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HOUSING NEWS REPORT

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Nightmare on Main Street Part II: When Natural Disaster Strikes Home

By Octavio Nuiry, Managing Editor

On Aug. 23, 2005, the hurricanes at Pat O'Brien's — the famed French Quarter watering hole — were flying off the bar. Few in the Sportsman's Paradise had noticed the formation of small tropical depression germinating in the warm Atlantic Ocean waters that summer. Everyone in the Big Easy was enjoying life and letting the *bon ton roulette* (the good times roll).

Meanwhile, meteorologists at the National Weather Service in Springfield, Maryland, were tracking the small storm twirling in the Atlantic near the Bahamas — dubbed Tropical Depression 10 — slowly heading north west towards Miami, Florida.

Nature's Casino

In New York City, weather odds-makers — meteorologists, statisticians, oceanographers and mathematicians — set the odds of Tropical Depression 10 turning into a catastrophic hurricane at a 100 to 1 chance. Everyone at Nature's casino had placed their bets. All the experts agreed: the likelihood of a monster storm that destroys $100 billion in insured property happens only once every hundred years.

But the weather bookies got it wrong; they got it wrong big time.

Six days later, Hurricane Katrina slammed into the Gulf Coast on Aug. 29, devastating coastal Louisiana and Mississippi with ferocious winds, record storm surge and catastrophic flooding.

Katrina, which killed 1,836 people, displaced another 400,000, and caused $135 billion in damage, was not only the costliest hurricane in U.S. history; it was the costliest natural disaster in the world, according to a National Weather

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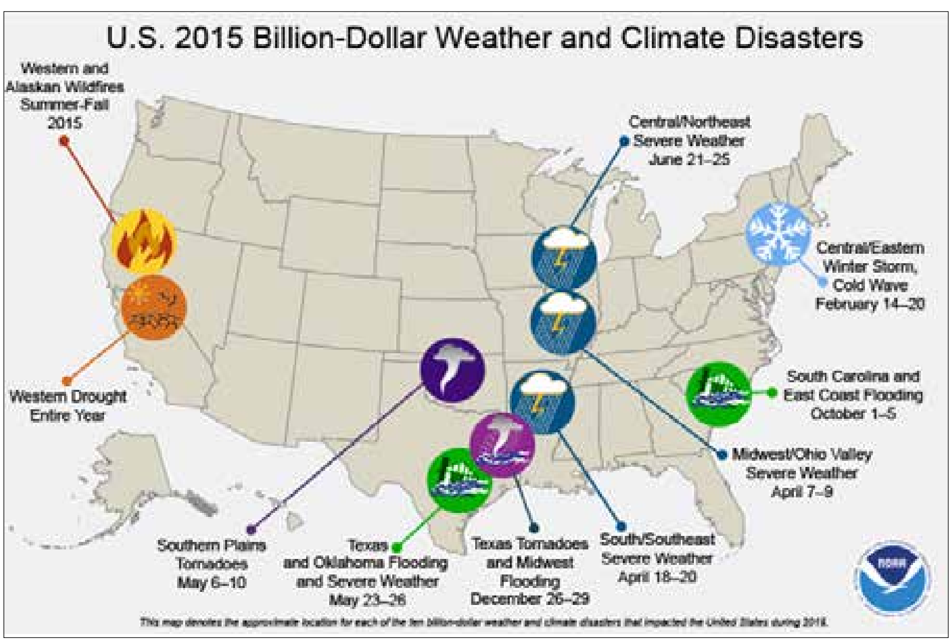

SOURCE: National Centers for Environmental Information

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CONTENTS

Service report.

The levees that protect New Orleans, which is below sea level, were designed for a Category 3 hurricane, but Katrina was a monster Category 5 hurricane, packing unimaginable sustained winds of 175 mph. The levees along the Mississippi River were strong, but the levees built to hold back Lake Pontchartrain, Lake Borgne and the swamps and marshes to the city's east and west were less reliable.

Initially, two levees were breached — the Industrial Canal and the 7th Street Canal — tossing homes off their foundations and submerging much of the lower Ninth Ward and areas nearby, including St. Bernard Parish, Metairie and the Lakefront, trapping thousands of people on rooftops and in attics.

Later, the 17th Street Canal levee ruptured, resulting in a slow-rising flood over the Lakeview area, including Metairie and Mid City, according to the National Weather Service. Other levees would soon fail too. Ultimately, 80 percent of New Orleans and the nearby parishes became flooded, with water levels reaching 20 feet in some areas — and the flood waters did not recede for four weeks.

Millions were left homeless along the Gulf Coast and New Orleans. More than 1 million homes in the Gulf Coast region were flooded, destroyed or made unlivable — ten times the number that had been similarly affected by Hurricane Andrew in 1992, according to the *Claims Journal*, an insurance industry trade publication. The storm caused $81 billion in insured losses on homes, businesses and cars.

The vast emptying and diaspora of New Orleans was unprecedented in modern American history. The population of the New Orleans region was decimated, shrinking from over 1 million to 581,000, according to the U.S. Census.

A New Era of Catastrophe

Multi-billion-dollar natural disasters like Katrina are becoming more common. Every year, the United States foots a multi-billion dollar bill for economic and insured losses incurred from natural disasters. In 2015, the costs reached $25 billion with certain regions of the country more prone to calamity than others, especially coastal communities, according to the German reinsurer Munich RE.

Five of the 10 costliest in terms of money were in the past

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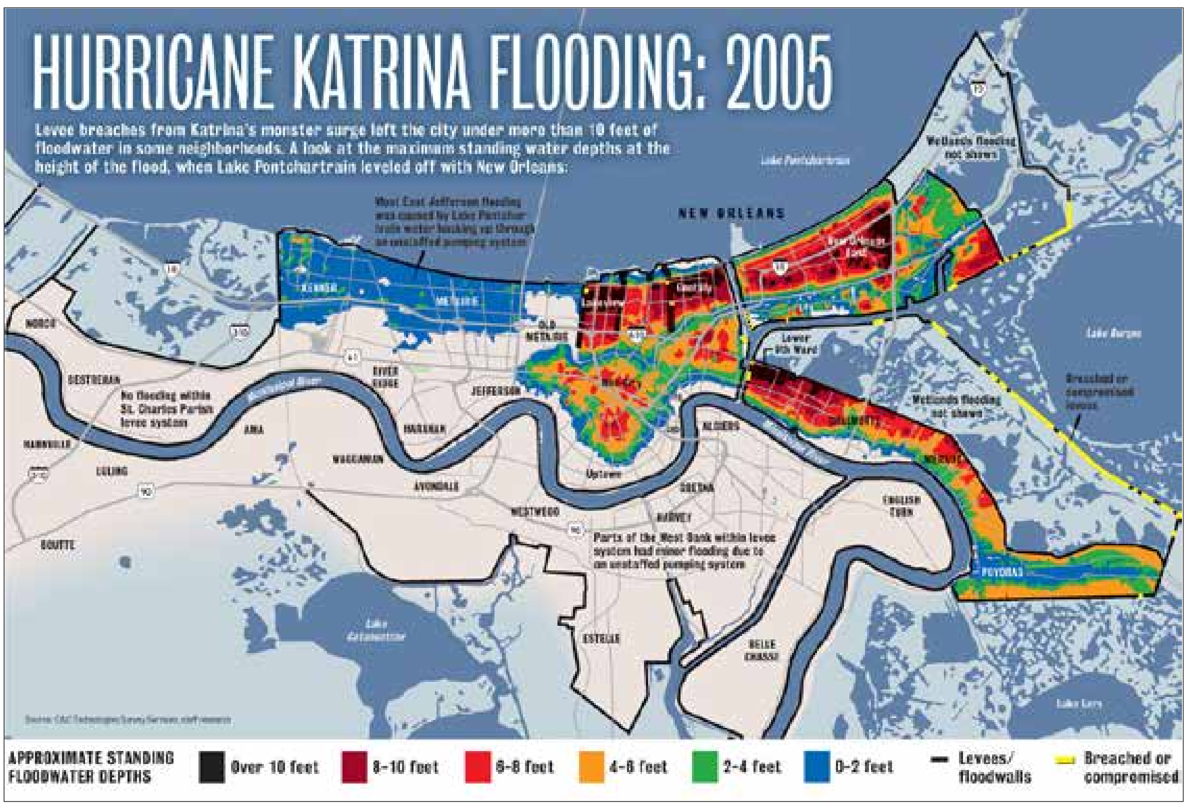

SOURCE: nola.com

decade. Globally, Munich RE reckons, insurers paid out around $378 billion for natural disaster claims in 2011, breaking the previous record of $262 billion in 2005. (See "10 Most Costly Insured Catastropheses" chart on page 4.)

According to Howard C. Kunreuther, a professor and co-director at the Wharton School's Risk Management and Decision Processes Center at the University of Pennsylvania, the world has entered a new era of catastrophes. Kunreuther claims we are more vulnerable today to catastrophic losses because of the increasing concentration of population in high-risk coastal regions of the country and the changing dynamicss of climate.

"The natural hazard damages have increased significantly in recent years," said Kunreuther, referring to the quickening pace of natural disasters. "A lot more people are moving to hazard-prone areas. And with climate change and sea level rising, more homeowners are at risk."

Howard C. Kunreuther
Professor
University of Pennsylvania
Philadelphia, Pennsylvania

"The natural hazard damages have increased significantly in recent years. A lot more people are moving to hazard-prone areas."

Clustering Near Catastrophe

Increasingly, Americans are moving disproportionately into hurricane-prone coastal areas, claims Kunreuther. Consider Florida. The state's population has grown from 2.8 million in 1950 to more than 20 million in 2016. From 1930 to 2015, the population of Broward County, Florida, increased from 20,000 to 1.9 million (a 9,400 percent increase), while Miami-Dade County rose from a population of 130,000 to 2.7 million in 2015 (a 1,970 percent increase), according the Census Bureau.

Today, much of the country's population — and the businesses that employ them — are in coastal areas that are subject to strong

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SOURCE: An aerial photograph of flooding in New Orleans caused by Hurrican Katrina show the extent of the storm's damage.

winds, floods, earthquakes and increasingly wildfires. According to Munich RE, storms and floods accounted for two-thirds of the world's insured losses in 2015.

Kunreuther said economic and insured losses from natural catastrophes such as hurricanes, earthquakes and floods worldwide have increased significantly in recent years.

Natural Disasters Only Get Worse

"A comparison of these economic losses over time reveals a huge increase: $56 billion (1950-1959), $93.3 billion (1960-1969), $161.7 billion (1970-1979), 262.9 billion (1980-1989), and $778 billion (1990-1999)," wrote Kunreuther, co-author of At War With the Weather (MIT Press, 2009). "Catastrophes have had a more devastating impact on insurers since 1990 than in the entire history of insurance."

New Orleans Home Prices Climbing

Since Katrina 11 years ago, home prices in New Orleans have been steadily rising. The average price of home in Orleans Parish was $356,047 in the last half of 2015, up 14 percent from $300,353 in 2014, according to the New Orleans Metropolitan Association of Realtors.

In Jefferson Parish, the average price of home was $201,000 in the last half of 2015, up 4 percent from a year ago, reports the Realtor group.

Counting the Cost of Calamities

The "10 Most Costly Insured Catastrophes" chart below reveals the most costly hurricanes in the United States between 1992 and 2012. Of these eight major hurricanes, seven have occurred since 2004. In 2005, three major Category 5 hurricanes — Katrina, Wilma and Rita — slammed into the Gulf Coast within a six-week period (two in Louisiana), costing insurers more than $10 billion for each calamity and over $180 billion federal disaster relief. Likewise, 2004 was a record-breaking hurricane season, with four hurricanes in Florida — Ivan, Charley and Frances and Jeanne — costing insurers $29 billion in insured losses.

"Over the last two decades, there's been an increase in the frequency and the severity of natural disasters," said Donald L. Griffin, vice president of personal lines at the Property Casualty Insurers Association of America, an industry trade

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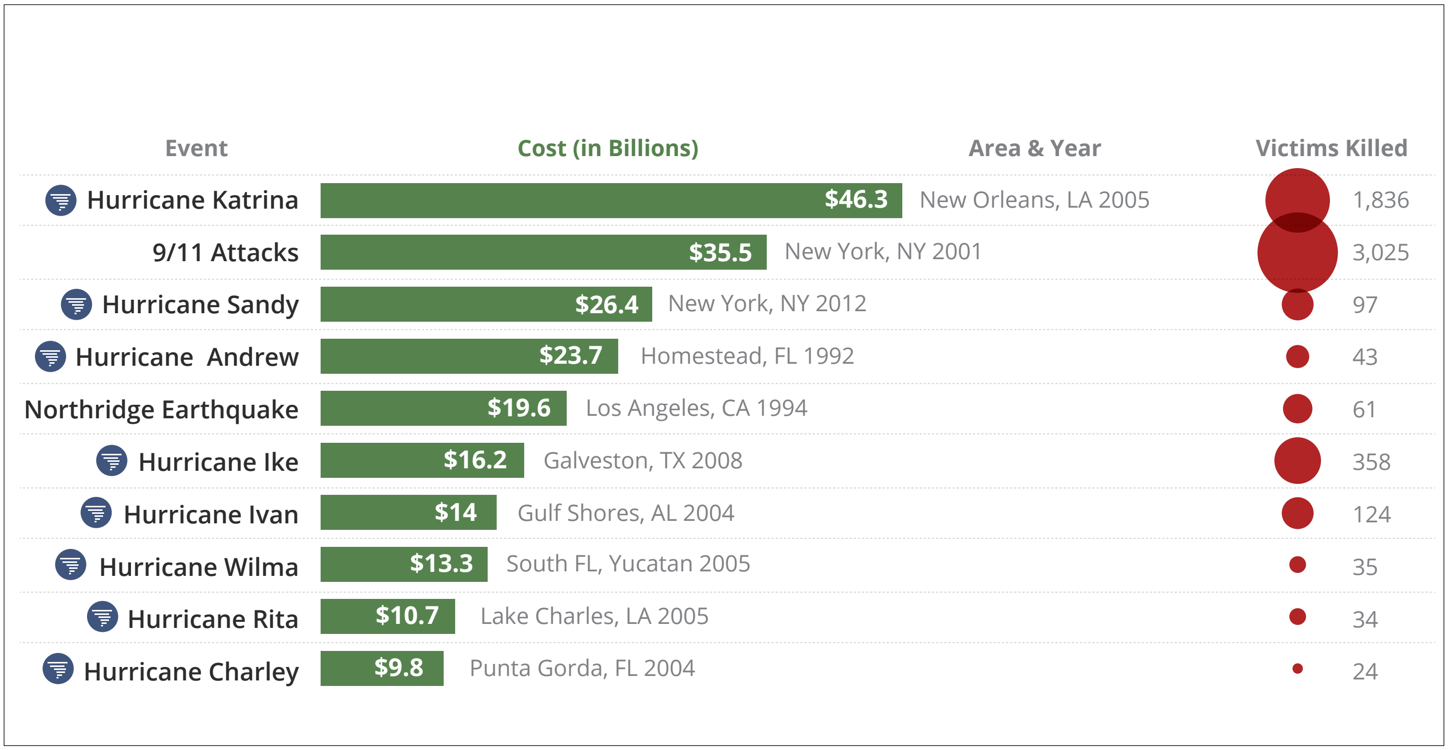
10 Most Costly Insured Catastrophes

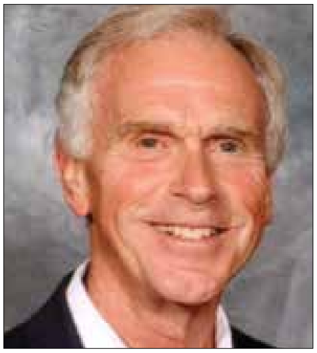


SOURCES: Wharton Risk Center with data from Swiss Re and the Insurance Information Institute association. "Over the last two years it's been relatively quiet, which worries me."

In the United States, floods are the most common natural disaster. Nine out of 10 natural disasters in the United States involve flooding, yet less than 15 percent of the nation's homeowners and renters have purchased flood insurance, according to the Insurance Information Institute, a New York-based industry trade group.

Flood Insurance: Government as Primary Insurer

Standard homeowners' insurance policies don't cover flood damage, so homeowners must buy special coverage to add that protection. The average flood insurance premium for flood insurance is about $650, according to the National Flood Insurance Program (NFIP), a public program administrated by the Federal Emergency Management Agency (FEMA) that was established in 1968 with the goal of providing affordable flood coverage to homeowners. But rates for some properties in high-risk areas can be higher. The federal government's flood insurance program is grappling with $23 billion in debt, largely due to hurricanes Katrina, Rita and Sandy.



Franklin W. Nutter
President
Reinsurance Association of America
Washington, D.C.

"Usually, 50 to 60 percent of the insurance losses get passed on to reinsurers. We're the safety net of the insurance industry."

The average flood insurance premium for high-risk properties in the New Orleans Zip Code of 70118 is approximately $779 per year, according to the federal flood insurance program, which subsidizes the cost for homeowners in high risk areas. The average flood insurance claim is $40,900. In the moderate-to-low risk Miami Zip Code of 33169, the annual cost for flood insurance is $420. Policies through the National Flood Insurance Program top out at $350,000. While flood insurance isn't mandatory, homes and businesses in flood-prone areas must carry flood insurance to qualify for federally backed mortgages. About 5.2 million people have

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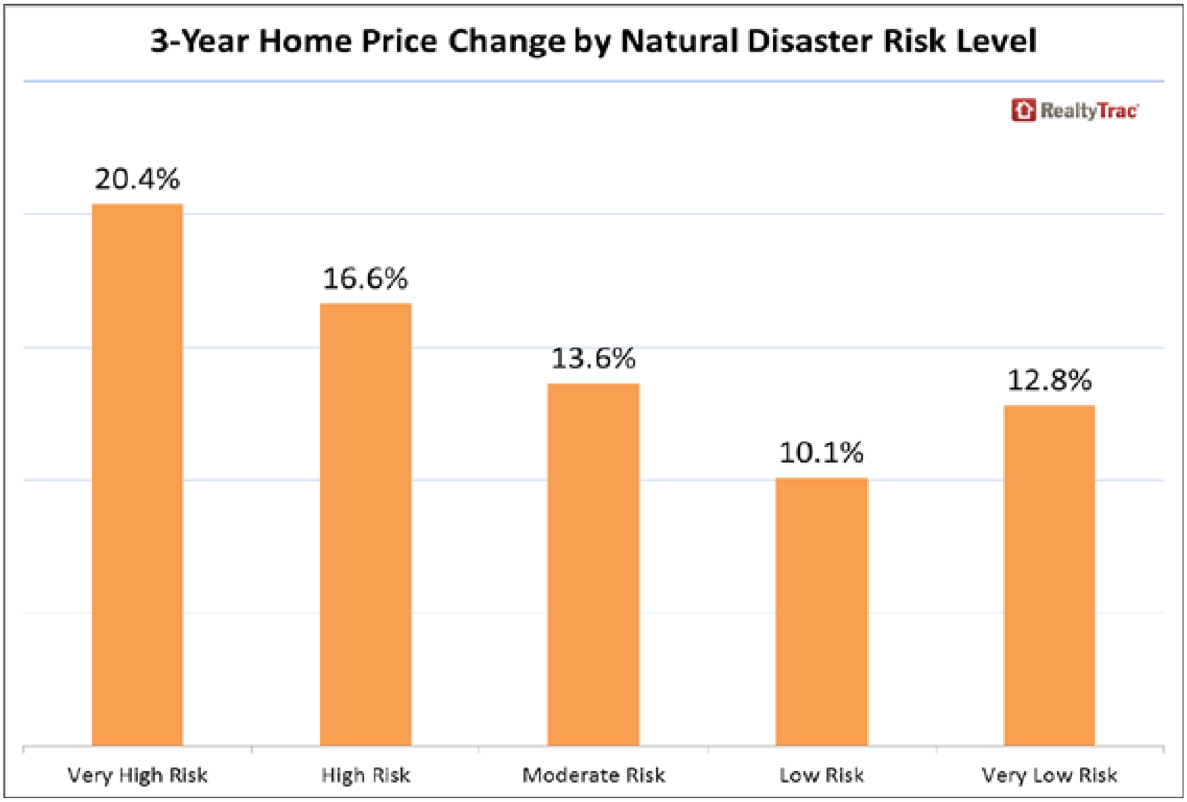

SOURCE: RealtyTrac

flood insurance policies.

Franklin W. Nutter, president of the Reinsurance Association of America, a Washington, D.C.-based trade group, said severe weather damage can be a blow to insurance companies, but reinsurance companies — which insure insurers — can mitigate losses.

"Usually, 50 to 60 percent of the insurance losses get passed on to reinsurers," said Nutter. "We're the safety net of the insurance industry. The industry has played a big role in Sandy, Rita and other natural disasters."

Reinsurance

Many insurers that sell coverage for homes and businesses seek to spread the cost of potential claims by buying "reinsurance" from other companies. Reinsurers don't deal with consumers, but are part of the capital financing mechanism for a national trade association representing U.S. reinsurance companies.

Property owners seeking that kind of protection need to buy a separate flood policy, usually through the National Flood Insurance Program, administered by FEMA, or through private insurance companies.

As administrator of the flood program, FEMA promulgated the Standard Flood Insurance Policy (SFIP), which sets the terms of the SFIP, its rate structure and premium costs. Policies can be obtained in two ways under NFIP. Either directly from FEMA or from FEMA authorized private insurers, known as "Write Your Own" (WYO) companies, according to Griffin, the insurance trade group executive. The WYO companies serve as intermediaries in providing flood insurance.

"There are over 5 million policy holders in the NFIP," said Griffin. "Florida has 36 percent of all flood policies. The next two biggest states are Louisiana and Texas."

To plug the hole in the NFIP's balance sheet, new higher rates were implemented in 2015 to put the flood insurance program on sounder financial footing. The government is slowly phasing out subsidized flood insurance for more than 1 million Americans with houses in flood zones, who sometimes pay half the true commercial rate. Rates will increase by as much as 25 percent each year until premiums equal the full risk of properties in a flood zone.

The cost of bailing out flood victims of Katrina and Sandy was so overwhelming that Congress passed the Biggert-Waters Flood Insurance Reform Act in 2012. Biggert-Waters, which was sponsored by Representative Judy Biggert, an Illinois Republican, and Representative Maxine Waters, a California Democrat, sought to reform the nation's nearly bankrupt flood insurance program, ending federal subsidies for insuring buildings in flood-prone coastal areas.

But a year after the law passed, coastal homeowners received new flood insurance bills that were two, three, even 10 times higher than before. The insurance rate increases hit many of the 5.5 million coastal home and business owners covered under the National Flood Insurance Program.

"Passing Biggert-Waters was the right thing to do," said Nutter. "From our perspective, the 2012 provision was the right thing to do."

But homeowners didn't believe that. The homeowners' frustration erupted into a grassroots lobbying campaign to roll back Biggert-Waters, and lawmakers in Washington quickly got the message.

A follow up bill in 2014 — dubbed the Homeowner Flood Insurance Affordability Act — capped the increase, slowing the impact of rate increases for many policy holders.

Jim Whittle, assistant general counsel with the American Insurance Association (AIA), said there is interest in the marketplace to support private insurers supplementing the National Flood Insurance Program.

AIA is supporting (H.R.2901), the Flood Insurance Market Parity and Modernization Act of 2015, which is sponsored by Dennis A. Ross, a Florida Republican and Patrick Murphy, a Florida Democrat, which opens up the flood insurance market to more private insurers. The new law would clarify a provision in Biggert-Waters, making private flood insurance to be treated the same as federal flood insurance for homeowners with federally backed mortgages who are required to buy coverage.

"There's interest in the market place for private insurers to provide flood insurance," said Whittle, noting that the NFIP expires in 2017. "We're trying to encourage people to pay for

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flood insurance to protect against flood losses."

In the past, the major obstacle for private sector flood insurance has been the inability of private carriers to compete with the subsidized premiums offered by the NFIP.

"Because the industry is well capitalized, many in the insurance industry want to take on flood insurance," said Griffin, referring to the increased interest from private insurers to write flood insurance policies. "It's a changing marketplace. A few years ago, there was no interest in writing flood insurance. Now there's strong interest from the private sector to write flood insurance policies."

36 Million U.S. Homes At 'High Risk' of Natural Disaster

A 2015 report released by RealtyTrac found that 43 percent of U.S. homes and condominiums are at "high risk" or "very high risk" of being struck by natural disasters. RealtyTrac's U.S. Natural Disaster Housing Risk Report, found that 35.8 million U.S. single family homes and condos, with a combined estimated market value of $6.6 trillion, are in counties with high or very high natural hazard risk. Those 35.8 million homes represent 43 percent of the 83.4 million single family homes and condos in all counties analyzed for the report.

Jim Whittle
Assistant General Counsel
American Insurance Association
Washington, D.C.

"There's interest in the market place for private insurers to provide flood insurance."

States with the most homes in high risk or very high risk counties for overall natural disaster risk are California (8.4 million), Florida (6.7 million), New York (2.4 million), New Jersey (2.3 million) and North Carolina (2.3 million). The cities with the high natural disaster risk are: New York (3.5 million homes at high risk), Los Angeles (2.5 million), Miami (1.9 million), Houston (1.2 million), and Riverside-San Bernardino in Southern California (1.1 million).

Waiting for the 'Big One'

While flooding due to hurricanes and thunder storms affects property in coastal America, earthquakes, wildfires and drought plague

Continued Next Page

10 Most Costly Insured Fires

Fire Name	Structures	State & Year	Acres
Great Chicago	17,400	Illinois, 1871	undetermined
Lower Michigan	3,000	Michigan, 1881	2,500,000
Cedar	2,820	California, 2003	275,000
Valley	1,958	California, 2015	76,070
Bastrop County	1,700	Texas, 2011	34,000
Witch Creek	1,650	California, 2007	197,900
Butte	818	California, 2015	70,870
Painted Cave	641	California, 1990	4,900
Giant Berkley	624	California, 1923	undetermined
Hayman	600	California, 2002	136,000

SOURCES: National Interagency Fire Center, Cal Fire, Claims Journal property owners in the southwest.

In California, everyone is waiting for the seismic disaster known locally as the "Big One." But in the real world, earthquakes happen almost annually and the costs are sizeable. The Northridge earthquake in California in 1994 caused $23.9 billion in insured losses, reports *The Wall Street Journal*. A 2014 earthquake in Napa, near San Francisco, cost roughly $700 million dollars.

Jim Malmberg, a broker with John Hart Real Estate in Burbank, California, knows firsthand the power of earthquakes. He lost his Sherman Oaks home in the 1994 Northridge earthquake. Malmberg said homeowners should educate themselves about the intricacies of insurance policies.

"The earthquake hit at 4:30 in the morning," said Malmberg. "My home was so badly damaged that the city bulldozed it 10 days after the quake. I lived in a cantilevered home that sat on six steel and concrete columns on a hill. One column ruptured and the others were compromised. The home was leaning down the hill, and the folks that lived below us couldn't move in until our home was demolished."

Don Griffin
Vice President
Property Casualty Insurers Association
Chicago, Illinois

> *"Over the last two decades, there's been an increase in the frequency and the severity of natural disasters. Over the last two years, it's been relatively quiet, which worries me."*

Malmberg said it took two years to settle his claim; for some of his neighbors it took seven years.

"To be covered for earthquakes, you need a separate earthquake policy," said Malmberg. "And for hurricanes, you need hurricane insurance. If one of these disasters befalls you and you don't have the correct coverage, you could be responsible for 100 percent of the damage to your home."

When Malmberg filed a claim with his insurance company, he hired a public insurance adjuster and an attorney to expedite the settlement process. He said insurance companies are not a homeowner's friend during the claims process.

"The relationship between anyone who has lost or who has experienced significant damage to their property and their insurance company is adversarial in nature," said Malmberg, who also runs GuardMyCreditFile.org, a non-profit dedicated to credit education. "If you are the person filing the claim, your aim is to recover as much of your loss as possible. At the same time, your insurance company is trying to pay you as little as they can."

Earthquake Insurance Rates Vary

Homeowner's policy costs vary from region to region. Californians can expect to pay about $2,000 per year for earthquake insurance in Orange County. However, if you live in San Francisco, you will pay about $3,000 to $5,000 per year for a 1,200-square foot Bay Area home, according to the California Earthquake Authority.

For Malmberg, the Big One already hit, but earthquakes are likely to pale next a bigger natural disaster problem — droughts. The on-going drought crisis in the West cost $4 billion dollars just last year, according to the 2015 Munich RE natural catastrophe report. And 2016 is the fifth consecutive year of drought for California.

Into the Wildfire

Wildfires are a serious risk to property and lives in every state, but some states have a higher risk for wildfires. In 2014, there were 63,212 fires in the U.S. and Puerto Rico that burned 3,595,613 million acres — roughly the size of Connecticut, according to the National Interagency Fire Center (NIFC).

"Drought conditions in California over the past four years — the warmest and driest period in its recorded history — have elevated the wildfire hazards to extreme levels," reports Munich RE. "The dry conditions fueled several large wildfires in the state during this period, but all occurred in remote, sparsely populated areas with little human habitation or property exposure. Unfortunately, this pattern would change in September 2015, when two large conflagrations — the Valley Fire and the Butte Fire — broke out near populated areas of northern California. By the time they were extinguished, the fires had become two of the most damaging on record in the state."

About 10.6 million homes, or 8 percent of the 131 million homes in the U.S., have a "very high risk" of being struck by

Continued Next Page

natural disasters like wildfires, according to RealtyTrac's Natural Disaster Housing Risk Report for 2014. Based on RealtyTrac's wildfire analysis, the top five counties categorized as "high risk" or "very high risk" for wildfires with the most housing units were: Suffolk County, New York (883,318), Riverside County, California (587,822), San Bernardino County, California (509,209), Mecklenburg, North Carolina (325,432) and Bergen County, New Jersey (255,025).

Southwest: Wildfires, Earthquakes, Drought

In the West, unusually dry conditions have made the western United States a tinderbox for wildfires. Wildfires, which destroy thousands of homes in the U.S. every year, are more destructive than ever because, as populations have grown and new housing has been built in wooded areas, more homes are exposed to wildfire risk.

Additionally, the cost of suppression is soaring as the fire season lengthens and grows more severe, according to a U.S. Forest Service report. In 2014, the 10 largest fires cost more than $320 million to combat. The Forest Service projects that its fire suppression costs will grow from around $1.1 billion in 2014 to $1.8 billion in 2025.

California is used to battling raging wildfires. But after a four-year drought, the state is suffering more than usual — 5,255 fires have scorched 217,827 acres of land so far this year, compared with 3,638 fires burning 90,894 acres during the same period last year. Two of the most destructive fires in California's history — the Valley and Butte Fires — ravaged nearly 150,000 acres in Northern California in 2015 and caused an estimated $1 billion in insurance losses, according to the Claims Journal.

Valley Fire

The larger of the two fires, the Valley fire, was ignited on September 12, 2015, north of the Napa Valley winemaking region, consuming 1,958 structures in Lake, Napa and Sonoma counties, and resulting in approximately $700 million in insured losses and making it the third most damaging wildfire in state history based on total structures burned. In terms of structures lost, the Butte Fire was the seventh most destructive fire to hit California, damaging 818 structures in Amador and Calaveras counties and causing an estimated $300 million in insured losses.

But the granddaddy of California wildfires was the 2003 Cedar Fire in northern San Diego County — the largest in California's history — which singed 275,000 acres, incinerated 2,800 homes and caused $2 billion in property damage, according to Cal Fire. (See Top 10 Most Structures Destroyed By Wildfires)

Northwest: Wildfires

In the northwest the big threat to the area's picturesque landscape is wildfires. All told, the federal government appropriated $3.9 billion dollars last year alone to combat wildfires. One recent blaze — the Carlton Complex fire in Washington state — destroyed 300 homes, with an estimated suppression cost of $100 million dollars. It was the largest wildfire in state history, consuming 244,000 acres, or 381 square miles — more than four times the size of Seattle.

Not surprisingly, home values in high risk areas tend to be higher than in low risk areas, and over the last three years, home price appreciation has been stronger in higher risk counties than in lower ones, according to RealtyTrac.

What's Next? Paying for Future Catastrophes

As the 11th anniversary of Hurricane Katrina approaches on Aug. 29, the country is more vulnerable today to catastrophic losses because of extreme weather than ever before.

Psychologically, it's hard for most homeowners to worry about the risk of natural disasters, according to Kunreuther.

"Most people think it's not going to happen to me," said Kunreuther, referring to the psychology of buying homeowner's or flood insurance. "But the best return on an insurance policy is no return at all."

James W. Waters

Founder and CEO, Foresight Information Services

Client Corner

What is your elevator pitch for Foresight?

"Foresight provides risk mitigation and transaction verification data along with civil and criminal court data and income and social security verification data. We started out with a couple guys and $5,000 in sales in 2011. We are starting to transition from a small business."

How do you and your customers utilize RealtyTrac data?

"Mainly we use your API data as a platform for loan risk models. Some of our clients might be a bank or mortgage reseller or businesses that process loans.

"There are 'check boxes' that compliance departments need to move through to approve a transaction. As part of that risk analysis and compliance piece, foreclosure history — along with other factors — are often a part of that compliance checklist. We present the entire picture of the customer and associated properties. Including lendee bankruptcies, court records, and social security verification.

> *"Mainly we use your API data as a platform for loan risk models. We present the entire picture of the customer and associated properties. Including lendee bankruptcies, court records, and social security verification."*

"Some clients also look at the sales history of homes, sale prices, comparable values, etc.

"We have many different customers with various risk models. Some of these businesses run 20 or 30 transactions a month — some are in the tens of thousands. The volume adds up."

Why did you decide to use the RealtyTrac API?

"You send pro-active emails letting us know about updates, enhancements to your service. People appreciate that and incorporate those changes to make their businesses better.

"In addition, RealtyTrac was able to adapt and overcome specific issues instead of you saying 'hey you need to do it this way. You were willing to rebuild our stack so it works the way our customers need it rather than stick with the way you built it in the past and have our customers adapt to that.

"We eventually decided to move a large chunk of business over to RealtyTrac from a previous API data provider. We flipped the switch. It's been good for you and it's been good for us."

What was your initial experience like with the RealtyTrac API?

"It started out with some bumps, but it continues very well for our team as well as your team.

"We had an issue where we had a spike in our usage, which is good for us, but when we see a huge spike in activity providers have to see if there is a breach. We ended up with an account that was shut down temporarily."

What was the response and outcome for that initial challenge?

"Your guys worked tirelessly to get us back online to get us back to the workflow that we had been accustomed to for years.

"What really impressed me was the relationship accountability at the executive level as well as at the account level. We also had your chief data officer working on it.

You took care of the issue; your guys worked tirelessly all night, you kept me in the loop. In the morning it didn't work as planned, but within 10 minutes it was finely tuned."

How did this customer service experience compare with your previous provider?

"Not even a comparison. It's sitting on the wing of an aircraft versus sitting in first class.

"At the end of the day, that was what really convinced me. You rarely have people like me that will write in or call in and say 'you guys are doing a great job."

How would you describe your overall experience with RealtyTrac Data Solutions?

"I think you guys are doing a great job and we've certainly enjoyed doing business with you. We are trying to move more business your way because it's a pleasure to do business with people who are easy to do business with.

"RealtyTrac delivers simple changes and complex solutions without having to beg for attention."

FORESIGHT information services

Big Data Sandbox

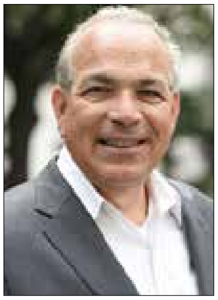
While the number of underwater homes has been virtually cut in half over the past four years — from nearly 13 million in 2012 to 6.7 million in the first quarter of 2016 — 12 percent of homes with a mortgage are still underwater. RealtyTrac analyzed the 6.7 million homes still underwater to determine the top defining characteristics of these homes — from political districts to property type to purchase date to home value to ownership type.

MY TAKE

By Joseph Melendez

Founder and CEO, ValueInsured

Down Payment Protection: Fuel for the Housing Market



The average home stays on the market for about 75 days before a sales contract. If you sell real estate, wouldn't it be nice to consistently beat that average? And to have more buyers bidding your sale prices up?

Of course. The real question is where do you find these new buyers?

Well, a lot of them are sitting on the sidelines wishing for a home but leery of what they saw (or experienced firsthand) in the housing market collapse of 2007. A good number of them have down payments in hand — either in their savings accounts or starter home equity — but they're loath to risk their hard-earned nest eggs.

Mobile millennials

As you know, a home is still one of the best investments you can make: 79 percent of millennials my company recently surveyed said they were confident buying a home is more financially beneficial than renting. But in the new economy, people switch jobs and move more often, meaning homeowners may lack sufficient time to recover their down payment through rising home value. The average employee tenure in the U.S. is 4.6 years overall, and just 3 years for millennials.

We looked at down payment concern among millennial renters (age 18 to 34) late last year. Almost one-third (30 percent) lacked confidence that they would get back their full down payment if they were to buy a home today and need to sell in the next two to seven years.

Yet despite occasional claims they'd prefer to rent, they really do want to own: Nine in 10 said it's important to one day own their own home, or to become homeowners again. In similar survey this year, more than four in five millennials (83 percent) said owning a home is an important part of their American Dream.

It's buyers' turn for protection

Economists have spelled out the solution for decades: Buyers simply need the same level of protection everyone else in the transaction enjoys. Specifically, they need down payment protection.

Banks protect their mortgage loans by requiring borrowers to pay for title insurance, private mortgage insurance and homeowners insurance. But homebuyers have always gambled with their down payment. Often, but not always, the gamble paid off. Until now, it's been hard for businesses or governments to piece together a viable mechanism to protect homeowners in the event their gamble fails.

At last, that mechanism is here.

What it is

Called +Plus, the new down payment protection works like the insurance homebuyers are already paying for at closing except that it protects the homebuyer: If the market falls and the homeowner decides to sell, +Plus will reimburse them up to the full value of a 20 percent down payment. The average cost for the protection is equivalent to less than a lunch per month.

If you want it today, go to Amalgamated Bank. +Plus is available on all eligible Amalgamated Bank mortgages. It's included at no cost exclusively in the bank's First-Time Homebuyer +Plus program, in that case covering down payments of up to 5 percent of the home's purchase cost. Amalgamated Bank, whose stated purpose is "affordable and accessible banking for all," is the first of many lenders that will make down payment protection available to its homebuyers.

"The gyrations of the housing market have made homebuyers acutely aware of the rewards and the risks of homeownership," said James A. Wilcox, professor of economics and finance at the Haas School of Business at the University of California, Berkeley. "The general concept of down payment protection helps safeguard homebuyers' hard-earned savings, assuring them that they can get at least a portion of their down payment

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back when they want to move. This will give homebuyers peace of mind, flexibility, and control."

A superpower for agents

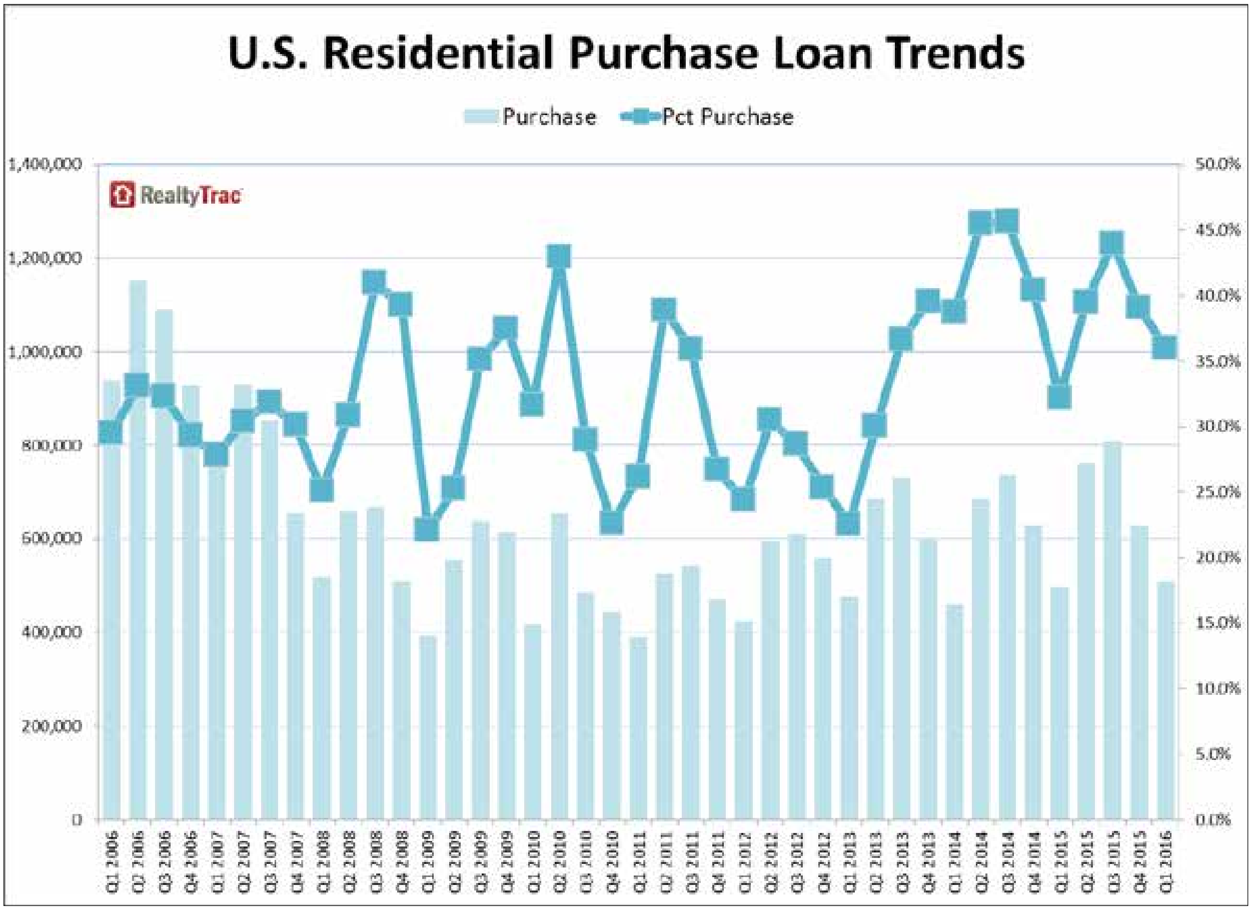
Although down payment protection chiefly benefits the buyer, it's also a powerful new tool for any agent. A big part of an agents job is coaching the prospective buyer through the natural anxiety of committing to a major financial decision. Most buyers feel vulnerable in the transaction especially to banks, which seem to be holding all the cards. As Professor Wilcox says, down payment protection brings peace of mind, flexibility and control to the transaction.

Flexibility is key. Modern homebuyers don't want to be locked into a home when they might have to move, especially in an era when they can share cars, stream (versus buy) music and pay for smartphone service as they go. In this mobile society, home buyers will still be in homes for 30 years of their lives; it's just more likely they will be a series of homes.

So by helping protect the down payment, you ease a big part of the stress of home buying. This brings more buyers to the table who are more eager to pull the trigger when they get there. It gives seller agents more pricing authority, more offers and quicker sales. It moves the lending conversation beyond the morass of points and rates. And it frees up inventory by encouraging move-up buyers to sell.

With down payments finally protected, agents sell more homes faster at a higher price. And they help their clients close on the American Dream.

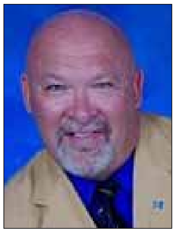
Joe Melendez is the founder and CEO of ValueInsured, the only provider of down payment protection for modern homebuyers.



SOURCE: RealtyTrac

NEWS BRIEFS

Realtor Robbed and Beaten



Jim Olsen

Real estate investors, property managers and Realtors beware.

A Milwaukee real estate agent who manages rental property was targeted in an armed robbery while showing an apartment near 15th and Burleigh streets in Milwaukee, according to the Milwaukee *Journal Sentinel*.

On May 3, around noon, Jim Olsen, 61, was showing an apartment to a young woman. As Olsen entered the back bedroom of the apartment, a masked man with a gun ambushed, and a second masked gunman came out of the bathroom. They told him to get on the floor and hit him on the back of the head with one of the guns, Olsen told the *Journal Sentinel.* Then, the gunmen took his wallet, iPhone and wedding ring and fled.

"I've been in this business for over 30 years and never have I feared for my life like I did that day," said Olsen, an agent with Century 21 Affiliated. "This was an eye opener."

SOURCE: *Journal Sentinel*

America's Laziest Cities

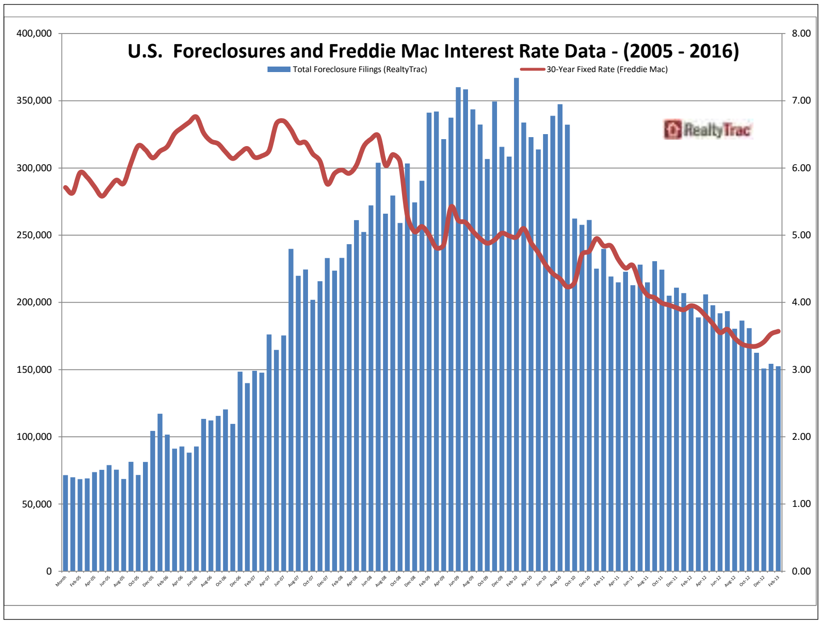
What are the top U.S. cities where lazy people thrive?

Realtor.com has ranked America's 10 laziest cities. Criteria included the number of restaurants offering delivery, average hours worked and percentage of listed homes with a hot tub, sauna or steam room.

Three of America's laziest cities are in Florida, including America's laziest city, Boca Raton. "The Beverly Hills of Florida," as it's sometimes called, joined two other Florida cities, Orlando and Miami. Mild weather and slothfulness seem to go hand-in-hand as three sluggish cities are also in California — Berkeley, Pasadena and San Francisco.

Two college towns — Ann Arbor Michigan and Boulder, Colorado — made the lethargic list. And Las Vegas ranked fourth for the indolent.

SOURCE: Realtor.com



SOURCES: RealtyTrac, National Association of Realtors, U.S. Commerce Department

FINANCIAL BRIEFS

Freddie Mac Posts Q1 Loss

Mortgage giant Freddie Mac on May 3, 2016, posted a loss for the second time in three quarters, shining a light on the government-controlled company's diminishing capital reserves, according to *Freddie Mac*.

Freddie won't make a dividend payment to the Treasury Department after declining interest rates triggered a $354 million first quarter net loss for the mortgage finance giant. It posted a loss of $475 million in the third quarter of 2015.

In 2008, Freddie Mac and Fannie Mae, the two federally chartered but privately owned "government-sponsored agencies" (GSEs), were bailed out by taxpayers to the tune of $187.5 billion in September 2008, and they were put into a so-called conservatorship under government control, which was supposed to be temporary.

The government's original rescue terms were for Fannie and Freddie to pay a dividend of 10 percent to the Treasury Department, amounting to $4.7 billion quarterly. Then, in 2012, the government changed the terms and now receives 100 percent of the GSEs profits.

SOURCES: Freddie Mac

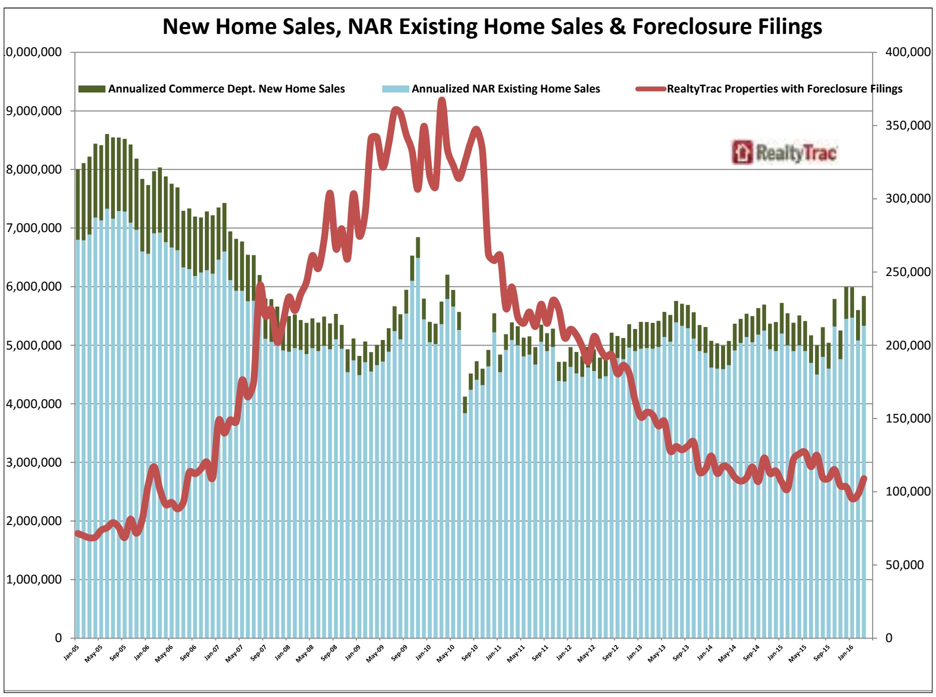
New Home Sales Fall in March

New U.S. single family home sales fell for the third straight month in March, falling 1.5 percent to a seasonally adjusted annual rate of 511,000 units, reported the Commerce Department. That rate has steadily dropped from 521,000 in January and 519,000 in February.

New homes sales in March fell largely because of a double-digit decrease in sales in the West.

The median sales price of new houses sold in March 2016 was $288,000. The total number of new homes for sale in March was 246,000, the highest figure since September 2009.

SOURCE: Commerce Department

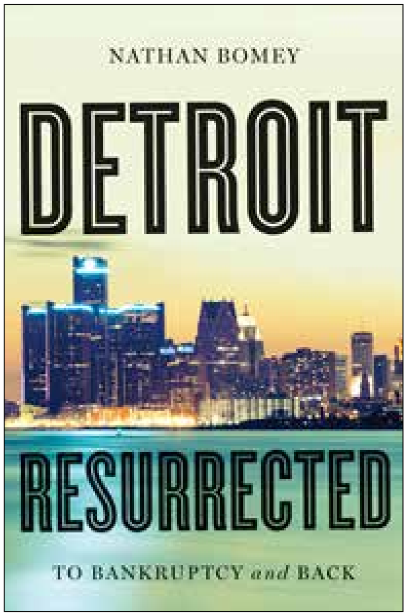


SOURCES: RealtyTrac, S&P/Case-Shiller

BOOK REVIEW

Detroit Resurrected: From Bankruptcy to Back

By Octavio Nuiry, Managing Editor



In 2013, Detroit was on its knees. After nearly a half-century of fiscal and political mismanagement, the former Motor City was out of gas. The financial implosion — and ultimately the city's bankruptcy — pitted pensioners, bondholders and city residents against one another in the largest and ugliest municipal bankruptcy in American history.

How Detroit collapsed — and was 'resurrected' — is the story that Nathan Bomey, a USA Today business reporter, brings to light in his gripping new book "Detroit Resurrected: To Bankruptcy and Back" (W.W. Norton, 2016). Bomey, a former Detroit Free Press reporter, recounts Detroit's 2013 Chapter 9 filing after five decades of plummeting population, dwindling tax revenue, rising foreclosures and the criminal mismanagement of the city's public finances.

Bomey, who was the lead reporter on a team of writers for the Detroit Free Press during the city's bankruptcy trial in 2013, begins his fascinating story in bankruptcy court, where the city's crushing $18 billion debt cast Wall Street creditors against retired pensioners and Detroit appointed emergency manager, Kevyn Orr, in July 2013.

To pull Detroit out of its financial death spiral, Michigan Gov. Rick Snyder, a Republican, appointed Orr, a progressive Democrat bankruptcy attorney, to take over the city government and render Mayor David Bing and the City Council powerless.

From there, Bomey takes readers on a journey through the bitter bankruptcy filing, the so-called "Grand Bargain" that saved the city's cultural crown jewels at the Detroit Institute of Arts from the auction block, and finally to the city emerging from court protection in late 2014.

"At city hall, a cascading series of ineffective politicians — who lacked the will, foresight, or ability to make dramatic changes — turned to Wall Street to foot the bill for their fiscal recklessness, choosing debt over the hard choices necessary to protect the people of Detroit and ensure the financial security of the city's retirees," writes Bomey in the introduction.

What makes the book interesting are the fascinating characters involved in the bankruptcy saga, including a team of elected officials, appointed emergency supervisors, high-powered bankruptcy lawyers and philanthropic activists challenging union bosses, and Wall Street financiers to save the city by reorganizing its crushing debt.

Consider, for example, former Detroit Mayor Kwame Kilpatrick, who went to prison on racketeering charges following the end of his term in 2008. Several years before his conviction on federal corruption charges, Mayor Kilpatrick engineered a scheme to borrow $1.4 billion to fund pensions in 2004 — even though the city could borrow only $600 million. With the city unable to issue traditional bonds, Kilpatrick and his conspirators, circumvented borrowing limits by dreaming up a disastrous conspiracy to create two shell companies — Financial Guaranty Insurance Company and Syncora Holdings — aimed at showering cash into the cities billion-dollar pension funds: the Police and Fire Retirement System and the General Retirement System.

The 'Grand Bargain'

One of the pivotal moments in the book revolves around the "Grand Bargain," where the potential liquidation of the artwork of the Detroit Institute of Arts was avoided

Continued Next Page

after a massive state-and-private bailout plan brought together philanthropic organizations and the state of Michigan who contributed money to minimize pension cuts. The Ford Foundation pledged $125 million, and the Kresge Foundation contributed $100 million.


Nathan Bomey

Ultimately, the foundations, corporations and the state collectively pledged the equivalent of $816 million over 20 years to help reduce pension cuts and preserve the Detroit Institute of Arts as an independent institution. Without that money, Bomey writes, Wall Street creditors and the pensioners would have pursued liquidation of the museums artwork.

Throughout the book, Bomey tickles readers with many grim, but interesting facts about Detroit. For example, the total value of private property in Detroit fell from $45.2 billion in 1958 to $9.6 billion in 2012, or that in 2013 half of Detroit eighth graders failed to achieve basic reading competency. In 1950, there were 1.8 million people in Detroit; today there are only 680,250 residents. The city has 78,000 vacant structures and 60,000 vacant land parcels. Detroit was once the fifth-largest U.S. city; now it ranks 18th and slipping rapidly, he reports.

Clearly, Detroit is one of the compelling stories of our time. Detroit is a metaphorical prism on any story you want — social, economic, political, race, education — it's all there. Detroit's story is not simply one of a great city's collapse; it's also about the implosion of the auto industry that helped build the country we know today.

Without doubt, Detroit is in terrible shape. It's the most dysfunctional city in America. It's a petri dish of all the things that have gone wrong. Suggesting otherwise would be dishonest if not delusional.

But, as Bomey argues, Detroit is at a crossroads: it can either reinvent itself as a smaller city or it can continue to decline.

In the end, "Detroit Resurrected" is a story of rebirth and second chances, which has broader implications for other American cities. It's also a wake-up call to U.S. politicians who are ignoring a $19.2 trillion national debt crisis that could threaten the social safety net of millions of Americans. Detroit's bankruptcy and "resurrection" is a story we can't afford to be ignored; it's a harbinger of things to come nationally in the United States.

TOP 20
Foreclosure rates in the nation's 20 largest metros in April 2016

Rank	Metro	Housing Units Per Foreclosure Filing (Rate)
1	Baltimore, MD	542
2	Tampa, FL	621
3	Philadelphia, PA	635
4	Miami, FL	656
5	Chicago, IL	775
6	Riverside, CA	810
7	Washington, DC	970
8	New York, NY	1,100
9	Atlanta, GA	1,224
10	Minneapolis, MN	1,402
11	Detroit, MI	1,495
12	St. Louis, MO	1,524
13	Los Angeles, CA	1,582
14	Seattle, WA	1,598
15	Phoenix, AZ	1,612
16	San Diego, CA	1,725
17	Boston, MA	1,809
18	Dallas, TX	1,925
19	Houston, TX	2,053
20	San Francisco, CA	2,437

APRIL 2016
STATE-BY-STATE FORECLOSURE ACTIVITY SUMMARY

State Rank	State	Default	Auction	REO	Total	1/every X HU (rate)	%Δ from March 2016	%Δ from April 2015
	U.S. Total	**30,771**	**36,643**	**33,518**	**100,932**	**1,315**	**-7.38**	**-19.82**
23	Alabama	0	664	711	1,375	1,593	-18.06	-8.03
44	Alaska	3	48	43	94	3,275	74.07	-35.62
29	Arizona	0	906	683	1,589	1,809	-12.16	-2.52
41	Arkansas	0	241	267	508	2,616	31.95	-8.80
16	California	4,695	2,817	2,171	9,683	1,423	-13.30	-26.19
40	Colorado	0	559	390	949	2,359	9.84	-6.96
11	Connecticut	759	155	294	1,208	1,234	-0.41	61.07
3	Delaware	221	273	161	655	628	-6.96	26.20
	District of Columbia	1	53	32	86	3,498	53.57	186.67
4	Florida	4,205	3,680	4,501	12,386	731	-0.06	-41.53
15	Georgia	0	1,615	1,323	2,938	1,400	-20.47	-30.33
36	Hawaii	117	63	66	246	2,134	-16.61	54.72
32	Idaho	124	163	64	351	1,924	40.96	-17.41
6	Illinois	2,058	1,795	1,773	5,626	942	-14.74	-26.03
12	Indiana	694	1,011	531	2,236	1,257	-15.62	-23.45
19	Iowa	514	259	127	900	1,498	-1.53	20.97
43	Kansas	90	198	118	406	3,055	-17.81	-32.33
38	Kentucky	154	466	219	839	2,311	2.69	-1.29
35	Louisiana	197	437	387	1,021	1,948	-17.59	-2.76
28	Maine	275	92	57	424	1,709	6.27	57.04
1	Maryland	1,898	1,092	1,411	4,401	545	-1.41	9.53
14	Massachusetts	941	650	475	2,066	1,363	-2.64	43.17
24	Michigan	0	1,172	1,624	2,796	1,621	7.62	-38.63
30	Minnesota	0	499	792	1,291	1,831	20.54	0.86
45	Mississippi	0	173	113	286	4,492	-17.34	39.51
39	Missouri	0	405	751	1,156	2,356	-33.06	-28.99
47	Montana	0	30	51	81	6,010	97.56	26.56
42	Nebraska	112	97	88	297	2,711	0.68	-50.42
5	Nevada	709	469	393	1,571	754	-6.38	-25.97
34	New Hampshire	0	215	104	319	1,935	15.16	-0.31
2	New Jersey	2,631	2,037	1,655	6,323	565	17.44	5.44
18	New Mexico	247	213	150	610	1,487	15.53	71.83
22	New York	2,948	1,244	1,188	5,380	1,515	-19.30	-4.76
13	North Carolina	1,346	887	1,115	3,348	1,310	-4.56	-8.97
50	North Dakota	5	1	5	11	30,183	-21.43	0.00
8	Ohio	1,684	1,829	1,775	5,288	971	-8.80	-12.57
33	Oklahoma	326	300	246	872	1,927	-15.01	-58.22
21	Oregon	222	445	454	1,121	1,504	-6.58	-17.94
10	Pennsylvania	1,463	1,897	1,166	4,526	1,233	-17.21	-13.46
9	Rhode Island	0	230	147	377	1,228	4.14	39.63
7	South Carolina	947	738	591	2,276	949	-12.02	-2.65
49	South Dakota	0	12	11	23	16,052	-37.84	-8.00
20	Tennessee	0	919	969	1,888	1,504	-22.72	-56.72
37	Texas	29	2,443	2,184	4,656	2,188	-2.45	-9.77
17	Utah	353	211	124	688	1,453	17.21	-37.28
46	Vermont	0	15	45	60	5,406	13.21	22.45
26	Virginia	0	1,377	710	2,087	1,631	-15.33	15.69
27	Washington	20	973	738	1,731	1,688	-11.64	-34.11
48	West Virginia	0	36	83	119	7,422	75.00	20.20
25	Wisconsin	783	469	369	1,621	1,626	-0.43	-19.99
31	Wyoming	0	70	73	143	1,855	16.26	95.89

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