



## QUESTIONS & COMMENTS FROM THE WHO'S WHO IN LUXURY REAL ESTATE NETWORK

- 1) The new appraisal laws are creating disruption in a number of real estate markets as appraisers coming from marketplaces great distances are unfamiliar with marketplaces they are appraising in. The miscalculated appraisals are ending transactions or costing sellers thousands of dollars.
- 2) The lack of a secondary market for Jumbo loans.
- 3) The continuation of the higher limits for conforming loans which are set to expire at the end of this year.

***Avram Goldman, Pacific Union/GMAC Real Estate, San Francisco, CA***

Obviously an extension of the tax credit makes sense as well as a redefinition of jumbo mortgages to spur sales in the true luxury segment. Also, how is stimulus funding being appropriated in terms of foreclosure and what is being done to change FICA standards so that this can never happen again. Finally, will the federal government offer tax credits to home builders or some incentives to get new housing accelerated?

***Anonymous***

...probably been brought up but I think it would be great if they extended the 1st time home buyer credit and provide a \$15,000 credit for any home buyer. This would stimulate the market and it would eventually move up to our market. Also, it would do more for the economy than the cash for clunkers program since it would affect so many additional industries (Home Depot, furniture, landscaping, pools, designers, etc)

***Walt Danley, Walt Danley Group, Scottsdale, AZ***

Extension of the closing credit for first time buyers would be great. Or a credit for all buyers.

***Debra Blachowiak, Sleeping Giant Sotheby's International Realty, Kauai, HI***

The importance of extending the \$8000 first-time homebuyer tax credit through December 2009.

***Margaret Glenn, Harry Norman, Atlanta, GA***

The biggest 'government' questions are the tremendous increase in down payment requirements for luxury properties and the fact that there isn't a 'secondary' market



source for banks to sell their loans to. The banks have 'horded' the money the government loaned them and it has not been passed on to the consumer. There was not stimulus plan for the secondary luxury markets which have been devastated.

***George Harvey, Telluride Properties, Telluride, CO***

People buy high-end homes because: They want them. They can afford them ... pay cash. They expect them to appreciate and if anything changes, they can finance them. This clientele is credit-worthy. There are exceptions of course; but if proper application and qualifying processes occur, they are good credit risks. They typically have huge assets. So the market place needs availability for financing for high-end clientele and the ability to borrow against assets as well as income.

***Penney Evans Carruth, Mason Morse Real Estate, Aspen, CO***

The Senator needs to extend the \$8000 tax credit to first time homebuyers. First time homebuyers have always led the housing recovery! Also, the government needs to look at the Home Valuation Code of Conduct (HVCC) which is causing appraisals to come in under value because appraisers are being hired from outside of our market area.

***Dave Lewis, B.T. Edgar & Son, Moorestown, NJ***

In trying to control POWER, our leaders on both sides of the aisle have forgotten to listen to their constituents outside of their respective parties. If you are not in the same party, you are a nut and your ideas are dismissed. Most of us "live" in the middle not on the edges of the party lines. In real estate they have forgotten to include professional brokers and agents in the mix when gathering information on how to improve the market. The first time homebuyer credit was a great idea for first time homebuyers. The problem is the sellers of these properties were either developers (condos, new homes) or current homeowners who had no incentive to purchase and many of them are renting. They are worried about the future of housing. I know for the party in power they are more concerned with the "little guy" but without the middle and upper level buyers in the real estate market the house of cards will fall. I am also concerned with the small business owners, especially the real estate agents. I had lunch with an agent two days ago who is looking for seasonal work to make ends meet. She is single and has lost 90% of her income and has no way to pay her office bills other than spending her savings. As a middle aged woman how will she ever recover from this. No unemployment or assistance for her. Make the credit good for buyers period. All sales are good sales. I am against capping income for this as it is the credit that gives the



incentive and we want sellers to become buyers. That is one thing they could do to sale the real estate market and the businesses that support it.

***Kris Robbs, Ewing and Clark, Mercer Island, WA***

In second home and high end luxury homes/condos in Las Vegas, the media continue to publish reports that Las Vegas already showing a 50% drop in home values through 2009 is now going to experience another 30% drop by June 2010. With this kind of baseless and reckless reporting it has become a self fulfilling prophecy and as a result we are experiencing home owners walking away from high end properties or buyers now canceling escrows for fear of buying too high. If such baseless reporting continues without consideration of true replacement cost of luxury homes and especially luxury high rise condos (many foreclosures are already below replacement cost of 50% or more per MGM CityCenter reports recently) then Las Vegas is headed into a town of potentially vacant high rise buildings, high crime and down a deflation path of home and condo values that has no end to it.

***Bruce Hiatt, Luxury Realty Group, Las Vegas, NV***

At this time, I simply remind you that the profile of the second home and luxury real estate buyer is typically an entrepreneurial individual, engaged in business and finance. Hence, government intervention, limits on executive salaries/bonuses, etc., etc., etc., are not at all compatible with promoting our marketplace.

***Anonymous***

The high end market in Colorado is swimming in inventory. As an example in The Colorado Springs Market there are currently 164 Homes on the market priced for \$1million or more, there have been 19 sales ytd at that price point. The stimulus affects have not hit this part of the market. Any assistance that can be rendered (expanding the \$8,000 credit) will help to reduce the huge glut that will only increase the potential for additional foreclosures.

***Kevin Patterson, The Patterson Group, Colorado Springs, CO***

Jumbo Loans: here in Denver, it is any loan over \$417K. I built a very good real estate business in the 'move up' and the luxury home sector until approximately 2 years ago. The frustration for me and my clients is that just about all have excellent jobs, assets, credit and yet the lenders don't give them any decent rates. I am talking about situations like wanting to purchase a \$2M home, putting 20 to 25% down, 800 credit scores, and some lenders will do maybe a 6% loan (until recently as high as 9%), while if they



worked at McDonald's, had \$3,000, they get the best rate. These clients are not stupid but usually astute business professionals and are insulted over these rates and the fact we the public have paid out over \$850 Billion to financial firms, and these companies really don't use the money to loan. I am old enough (63) to remember when banks and SLs would kill for clients like mine, but no more!

***George Nettles, Brokers Guild Cherry Creek Ltd., Denver, CO***

I'd recommend a concern about interest rates. These rates affect capitalization, job creation, return on investments and the future of, as Obama would say, "everyday folks" who given confidence in the economy invest and spend. It is that spending which ultimately trickles "up" to our market.

***Jim Kennedy, Buckley & Buckley, Bainbridge Island, WA***

My understanding was that the bank bailout was to assist the banks in making loans and getting the economy started again. In my marketplace it is very difficult to get loans of any kind, or, for that matter, an appraisal that is done by someone who is familiar with our market! This tends to cause great damage to the prospective borrower - the inaccuracies of poor appraisals. As a past appraiser (for 36 years), I recall a code of ethics that required an appraiser, unfamiliar with the market, to get assistance from a competent individual appraising in that market. This just doesn't happen now. We in Lake Tahoe are getting people from Sacramento and Reno who don't even know the issues imposed by the Tahoe Regional Planning Agency with respect to land coverage, stream environment zones, etc. Please help us address this very significant problem and get the wheels of a sound recovery turning again!

***Kurt Carlstedt, Chase International, Lake Tahoe, NV***

There are many people of \$\$\$ that do not get pay stubs but that do have income and excellent credit. These people now cannot get access to money via loans. This group of excellent credit little risk borrowers are left out. Without this group having access to mortgage financing \$\$\$ are not going to flow into any sector of the economy. This must be fixed.

***Anonymous***

It would be nice to see the \$8,000 tax credit, good for everyone first time homeowners, second owners, etc.

***Tiffany Lydon, Slifer Smith & Frampton Real Estate, Vail, CO***



You are probably already aware of the major issues we in the Real Estate industry are facing with the new administration, but there are several related issues that if we could get some clarification on or to have the Feds back off on their “line in the sand” attitude would be of great help:

- Restriction on re-finances, line of credits or new loans for property owners that own four properties or more
- Lenders still resistance to loan modifications on current loans, were the interest rates are far above the current interest rates
- Inability to obtain financing for Vacant Lane purchases

***Anonymous***

1st I'd like to tell Senator Cantwell the stimulus money they hand it over to the banks did not do the job was intended for it. I speak from clients contact we in the field know better than people sitting in their offices, they saved the Banks with that money, not the home owners. There will be more foreclosed homes the coming year, for high end real estate there are homes in the market new and used that will go down since the builders can't afford the construction loans and the Taxes. They should develop some kind of program for this type of real state, maybe 9 month deferred payments for builders to find a buyer, and tax relief until the home closes. They should have loan programs for self employed, they have been eliminated from the market because of their level of income, and last they should have again allowed rental income to be counted for the qualification of a mortgage.

***Fathi Judah, Koenig & Strey GMAC, Chicago, IL***

The news on the Real Estate market does very little to support the luxury/second home market and confidence building that is needed to support growth in this segment of the market. This buyer is influenced with the market news that pertains to the average home sales and growth. Is there anything we can do from Resort/Second home markets to help you in updating data to support the positive growth we continue to experience within the luxury/resort market?

***Brenda Wild, Chaffin Light, Aspen, CO***

1) What type of financing will be available to General Contractors for the secondary home market? When will the banks encourage building new homes again, will new construction financing and home loans for condominiums, townhomes, etc. be available anytime soon? Many of our General Contractors are going out of business because the



banks won't open their doors to any of these types of loans. GC's are filing bankruptcy and there is a shortage of new inventory in the 2nd home or resort environment.

2) When will there be incentives for homebuyers to purchase 2nd homes? Right now, banks are requiring 30% down or more, in addition to requirements that make buying a 2nd home prohibitive unless buyers come in with a substantial amount of cash. Some banks are requiring 10 – 20% in cash reserves ON TOP OF the required 20 – 30% down, to fund condos or townhomes that are nightly rentals or vacation/investment homes in the 2nd home market. What type of creative financing will congress provide in order for our communities to survive?

3) In our market, because of the dire banking situation, home lots have steadily increased in inventory. 3 years ago you could not find a vacant lot to build on. Today, there are a total of 132 lots to choose from \$150,000 to the millions. Guess how many have sold in the last year? A total of two. Inventory is not moving, because buyers cannot get financing, and builders cannot get construction financing in order to build homes as custom homes or for speculation in order to survive. When will there be any incentives provided to the working force in our country to stimulate the construction trades? Much of the unemployment in our communities is fueled by the downturn in construction.

4) A familiar story goes like this. In 2008, a large base area ski development receives financing for a project. The money loaned on the project was based on appraisals during the time that the project was sold from Developer to General Contractor, who purchased the development. One year later, the banks have called for the project to be re-appraised. The updated appraisal, based on the market, comes in substantially short from the original appraisal. Result: the bank will be calling the loan or the General Contractor must come up with additional cash funds to continue the project. The first phase has non-refundable deposits and buyers. This is a common story in many resort areas. Questions: How do we expect businesspeople to even consider taking on this type of risk? The banks are protecting their assets and are not even for a second "stimulating" the economy by extending any of the stimulus money that should be available to the public, or to businesspeople who have long standing relationships. I believe that the entire trillions of dollars that is being spent on this package is a complete waste of funds, and millions of people will be hurt by the decisions made in the current administration rather than help.

***Joy Rasmussen, Colorado Group Realty, Steamboat Springs, CO***

My only comment for the Senator with regards to real estate is that it would be greatly appreciated if the current administration can stop the assault on success. It's become



so unpopular to own higher-end property for fear of judgment or perceived excess that I do believe it's affecting resort markets significantly. Going after and punishing the Bernie Madoff's of the world if appreciated and expected but lumping anyone in who happens to own a luxury car or home in as one of the bad guys is grossly irresponsible. On top of that, it's terribly un-American, our country was built on the backs of those who pulled themselves up by their bootstraps to make a better life for themselves and their children. It's shameful to see they have now become the target of all of our Nation's woes.

***Randall Hannaway, Colorado Group Realty, Steamboat Springs, CO***

The issue of maintenance of luxury properties: I have several clients who due to the decline in the market, lost equity in their properties and no longer can sell them for what they paid for them. The current market does not support poorly maintained properties. A short sale currently takes months and months to close, the property continues to decline and the entire neighborhood is affected.

***Wendy Taylor, Deasy/Penner, Beverly Hills, CA***

The banks should release funds for financing in real estate; perhaps have a higher price down but the real estate business leads the economy; so many people work from it. Example: Construction, Plumbers, Electrical, Decorating, Kitchen appliances, Furniture, More Real estate possibly for children, Transfer Taxes, Painters, Carpets, New dishes, silver, table cloths - Real estate sales drives the economy and it is important that we give the financing to help the economy.

***Anonymous***

Offer a tax credit for all buyers, not just first time home buyers. This will full the market. Offer a tax credit/or incentives for Builders, so they can move their inventory without having to go into foreclosure or short sale and continue to stay in business. Offer the luxury consumer an incentive to purchase now! Available loans and tax incentive...

***Zana Dillard, Keller Williams Realty First, Atlanta, GA***