting $237 per month for another 79 months. The note holder simply needed the cash now.

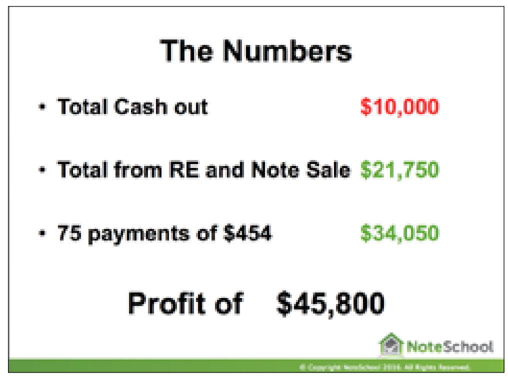
Our HW Team could have written a check from their business account and paid it in full but these deal architects are not done being creative yet!

Fifth Step

Rather than reducing their investment capital by writing a check, they sold something of value. What did they sell? A portion of the payments from the note that they were collecting on!

They sold 40 payments of their note income to another investor for $15,000. They took the $15,000, paid $8,300 to pay off their loan in full and pocketed the $6,700 difference. That was much better than writing a check.

The note investor who bought the 40 payments was happy as she realized a 12 percent annualized passive return on investment. After this investor receives their 40 payments the remaining payments go to the HW Team.



Conclusion

So how did the HW Team do? Were they better off being deal architects or should they have just taken $8,000 and moved on?

These deal architects had a total of $10,000 cash out. They received $21,750 from the sale of the property and the sale of the 40 payments on the note. They will also receive the remaining 75 payments of $454 per month.

By combining both real estate and note architecting techniques, they made more than five times what they would have made if they just flipped the property.

Our HW Team has evolved from just real estate investors to deal architects.

To learn more, please visit www.NoteSchool.com.

Since 1980, Eddie Speed has dedicated his professional life to the Note buying industry, seller financing and non-performing notes. He's introduced innovative ideas and strategies that have positively impacted the way the industry operates today.

With over 20 years of hands-on experience as an investor, national instructor, coach and author, Kevin Shortle excels at simplifying real estate and small business strategies through real world examples and experiences that will have you on the edge of your seat and eager for more.

NEWS BRIEFS

FHFA: Principal Reduction Coming

The Federal Housing Finance Agency (FHFA), the federal agency that regulates of mortgage finance companies Freddie Mac and Fannie Mae, said it will offer principal reduction to certain seriously delinquent borrowers that meet certain eligibility criteria.

"This plan will no doubt be viewed by some as too small and too late and viewed by others as too large and unnecessary," said FHFA director Melvin L. Watt in a statement.

Last month, Watt, speaking before the Women in Housing and Finance group in Washington, D.C, on March 22, 2016, hinted that the agency was considering allowing principal reductions on Freddie and Fannie-backed mortgages.

The new policy shift marks the biggest step Freddie and Fannie will take to reduce mortgage balances for struggling homeowners since the housing crisis erupted in 2008. Approximately 50,000 borrowers will be eligible to have their mortgage balance cut under a plan being considered by the federal regulator of Freddie and Fannie.

The modification will be available to owner-occupant borrowers who are 90 days or more delinquent as of March 1, whose mortgages have an outstanding unpaid principal balance of $250,000 or less and whose mark-to-market loan-to-value ratios exceed 115 percent.

Fannie and Freddie — which don't make mortgages but rather buys them from lenders and wrap them into guaranteed securities — would forgive mortgage principal where they determine the companies would lose money in a foreclosure.

SOURCE: FHFA

Rent to Criminals — Or Else

Landlords beware: there's a new housing sheriff in town and he wants you to rent your property to tenants who are murderers, rapists, thieves — and other criminals.

"The fact that you were arrested shouldn't keep you from getting a job, and it shouldn't keep you from renting a home," Julian Castro, Housing and Urban Development Secretary, told the meeting of the National Low Income Housing Coalition on April 4. "Today, I am proud to announce new guidance that makes it clear HUD will use the full force of the law to protect the fair housing rights of folks who've been arrested or who are returning to their communities after serving time in jail or prison."

Castro issued new guidelines, warning landlords that: "While having a criminal record is not a protected characteristic under the Fair Housing Act, criminal history-based restrictions on housing opportunities violate the Act if, without justification, their burden falls more often on renters or other housing market participants of one race or national origin over another (i.e., discriminatory effects liability)."

So private landlords who have blanket bans on renting to criminals may now be in violation of the Fair Housing Act and could be sued and face penalties for discrimination.

SOURCES: HUD, HUD Guidelines

CFPB Constitutionality Questioned

A three-judge federal appeals court in Washington D.C., heard arguments about the constitutionality of the structure of the Consumer Financial Protection Bureau (CFPB), the watchdog agency created by the Dodd-Frank Act in 2011 to safeguard consumers against corporate wrongdoing.


Brett Kavanaugh

At a hearing on April 12 in a case involving a New Jersey mortgage company, one of judges, Brett M. Kavanaugh, questioned the CFPB's single-director structure, calling it "very problematic" that such a powerful official was able to make a decision and arguing that independent agencies have "always been [led by] commissions, and the reason is … it's very dangerous to [vest] such power in an individual."

The case before the court, *PHH Corp. v. CFPB*, was filed on June 19, 2015, by PHH Corp., a New Jersey mortgage lender accused by the CFPB of violating a law designed to protect home buyers. After CFPB's director Richard Cordray ordered last year that the company pay $109 million in allegedly ill-gotten gains, PHH appealed the case to the U.S. Court of Appeals for the District of Columbia Circuit.

The three-judge panel is expected to issue a decision in several weeks. Any decision against the CFPB is expected to be appealed, either to the full appeals court or directly to the Supreme Court.

SOURCE: *PHH Corp. v. CFPB*

Court Releases Key Documents

A little discovery is a dangerous thing in the legal world.

On April 13, 2016, a federal judge released seven documents related to the U.S. Treasury's sweep of GSE profits, revealing what shareholders have been arguing for years: that Fannie Mae and Freddie Mac were in a position to post profits on a sustainable basis.

Judge Margaret M. Sweeney of the U.S. Court of Federal Claims unsealed documents demonstrating that not only did the government know that the GSEs weren't in a "death spiral" in 2012, but they were quite confident in future profitability, well before they changed the bailout terms.

"Instead of harm to the Nation resulting from disclosure, the only 'harm' presented is the potential for criticism of an agency, institution, and the decision-makers of those entities," wrote Sweeney. "The court will not condone the misuse of a protective order as a shield to insulate public officials from criticism in the way they execute their public duties."

At the heart of the case is whether the Federal Housing Finance Agency (FAFA), the regulator of Fannie and Freddie, has the right to amend the original conservatorship agreement with a "net worth sweep," where, instead of a fixed 10 percent cash dividend, Fannie and Freddie would pay all of their respective profits, in perpetuity, to the Treasury Department, without any credit for amounts such as pay-down of principal.

For years now, the Obama administration has invoked executive privilege, keeping a lid on thousands of government communications relating to the takeover of Fannie and Freddie. From the litigation's beginning, the government battled unusually hard to withhold evidence. It permitted only the plaintiffs' attorneys, not the plaintiffs themselves, to look at documentary evidence. The government cited "national security," arguing that releasing a trove of 11,000 documents would negatively impact global financial markets.

In a July 15, 2015, deposition, Susan McFarland, former chief financial officer at Fannie Mae, said she told high-ranking Treasury officials on August 9, 2012, eight days before the net worth sweep, that Fannie would be profitable for the foreseeable future.

"I had expressed a view that I believed we were now in a sustainable profitability, that we would be able to deliver sustainable profits over time," said McFarland, referring to a meeting with Treasury official on August 9, 2012.

McFarland's statements cast doubt on the government's contention that it considered Fannie and Freddie to be in a dire financial condition in 2012, when it changed the terms of the bailout.

Appellants in *Fairholme Funds v. United States* and *Perry Capital v. Lew* had moved for certain documents to be made public.

SOURCE: U.S. Court of Federal Claims, Investors Unite

FINANCIAL BRIEFS

New Home Sales Slipped, Existing Home Sales Rise in March

The U.S. housing recovery — off to a modestly positive start in the first quarter of 2016 — will pick up in coming months, claims several reports.

Sales of new single family homes fell slightly in March, decreasing 1.5 percent nationwide to an annually, seasonally adjusted rate of 511,000 units, but is 5.4 percent above the year ago estimate of 485,000, according to the latest Census Bureau data. Although sales of new homes fell sharply in the West, they climbed strongly in the South and Midwest. Sales in the Northeast remained virtually unchanged from February.

The median sales price of new houses sold in March 2016 was $288,000, down from $297,400 in February.

Meanwhile, inventories of existing home put up for sale are expected to improve this year, as more folks put their homes on the market in anticipation of buying another dwelling. The National Association of Realtors said existing home sales surged 5.1 percent to an annual rate of 5.33 million units in March. February's sales pace was revised slightly down to 5.07 million units from the previously reported 5.08 million.

And the S&P/Case-Shiller National Home Price Index rose 5.3 percent in February compared with February 2015, continuing the upward trend of recent months. In some markets — such as Seattle and Portland — home prices are rising at a double-digit pace.

SOURCES: Census Bureau, NAR, S&P/Case-Shiller

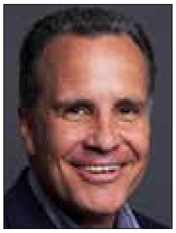
Best and Worst Markets for Rentals

A new RealtyTrac report ranks the best and worst markets to buy rental properties.

The report analyzed single family rental returns in 448 U.S. counties each with a population of at least 100,000 and sufficient rental and home price data. Rental data was from the U.S. Department of Housing and Urban Development, and home price data was from publicly recorded sales deed data collected and licensed by RealtyTrac markets.

The average annual gross rental yield among the 448 counties was 9.4 percent, down from an average of 9.5 percent in the first quarter of 2015.

Counties with the highest annual gross rental yields were Baltimore City, Maryland (28.5 percent); Clayton County, Georgia, in the Atlanta metro area (25.8 percent); Wayne County, Michigan in the Detroit metro area (24.2 percent); Bay County, Michigan, in the Bay City metro area (21.2 percent); and Macon County, Georgia (20.6 percent).


Mike Pappas

"The strong South Florida rental market continues to give solid returns to the investors," said Mike Pappas, president and CEO of the Keyes Company, covering the South Florida market, where Miami-Dade County's potential single family rental return was 8.4 percent with rents rising 4 percent annually and home prices rising 11 percent annually. "Our limited land, with growing population, give the investors an additional equity kick in rising prices."

SOURCE: RealtyTrac

STATE SPOTLIGHT

Minneapolis-St. Paul Rebounds, But Unevenly

By Octavio Nuiry, Managing Editor

Low inventory. Rising prices. Bidding wars. Frustrated buyers.

These are the hallmarks of the current housing market in the Twin Cities of Minneapolis and St. Paul. In the Twin Cities sales are climbing, prices are rising, but inventory is scarce, experts claim.

Ryan O'Neill, broker associate of RE/MAX Advantage Plus in Bloomington, Minnesota, said an improving economy, a lower jobless rate and rising equity have propelled the Twin Cities housing market from a buyer's market to a seller's market.

"Currently in 2016, inventory is a big issue in most price ranges in the Twin Cities," said O'Neill, who manages a team of 100 agents known locally as the Minnesota Real Estate Team. "Because inventory is tight, we are seeing multiple offers coming back again."

O'Neill said the lack of inventory is slowly pushing up sales prices. But he said the recovery is uneven, with some areas seeing fast appreciation, while others languishing.

"Many areas of the Twin Cities prices are not back to 2005 levels," said O'Neill, a top producing broker whose team of agents sold 1,426 homes last year, generating $323 million in sales.

Low inventory remains the biggest barrier to the Twin Cities housing market, according to O'Neill and other experts.

Competing for Dwindling Supply

A shortage of listings in Twin Cities has sellers in control. At

Continued Next Page

the peak of the housing market in 2007, more than 34,000 properties were listed for sale in the metro area; today, less than 11,000 active listings are available as of February, down 22 percent from the 12,936 active listings in January, according to Minneapolis Area Association of Realtors. New listings aren't keeping pace with buyer demand, creating fierce completion in many Twin City neighborhoods as buyers try to outbid each other for a dwindling supply.

Sales and Prices Up, But Inventory Down

The median home sales price in the Twin Cities area was $210,000 in March, a 5.7 percent increase from 12 months ago, according to RealtyTrac data. Prices reached new highs in several markets, including Edina, St. Louis Park, Plymouth, Hopkins, Uptown and southwestern Minneapolis, according to the Minneapolis Area Association of Realtors (MAAR).

Ryan O'Neill
Broker Associate
RE/MAX Advantage Plus
Bloomington, Minnesota

"Inventory is a big issue in most price ranges in the Twin Cities. Because inventory is tight, we are seeing multiple offers coming back again."

"This spring is shaping up to be everything that spring markets should be," said Mike Hoffman, president of MAAR. "The fact that we're seeing large gains in buyer and seller activity mostly driven by traditional properties bodes quite well for consumer confidence at a critical time."

Bruce McAlpin, broker at Edina Realty in Monticello, Minnesota, is bullish about Minneapolis-St. Paul real estate market because of the robust economy, housing affordability and strong demand for housing.

"Our market is pretty solid," said McAlpin, whose team closed on 118 transactions last year, generating $22 million in sales. "I'm very optimistic about our market. Our only issue is lack of inventory. Our first-tier suburbs are extremely hot. First-tier suburbs like

Continued Next Page

Minneapolis, Minnesota

WHAT: 5-bedroom home
HOW MUCH: $499,900

Back on market. Beautifully updated 5-bedroom, 5-bathroom home, with 3-car heated garage, custom built 4,500 square foot home is spotless from top to bottom. Enjoy the end of the cul-de-sac with a wooded private backyard of .7 acres. Agent: Ryan O'Neill, RE/MAX Advantage Plus, (952) 200-9821, www.MnRealEstateTeam.com.

WHAT: 5-bedroom home
HOW MUCH: $749,900

Builders own country retreat. Beautiful custom American Prairie Style home nestled on premium 4.1 acreage parcel. Enjoy a private backyard with mature trees and an inviting 20x40 heated in-ground pool. Agent: Ryan O'Neill, RE/MAX Advantage Plus, (952) 200-9821, www.MnRealEstateTeam.com.

WHAT: 5-bedroom home
HOW MUCH: $829,000

Spectacular Fulton two story with the finest details and amenities. This 5-bedroom, 4-bathroom home features a gourmet kitchen, custom cabinetry, coffered ceilings, main floor office, crown molding, Jack-n-Jill bath, spa master bath and second floor laundry. Agent: Ryan O'Neill, RE/MAX Advantage Plus, (952) 200-9821, www.MnRealEstateTeam.com.

Plymouth, Maple Grove and Woodbury are very popular areas where buyers want to live."

McAlpin said houses located in first-tier suburbs were mostly built during the postwar boom of the 1940s and '50s. The Chain of Lakes district — which covers five city lakes threaded by more than 13 miles of pedestrian paths — is popular area with first-tier suburban buyers.

Low Unemployment Rate

Minneapolis is a largely white-collar town, where jobs are plentiful because it is home to some of the nation's biggest corporations, including 19 Fortune 500 companies like Best Buy, 3M, Target, Hormel Foods, UnitedHealth Group and General Mills, which was acquired by its rival Pillsbury in 1988. The region also has the one of lowest unemployment rates in the nation. The Minneapolis-St. Paul metro had a 3.9 percent unemployment rate, the second best among large metro areas in February, according to the Bureau of Labor Statistics.

Bruce McAlpin
Broker
Edina Realty
Monticello, Minnesota

"I'm very optimistic about our market. It's pretty solid. Our only issue is lack of inventory. Our first-tier suburbs are extremely hot."

North Loop Surges

Nowhere is the strength of the Twin Cities economy more apparent than the North Loop of Minneapolis, the neighborhood west of downtown Minneapolis and near the Warehouse District between Target Field and the Mississippi River that is becoming the city's epicenter of art and commerce. Nestled along the Mississippi River within walking distance from the Warehouse District, the neighborhood was once home to bustling red-bricked warehouses, factories, railroad yards and mills. During the 1960s and '70s, the area fell dormant.

But North Loop is getting a second wind now as artists are moving into its abandoned

Continued Next Page

Minneapolis, Minnesota

WHAT: 4-bedroom home
HOW MUCH: $289,500

Fantastic 4BR/4BA home features a welcoming front porch, large kitchen with snack bar and pantry, open living area with gas fireplace in LL family room. Main floor master bedroom with private bath and large walk-in closet. Agent: Bruce McAlpin, Edina Realty, (612) 669-6324, http://www.edinarealty.com/the-mcalpin-team.

WHAT: 4-bedroom home
HOW MUCH: $449,990

Beautiful walkout rambler overlooking the Mississippi River. Open floor plan features kitchen with center island, granite counters, MF master with private balcony, 4-season porch, lower level family room with gas fireplace, spa room and more. Agent: Bruce McAlpin, Edina Realty, (612) 669-6324, http://www.edinarealty.com/the-mcalpin-team.

WHAT: 4-bedroom home
HOW MUCH: $500,000

Attractive walkout rambler is filled with features you'll love: the gourmet kitchen with large center island, spacious living room with gas fireplace, formal and family dining, and main floor master suite. Granite countertops, hardwood floors and tiled baths. Agent: Bruce McAlpin, Edina Realty, (612) 669-6324, http://www.edinarealty.com/the-mcalpin-team.

warehouses and new development is kick-starting a rebirth of the area, said McAlpin, noting that restored lofts, restaurants and stylish boutiques are popping up in this landmark neighborhood just west of downtown and nestled along the Mississippi River.

"The North East Loop area is popular with hipsters and millennials because there are a lot of new restaurants," said McAlpin, referring to the first-ring suburb of Minneapolis within blocks of the city's Chain of Lakes. "Places like St. Anthony and St. Louis Park continue to get hot. St. Louis Park is an area where people are buying and tearing down homes to re-build new homes. Prices in St. Louis Park range from $160,000 to $2 million. If I was moving back to the metro area, I'd live in St. Louis Park."

Downtown East Building Boom

Another section of the city that is booming is Downtown East, said McAlpin. He said on the east side of downtown Minneapolis, a new wave of urban development is triggering a renaissance. A new football stadium, an office complex, a park and housing are going up on the east end of downtown, he said. A mammoth new $1.1 billion pro football stadium for the Minnesota Vikings is replacing the razed Metrodome.

Nearby, Wells Fargo & Co. is building two 17-story office towers west of the new Vikings stadium, where the century-old *Star Tribune* building once stood. Other redevelopment projects in Downtown East include about 25,000 square feet of retail space, 195 apartments, a 4.2-acre park called The Commons and a 164-room Radisson Red hotel, according to *Finance & Commerce.*

Additionally, a new 20,000-seat, $150 million Major League Soccer stadium is being built in St. Paul about halfway between the two downtowns.

The Warehouse Historic District, the landmark neighborhood in downtown Minneapolis, was once home to bustling railroad yards, factories, warehouses and mills. But the area fell dormant in the 1960s and '70s. Now, it has come back to life, with the area dotted with restored warehouse lofts, stylish boutiques, restaurants catering to professionals and empty-nesters.

Not only is the residential real estate market hot in the Twin Cities, but the metro has one of the tightest rental housing markets in the nation. Rentals in all price ranges are in short supply across the Twin Cities. Low vacancy rates and rising rents may be a landlord's dream, but they can be a nightmare

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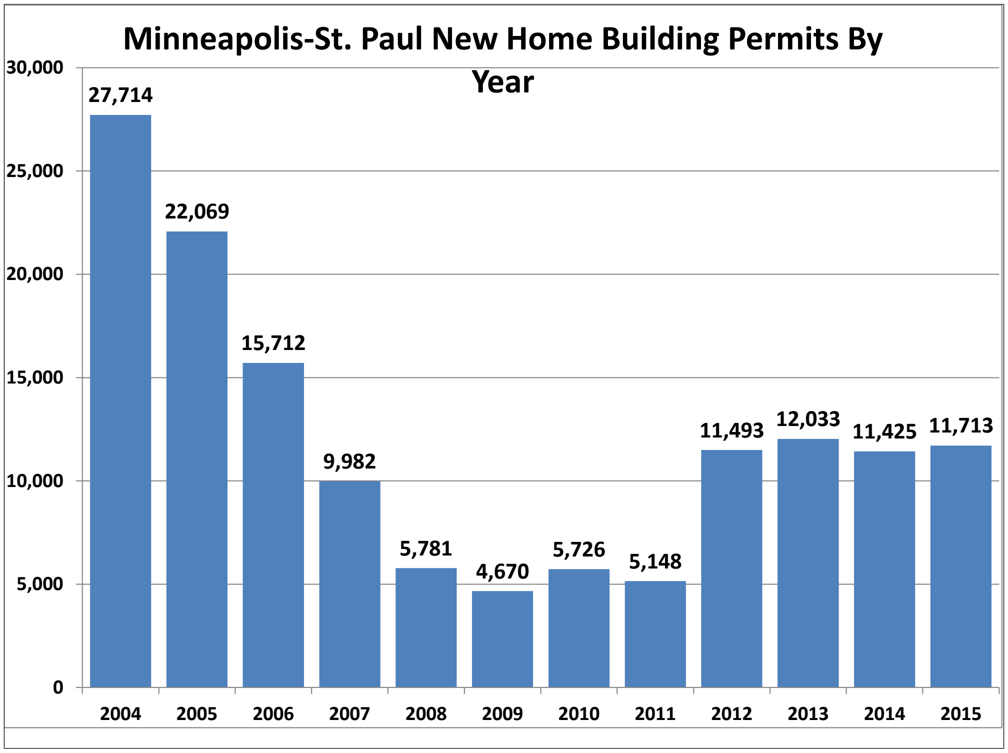

SOURCE: U.S. Census Bureau

for apartment seekers — and agents trying to list rentals for sale, according to Kari Lundin, an agent with Keller Williams Realty in Edina, Minnesota.

Landlord Paradise

"There's no inventory," said Lundin, who specializes in buying and selling duplexes and other multi-family units and is known locally as the Duplex Chick. "Currently, there are only 53 properties for sale on the MLS for Hennepin County, which includes Minneapolis, which is home to 1 million people. Our vacancy rate is below 2 percent. It's a landlord paradise. Rents have gone up, and it's a landlord free for all."

Lundin, who listings and sales tend to be in South and Southwest Minneapolis and St. Paul, said there's a paradox in the market: sellers don't want to sell, especially investors with rental properties, because rents are rising, and the shortage of homes for sale has buyers frustrated because there's no inventory.

Kari Lundin
Realtor
Keller Williams Realty
Edina, Minnesota

"There's no inventory. Currently, there are only 53 properties in the MLS for Hennepin County, which includes Minneapolis, which is home to 1 million people."

"In my duplex and triplex niche, we have no inventory because the investors are getting great rents," said Lundin. "But they're not selling because they fear the stock market."

With more buyers than sellers, there's a shortage of house listings in much of the Twin Cities metro area, creating stiff competition between buyers and generating multiple offers, according to Ken Carpenter, a broker with RE/MAX Results in Plymouth, Minnesota.

"Single family homes under $300,000 sell in a few days," said Carpenter, who works mainly in the northwest suburbs of Minneapolis. "There's lots of new construction in Plymouth, Maple Grove and Medina."

Carpenter, whose team of three agents sold 100 homes last year and generated $23 million in gross sales, said as the warmer weather comes this spring more sellers will list their properties soon.

"The inventory shortage will probably flip over soon," he said. "We're seeing a lot of renters

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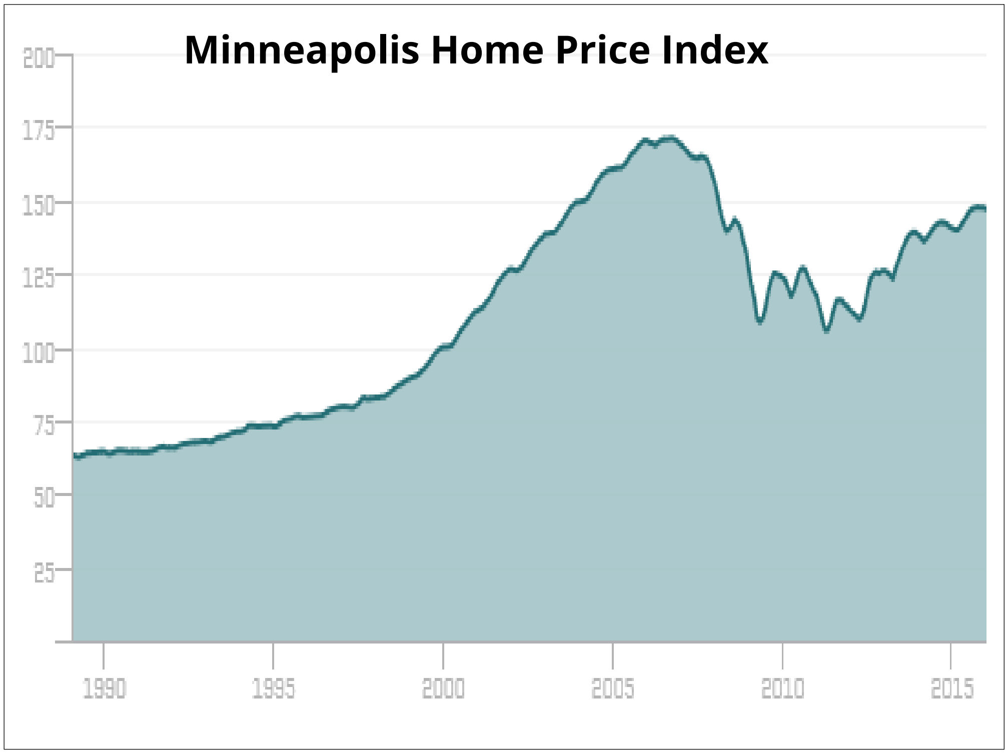


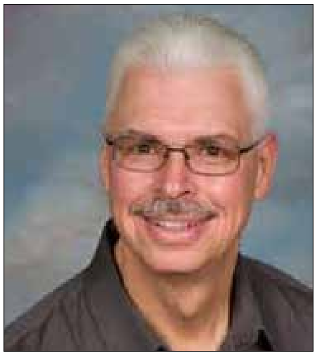
SOURCE: S&P/Case Shiller Home Price Index getting mortgages and buying houses, especially the younger people."

Underwater Homes

In the Twin Cities, underwater borrowers continue to return to equity as prices rise. Just 5.3 percent of all homeowners with a mortgage in the Twin Cities still owe more on their house than their home is worth, according to RealtyTrac. Moreover, many borrowers who refinanced their loans are facing resets.

Cindy Welu, a broker with Keller Williams Realty Elite in Eden Prairie, Minnesota, said that homes in the lower price points are selling faster than homes priced above $300,000.

"The strongest sales are under $250,000," said Welu, who specializes in the southwest suburbs of the Twin Cities. "Inventories are low in this price range — especially good



Ken Carpenter
Realtor
RE/MAX Results
Plymouth, Minnesota

> *"Single family homes under $300,000 sell in a few days. There's lots of new construction in Plymouth, Maple Grove and Medina."*

inventory. There is too little inventory in the lower price point ($300,000 and less) and too much inventory in the higher-priced properties. The $500,000 to $750,000 price range, has an inventory surplus in many areas, while the $750,000 to $1 million plus has 18 months to two plus years of inventory, depending on the area."

Many Baby Boomers, said Welu, are downsizing and moving to downtown Minneapolis to take advantage the new condo towers, townhouses and new restaurants and shopping in the urban core.

"There are many empty nesters from our area that are selling their larger single family homes and moving to condos in downtown Minneapolis or the uptown area; they are looking for great walk scores to dining, shopping, events and fun," said Welu. "They want to walk everywhere and walk to restaurants from their downtown condos. New construction condos and renovations

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Minneapolis, Minnesota

WHAT: 3-bedroom home
HOW MUCH: $274,900

Rare to find great investment or multi-generational home opportunity in Mound, Minnesota. This home is a duplex or single family home with a mother-in-law quarters or just a single family home. Amazing fenced, wooded, double lot with views of Harrison Bay and tons of privacy. Agent: Ken Carpenter, RE/MAX Results, (763) 591-6016, http://www.plymouthareahomesales.com/

WHAT: 4-bedroom home
HOW MUCH: $475,000

Custom built two story on quiet cul-de-sac in Plymouth, Minnesota. Grand foyer, vaulted ceilings, formal dining, chefs dream kitchen with stainless steel appliances, tons of built-ins throughout, two see-through fireplaces, fenced yard with private wetland views. Agent: Ken Carpenter, RE/MAX Results, (763) 591-6016, http://www.plymouthareahomesales.com/

WHAT: 4-bedroom home
HOW MUCH: $494,500

Stunning two story in Wayzata schools. Meticulously maintained by the owner, and updated for luxury living. Best of both worlds: Live in high demand area with Ridgedale Mall and shopping just blocks away, and enjoy the privacy of a spacious treed lot. Agent: Ken Carpenter, RE/MAX Results, (763) 591-6016, http://www.plymouthareahomesales.com/

have increased a lot the last couple years."

Welu said buyers are also flocking to the suburbs west of Minneapolis.

"Activity in the Lake Minnetonka area has been increasing and selling faster, especially the south side of it, where the number one school district in Minnesota is located," she said, referring to the lakeshore community. "Properties on the lake are very sought after. Homes under $250,000 in this school district are hard to find and sell very quickly when they come on the market."

Meanwhile, she said first-time homebuyers prefer the tier-one suburbs.

"The favorite areas for first-time homebuyers are the tier-one suburbs of Minneapolis. St Louis Park is one area where inventories under $300,000 are low and sell quickly, and certain pockets in Minneapolis — the Calhoun, in southwest Minneapolis and Lakes area — all have high demand as well."

Cindy Welu
Broker
Keller Williams Realty Elite
Eden Prairie, Minnesota

"The strongest sales are under $250,000. There is too little inventory in the lower price point, and too much inventory in the higher-priced properties."

Seller Paradox: Low Equity, Low Inventory

"Local sellers want to sell and take advantage of what is promoted as a strong market — but many are tight with their equity or worried with low inventories they won't have somewhere to move to," said Welu.

HAMP Resets Looming

"A lot of people that did work-outs are going to be facing resets soon," said McAlpin, the Edina Realty broker, referring to higher interest rates resetting on loans modified under the Home Affordable Modification Program (HAMP). "They have been making the lowest payments possible. That's coming back into play. We also have a lot of HELOC loans. We'll soon see an uptick in REO activity."

McAlpin said monthly mortgage payments will go up soon for homeowners who received government-sponsored loan modifications after the financial crisis. Eventually, the majority of homeowners who have received a HAMP refinance will pay more for their

Continued Next Page

Minneapolis, Minnesota

THREE FOR SALE

WHAT: 4-bedroom home
HOW MUCH: $315,000

Incredible opportunity in the sought after Lake Susan Hills neighborhood. Enjoy walking trails and two parks within minutes. Large fenced corner lot. Newer roof and windows. Agent: Cindy Welu, Keller Williams Realty Elite, (952) 484-2953, http://www.joeandcindy.com/

WHAT: 4-bedroom home
HOW MUCH: $499,900

Welcome to this stunning home in the wonderful Stone Creek neighborhood of Chanhassen. This home has a large and spacious backyard and overlooks the cul-de-sac. Agent: Cindy Welu, Keller Williams Realty Elite, (952) 484-2953, http://www.joeandcindy.com/

WHAT: 5-bedroom home
HOW MUCH: $679,900

Beautiful executive two-story in the sought after Creek Knolls of Eden Prairie. Located near Franlo Park, this home is perfect for entertaining and everyday living. Agent: Cindy Welu, Keller Williams Realty Elite, (952) 484-2953, http://www.joeandcindy.com/

mortgages.

Under HAMP, interest rates on modified step-rate mortgages are fixed for five years, then increase in steps by as much as 1 percent per year until the interest rate matches the market rate that was in effect when the borrower's HAMP modification took effect.

Building Activity Flat

Residential construction numbers in the Twin Cities are flat. Twin Cities homebuilders pulled only 382 new homes permits in January, according to the Census Bureau. In 2015, builders pulled 11,713 new home permits. For the last four years, an average of just over 11,000 new home permits were pulled for new Twin Cities homes, compared to 27,000 in 2004.

"We're feeling optimistic that after two flat years we will see the boost in activity that we've been waiting for," said Meg Jaeger, president of the Builders Association of the Twin Cities. "With the Twin Cities housing inventory at a 13-year low and other economic indicators looking up, this should be a good year for residential construction. Despite a weak February, builders still have a positive outlook for 2016,"

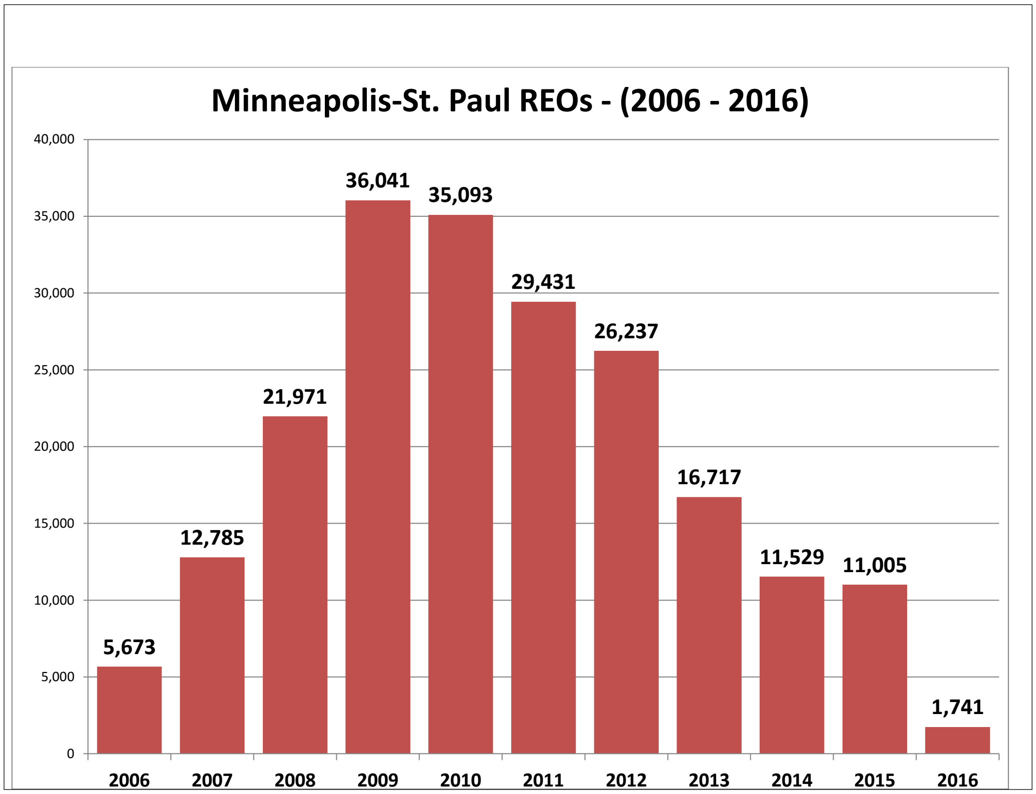
Foreclosures Down

Minneapolis was not the poster child during the foreclosure crisis, not nearly as bad as Las Vegas, Phoenix and Miami. But it did suffer plenty, with banks foreclosing on 208,200 homes in the Minneapolis metro from 2006 to 2016, according to RealtyTrac data.

Foreclosures activity peaked in 2009, when lenders repossessed over 36,000 Minneapolis homes. As of February 2016, banks had repossessed only 1,741 homes. Between 2009 and 2010, about 60 percent of the homes on the market were foreclosed bank-owned homes.

The majority of home sales in Minneapolis take place between February and July; the experts are just hoping there are enough listings to meet demand.

"We've got to be getting close to the ceiling," said Lundin, the Keller Williams agent, who has had her license since 2003. "It feels weird. It just doesn't feel right."



SOURCE: RealtyTrac

BOOK REVIEW

Why We Should 'Break Up the Banks!'

By Octavio Nuiry, Managing Editor

When the U.S. real estate bubble burst in 2008, it not only triggered an avalanche of financial failures like Bear Stearns and Lehman Brothers that rattled Wall Street, but it sparked a recession and a stock market crash that endangered both the entire financial system and almost brought down Fannie Mae and Freddie Mac.

Eight years later, Wall Street and federal regulators have learned very little from the Great Recession, according to a new book, "Break Up the Banks! A Practical Guide to Stopping the Next Financial Global Financial Meltdown," (Melville House; 2016), written by David Shirreff, a former reporter for *The Economist*.

"This is a call for revolution — a revolution to reduce complexity in global banking, to split them into manageable chunks, and to change the self-serving nature of the culture that dominates them," writes Shirreff in the introduction. "These recommendations are not plucked out of the blue. They represent a reasonable course of action, give the mess that finance has gotten itself into over the past two decades."

Despite all the tough talk by regulators and politicians around the world, Shirreff claims that the Dodd-Frank Act of 2010, and its equivalent in Europe, are inadequate at best, and, at worst, dangerously counterproductive.

"Dodd-Frank and the Volcker Rule, it signature feature, were designed to force big banks to shrink their riskier businesses or get out of them altogether," he writes, referring to the rule named after former Federal Reserve chairman Paul Volcker, which restricts banks from making certain kinds of speculative investment that do not benefit their customers.

According to Shirreff, the overhaul of the banking sector, which has taken place since Dodd-Frank was implemented, has not gone far enough. He believes large banks — like JPMorgan Chase, Bank of America and Wells Fargo, and others — should be split up into smaller units that don't mix investment banking with retail commercial banking. "And though the rule finally went into effect in July 2015 (with some features delayed until 2017), its impact has been muted thus far — perhaps because, while they stalled for time, the big banks went ahead and restructured accordingly."

Although others have hinted at these reforms, they have fallen on deaf ears, he warns.

"JPMorgan Chase and Bank of America now have gross assets of over $2 trillion each, while Barclays and Deutsche Bank are not far behind with assets of around $1.8 trillion," he writes. "However meaningless those numbers may be, they indicate a huge volume and mix of businesses that is a challenge to mange in good times, let alone in a time of crisis. After all the assets of Lehman Brothers were 'only' around $640 billion at the time of its collapse in 2008, and the process of closing the bank down — known as the windup process — has been going on for seven years and counting."

He believes that too many banks are still too big to fail, which could cause contagion and trigger another financial meltdown. In Shirreff's view, a new Glass-Steagall Act should be revived, similar to the one established in the U.S. in 1933 after the Great Depression, which would clearly separate the deposit-taking trading activities of big banks. Glass-Steagall prohibited commercial banks from engaging in the investment banking.

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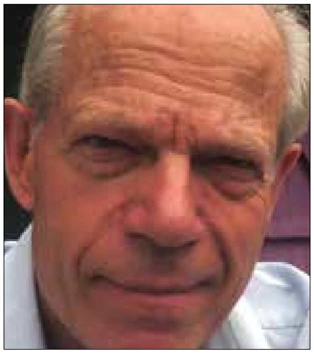
In "Break Up the Banks!" he suggests carving up big banks into three differently named and unaffiliated entities: "a lightly regulated investment-bank partnership, a wholesale corporate bank, and a retail bank that takes insured deposits." Investment banks, he argues, could then take as much risk as they want and pay their employees bonuses as high as they want.

In chapter four, he provides 10 remedies to break up the big banks. Some of the recommendations include: simplify the rules, scrape Basel II and III, put a cap on absolute size and reduce interconnectedness among banks.


David Shirreff

Earlier this year, Neel Kashkari, president of the Minneapolis Federal Reserve, suggested ending the still too-big-to-fail banks, arguing the biggest banks need to be broken up into smaller entities.

"What I've proposed in this book is a revolution in favor of the more efficient use of capital — in favor of fairer distribution of the real costs and benefits of financial services," he writes in the closing paragraph. "It is not a revolution against capitalism, but it does take for granted that the system we currently have in place is unsustainable — and must be transformed."

Clearly, big banks need stiffer regulation and higher capital requirements to neutralize the harm their failure could inflict on the overall economy. Dodd-Frank failure to reign in the too-big-to-fail banks virtually guarantees that someone will reform it. The question is whether it will be the judicial or legislative branch.

Dodd-Frank's flaws are becoming impossible to ignore. Deep cracks are appearing in the foundations of the Dodd-Frank law enacted in 2010. Regulators admit that the Dodd-Frank law hasn't worked and judges are questioning its abuses.

The issue of breaking up the banks is an important topic at an important moment in the "recovery" of the global financial system.

"Break Up the Banks" is a slim volume, with only 111 pages, but its simple idea of breaking up the big banks packs a serous punch.

TOP 20

Foreclosure rates in the nation's 20 largest metros in March 2016

Rank	Metro	Housing Units Per Foreclosure Filing (Rate)
1	Baltimore, MD	497
2	Miami, FL	633
3	Chicago, IL	636
4	Philadelphia, PA	663
5	Tampa, FL	663
6	Riverside, CA	697
7	New York, NY	993
8	Atlanta, GA	1,019
9	Washington, DC	1,022
10	St. Louis, MO	1,195
11	Los Angeles, CA	1,362
12	Seattle, WA	1,419
13	Phoenix, AZ	1,488
14	San Diego, CA	1,596
15	Detroit, MI	1,667
16	Boston, MA	1,765
17	Minneapolis, MN	1,798
18	Dallas, TX	1,798
19	Houston, TX	1,938
20	San Francisco, CA	1,983

MARCH 2016

STATE-BY-STATE FORECLOSURE ACTIVITY SUMMARY

State Rank	State	Default	Auction	REO	Total	1/every X HU (rate)	%Δ from Feb. 2016	%Δ from Mar. 2015
	U.S. Total	**31,890**	**43,213**	**33,867**	**108,970**	**1,218**	**11.06**	**-10.72**
18	Alabama	0	932	746	1,678	1,306	38.56	37.20
45	Alaska	15	11	28	54	5,700	-15.63	-68.05
25	Arizona	0	933	876	1,809	1,589	17.39	103.26
43	Arkansas	0	174	211	385	3,452	-18.43	-27.36
15	California	5,453	3,360	2,355	11,168	1,234	24.59	-10.20
40	Colorado	0	628	236	864	2,591	8.00	-41.06
14	Connecticut	823	166	224	1,213	1,229	-13.73	51.06
2	Delaware	389	164	161	704	584	28.70	43.67
	District of Columbia	4	18	34	56	5,371	115.38	211.11
5	Florida	3,817	4,719	4,282	12,393	730	11.91	-38.62
11	Georgia	0	2,045	1,649	3,694	1,114	19.70	-2.12
32	Hawaii	124	52	119	295	1,779	28.82	31.70
41	Idaho	117	53	79	249	2,713	-34.13	-24.55
6	Illinois	2,215	2,799	1,887	6,599	803	-0.30	-43.45
10	Indiana	917	1,304	517	2,650	1,061	6.73	-8.27
22	Iowa	496	280	155	914	1,475	24.69	2.70
39	Kansas	168	263	87	494	2,511	5.78	10.76
38	Kentucky	140	522	198	817	2,373	-0.12	31.14
26	Louisiana	252	573	456	1,239	1,605	16.34	19.25
33	Maine	259	74	66	399	1,816	-14.01	9.62
1	Maryland	1,572	2,129	969	4,464	537	-5.00	-0.02
19	Massachusetts	1,128	647	347	2,122	1,327	11.45	88.29
31	Michigan	0	1,320	1,278	2,598	1,745	-5.15	-29.73
36	Minnesota	0	740	331	1,071	2,207	-2.81	-21.94
44	Mississippi	0	175	171	346	3,713	-3.62	94.38
24	Missouri	0	587	1,140	1,727	1,577	15.98	-22.59
48	Montana	0	2	39	41	11,873	5.13	13.89
42	Nebraska	101	144	50	295	2,730	107.75	99.32
4	Nevada	748	521	409	1,678	706	2.94	-16.56
37	New Hampshire	0	197	80	277	2,228	-3.15	-5.46
3	New Jersey	1,819	2,163	1,477	5,384	663	2.01	-23.20
30	New Mexico	214	215	116	528	1,718	-18.89	-5.38
13	New York	3,813	1,392	1,615	6,667	1,223	28.93	27.89
16	North Carolina	1,241	1,129	1,138	3,508	1,250	-0.60	-8.79
50	North Dakota	6	4	4	14	23,715	27.27	40.00
8	Ohio	1,952	2,274	1,777	5,798	886	16.87	8.07
28	Oklahoma	335	341	400	1,026	1,638	3.85	-0.48
21	Oregon	200	513	487	1,200	1,405	30.29	-7.69
9	Pennsylvania	1,415	2,754	1,432	5,467	1,020	21.35	19.55
17	Rhode Island	0	218	144	362	1,279	-5.97	57.39
7	South Carolina	1,146	975	519	2,587	835	31.86	3.60
47	South Dakota	0	22	15	37	9,978	85.00	-17.78
12	Tennessee	0	1,400	1,049	2,443	1,162	27.91	14.16
34	Texas	31	2,746	1,994	4,773	2,134	21.23	-16.59
29	Utah	215	225	147	587	1,703	-25.41	-21.94
46	Vermont	0	14	39	53	6,119	17.78	20.45
20	Virginia	0	1,679	785	2,465	1,381	6.16	28.12
23	Washington	25	1,016	918	1,959	1,491	-1.36	-2.68
49	West Virginia	0	18	50	68	12,988	-41.88	3.03
27	Wisconsin	740	433	533	1,628	1,619	-6.28	0.68
35	Wyoming	0	75	48	123	2,156	98.39	50.00

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HOUSING NEWS REPORT

Housing News Report is a monthly publication dedicated to helping investors succeed by providing them with timely and relevant information about the housing market.

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