



# first tuesday

The California Real Estate Educators

## Your September 2008 Real Estate Economics Newsletter

Hello,

Welcome to the **first tuesday** monthly real estate economics newsletter! We appreciate your patronage in purchasing your real estate education and forms from first tuesday.

A brokerage fee suggestion: the chances of an agent earning a fee on a short-sale listing just doubled. Homeowners in foreclosure would just as soon stay in the home as sell it – that is, if they are told their agent could reduce their loan amount and make their loan payments affordable again.

Congress authorized the Federal Housing Administration (FHA) to bail out both homeowners and existing lenders when the loan is in default. Both must be willing to negotiate. Thus, the risk of not locating a buyer and not earning a fee has been reduced on a short-sale listing. It may not be full employment, but it is *better* employment.

The listing agent's contact with the lender's loss mitigation department to determine the payoff demand on a future short sale now also includes asking about a pre-foreclosure workout as an FHA 257 loan cram down to refinance the owner. Thus, the agent acts as both a listing agent and a loan broker.

For the homeowner, the loan is reduced to 90% of the home's current value, amortized at the current fixed rate over 30 years. Payments are no more than the owner can afford. Here, the agent creates a 10% equity where none currently exists. However, the owner must agree to share his equity and appreciation 50:50 with the FHA should he sell it after five years; more if sooner.

In exchange, the lender gets immediate FHA insurance against any future loss: the equivalent of cash. The lender pays the private mortgage insurance and a brokerage fee as part of the 90% loan amount. In a market of declining prices, that's a bail out for the lender.

The agent listing a home for a short sale and agreeing to pursue the FHA 257 cram-down refinancing must also enter into a loan broker listing agreement with the owner. They will earn a fee at a percentage of the appraised value of the home for initiating and assisting in restructuring the loan. There are no out-of-pocket expenses for the homeowner thanks to Congress and an agent willing to locate and talk to the lender. Additionally, there is no Real Estate Settlement Procedures Act (RESPA)

Your September 2008 Issue:  
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Real Estate Journal Online

### September Topics

#### Price fixing and kickbacks for the sake of earnings

Take a look at the evolution of the industry-wide corruption interfering with the real estate market.

#### The reduction of investment risks

Know how to form a successful real estate investment group by cutting out unnecessary risks.

#### Attornment clauses in nonresidential leases

Examine the ways landlords and lenders can alter priorities on leases and trust deeds.

referral fee problem since no sale is coupled with the loan.

Great stuff, if the dual negotiations with the lender regarding both the discount on a future short sale and the 90% cram-down refinancing are more likely to produce a fee than the single role of listing a property in foreclosure for sale.

AND BY THE WAY: If you know agents whose professional status should be upgraded to broker during the current lull in real estate sales activity, please recommend that they contact **first tuesday**. We offer all the courses they need to upgrade and with the quality and service only **first tuesday** can deliver to meet that objective.


Regards,

**first tuesday**

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P.S. Have a look at the **first tuesday Journal Online**. The September 2008 issue puts a toe into the pool of corruption within the real estate industry. Meanwhile, the August 2008 issue goes over different investment strategies and examines mediation as an alternative dispute resolution method.

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